UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended May 1, 2009

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 £ No £

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

Large accelerated filer 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 May 29, 2009 was 35,892,142.

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

	Three Months Ended		Six Months Ended	
	May 1, 2009	May 2, 2008	May 1, 2009	May 2, 2008
Net sales	$ 499,852	$ 638,510	$ 840,024	$ 1,044,309
Cost of sales	338,627	410,744	560,539	667,406
Gross profit	161,225	227,766	279,485	376,903
Selling, general, and administrative expense	102,231	124,943	206,790	242,060
Earnings from operations	58,994	102,823	72,695	134,843
Interest expense	(4,420)	(5,419)	(8,778)	(10,302)
Other income (expense), net	1,483	(798)	2,293	900
Earnings before income taxes	56,057	96,606	66,210	125,441
Provision for income taxes	19,196	33,822	22,618	44,030
Net earnings	$ 36,861	$ 62,784	$ 43,592	$ 81,411
Basic net earnings per share of common stock	$ 1.01	$ 1.64	$ 1.20	$ 2.12
Diluted net earnings per share of common stock	$ 1.00	$ 1.60	$ 1.18	$ 2.07
Weighted-average number of shares of common stock outstanding – Basic	36,397	38,239	36,382	38,313
Weighted-average number of shares of common stock outstanding – Diluted	36,763	39,126	36,807	39,263

See accompanying notes to condensed consolidated financial statements.

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

	May 1, 2009	May 2, 2008	October 31, 2008
ASSETS			
Cash and cash equivalents	$ 29,673	$ 32,053	$ 99,359
Receivables, net	407,801	547,192	256,259
Inventories, net	215,775	265,428	207,084
Prepaid expenses and other current assets	16,405	13,698	27,491
Deferred income taxes	57,704	56,633	53,755
Total current assets	727,358	915,004	643,948
Property, plant, and equipment	532,950	599,189	518,536
Less accumulated depreciation	367,386	426,986	349,669
	165,564	172,203	168,867
Deferred income taxes	6,470	6,508	6,476
Other assets	7,486	7,953	7,949
Goodwill	86,390	86,097	86,192
Other intangible assets, net	18,076	16,122	18,828
Total assets	$ 1,011,344	$ 1,203,887	$ 932,260
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current portion of long-term debt	$ 3,377	$ 2,341	$ 3,276
Short-term debt	32,900	151,500	2,326
Accounts payable	98,592	117,425	92,997
Accrued liabilities	238,922	275,911	225,852
Total current liabilities	373,791	547,177	324,451
Long-term debt, less current portion	225,909	227,753	227,515
Deferred revenue	8,755	10,264	9,363
Other long-term liabilities	6,256	6,549	6,256
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 35,892,142 shares as of May 1, 2009, 37,364,763 shares as of May 2, 2008, and 35,484,766 shares as of October 31, 2008	35,892	37,365	35,485
Retained earnings	374,333	374,335	337,734
Accumulated other comprehensive (loss) income	(13,592)	444	(8,544)
Total stockholders' equity	396,633	412,144	364,675
Total liabilities and stockholders' equity	$ 1,011,344	$ 1,203,887	$ 932,260

See accompanying notes to condensed consolidated financial statements.

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

	Six Months Ended	
	May 1, 2009	May 2, 2008
Cash flows from operating activities:		
Net earnings	$ 43,592	$ 81,411
Adjustments to reconcile net earnings to net cash used in operating activities:		
Equity losses from investments	38	324
Provision for depreciation and amortization	21,576	21,836
Gain on disposal of property, plant, and equipment	(13)	(81)
Gain on sale of a business	-	(113)
Stock-based compensation expense	2,084	3,281
Decrease (increase) in deferred income taxes	187	(1,463)
Changes in operating assets and liabilities:		
Receivables, net	(150,379)	(260,988)
Inventories, net	(7,382)	(13,920)
Prepaid expenses and other assets	(3,207)	(2,870)
Accounts payable, accrued liabilities, deferred revenue, and other long-term liabilities	20,639	61,291
Net cash used in operating activities	(72,865)	(111,292)
Cash flows from investing activities:		
Purchases of property, plant, and equipment	(17,366)	(22,479)
Proceeds from asset disposals	75	871
Increase in investment in affiliates	-	(250)
Increase in other assets	(320)	(279)
Proceeds from sale of a business	-	1,048
Acquisition, net of cash acquired	-	(1,000)
Net cash used in investing activities	(17,611)	(22,089)
Cash flows from financing activities:		
Increase in short-term debt	30,209	151,128
Repayments of long-term debt, net of costs	(1,477)	(750)
Excess tax benefits from stock-based awards	3,293	339
Proceeds from exercise of stock-based awards	3,759	1,718
Purchases of Toro common stock	(4,803)	(36,906)
Dividends paid on Toro common stock	(10,919)	(11,478)
Net cash provided by financing activities	20,062	104,051
Effect of exchange rate changes on cash	728	(664)
Net decrease in cash and cash equivalents	(69,686)	(29,994)
Cash and cash equivalents as of the beginning of the fiscal period	99,359	62,047
Cash and cash equivalents as of the end of the fiscal period	$ 29,673	$ 32,053

See accompanying notes to condensed consolidated financial statements.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and do not include all the information and notes required by accounting principles generally accepted in the United States of America for complete financial statements. Unless the context indicates otherwise, the terms “company” and “Toro” refer to The Toro Company and its subsidiaries. In the opinion of management, the unaudited condensed consolidated financial statements include all adjustments, consisting primarily of recurring accruals, considered necessary for a fair presentation of the financial position and results of operations. Certain amounts from prior periods’ financial statements have been reclassified to conform to this period’s presentation. Since the company’s business is seasonal, operating results for the six months ended May 1, 2009 cannot be annualized to determine the expected results for the fiscal year ending October 31, 2009. Additional factors that could cause our actual results to differ materially from our expected results, including any forward-looking statements made in this report, are described in our most recently filed Annual Report on Form 10-K (Item 1A) and later in this report under Item 2, Management’s Discussion and Analysis of Financial Condition and Results of Operations– Forward-Looking Information.

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

For further information, refer to the consolidated financial statements and notes included in the company’s Annual Report on Form 10-K for the fiscal year ended October 31, 2008. The policies described in that report are used for preparing quarterly reports.

Accounting Policies

In preparing the consolidated financial statements in conformity with U.S. generally accepted accounting principles, management must make decisions that impact the reported amounts 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 reserves, allowance for doubtful accounts, pension and postretirement 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. We adjust such estimates and assumptions when facts and circumstances dictate. A number of these factors are discussed in our Annual Report on Form 10-K (Item 1A. Risk Factors) for the fiscal year ended October 31, 2008, which include, among others, the continued recessionary economic conditions, tight credit markets, unfavorable foreign currency exchange rate changes, higher commodity costs, and a decline in consumer spending and confidence, all of which have combined to 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 prepared. Changes in those estimates resulting from continuing changes in the economic environment will be reflected in the financial statements in future periods. Note 1 to the consolidated financial statements in the company’s most recent Annual Report on Form 10-K provides a summary of the significant accounting policies followed in the preparation of the financial statements. Other notes to the consolidated financial statements in the company’s Annual Report on Form 10-K describe various elements of the financial statements and the assumptions made in determining specific amounts.

Comprehensive Income

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

(Dollars in thousands)	Three Months Ended May 1, 2009	Three Months Ended May 2, 2008	Six Months Ended May 1, 2009	Six Months Ended May 2, 2008
Net earnings	$ 36,861	$ 62,784	$ 43,592	$ 81,411
Other comprehensive income (loss):				
Cumulative translation adjustments	3,481	3,052	1,725	1,128
Pension liability adjustment, net of tax	-	-	-	175
Unrealized (loss) gain on derivative instruments, net of tax	(3,626)	779	(6,773)	2,038
Comprehensive income	$ 36,716	$ 66,615	$ 38,544	$ 84,752

Stock-Based Compensation

The company accounts for stock-based compensation awards in accordance with the provisions of Statement of Financial Accounting Standards (SFAS) No. 123 (Revised 2004), "Share-Based Payment." Option awards are granted with an exercise price equal to the closing price of the company's common stock on the date of grant, as reported by the New York Stock Exchange. Options are generally granted to directors, officers, and other key employees in the first quarter of the company's fiscal year. For all options granted during the first quarter of fiscal 2009, the options vest one-third each year over a three-year period and have a ten-year term. Compensation expense equal to the grant date fair value is 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 Toro Company 2000 Stock Option 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. The company also generally issues performance share awards to officers and other key employees in the first quarter of the company's fiscal year. The company determines the fair value of these performance share awards as of the date of grant and recognizes the expense over the three-year vesting period. Total compensation expense for option and performance share awards for the second quarter of fiscal 2009 and 2008 was $1.2 million and $1.4 million, respectively. Year-to-date compensation expense for option and performance share awards through the second quarter of fiscal 2009 and 2008 was $2.1 million and $3.3 million, respectively.

The fair value of each share-based option is estimated on the date of grant using a Black-Scholes valuation method that uses the assumptions noted in the table below. The expected life is a significant assumption as it determines the period for which the risk-free interest rate, volatility, and dividend yield must be applied. The expected life is the average length of time over which the employee groups are expected to exercise their options, which is based on historical experience with similar grants. Separate groups of employees that have similar historical exercise behavior are considered separately for valuation purposes. Expected volatilities are based on the movement of the company's common stock over the most recent historical period equivalent to the expected life of the option. The risk-free interest rate for periods within the contractual life of the option is based on the U.S. Treasury rate over the expected life at the time of grant. Dividend yield is estimated over the expected life based on the company's dividend policy, historical dividends paid, expected 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 2009	Fiscal 2008
Expected life of option in years	6	3 – 6.5
Expected volatility	30.57% - 30.60%	24.84% - 25.75%
Weighted-average volatility	30.60%	25.26%
Risk-free interest rate	2.26% - 3.155%	3.10% - 4.08%
Expected dividend yield	1.53%- 1.81%	0.92%- 0.95%
Weighted-average dividend yield	1.79%	0.94%

The weighted-average fair value of options granted during the first quarter of fiscal 2009 and 2008 was $7.93 per share and $13.90 per share, respectively. The fair value of performance share awards granted during the first quarter of fiscal 2009 and 2008 was $28.62 per share and $58.96 per share, respectively. No option or performance share awards were granted during the second quarters of fiscal 2009 or fiscal 2008.

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)	May 1, 2009	May 2, 2008	October 31, 2008
Raw materials and work in process	$ 61,807	$ 66,220	$ 63,268
Finished goods and service parts	204,270	242,097	194,118
Total FIFO value	266,077	308,317	257,386
Less: adjustment to LIFO value	50,302	42,889	50,302
Total	$ 215,775	$ 265,428	$ 207,084

Per Share Data

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

	Three Months Ended		Six Months Ended	
(Shares in thousands)	May 1, 2009	May 2, 2008	May 1, 2009	May 2, 2008
Basic				
Weighted-average number of shares of common stock	36,397	38,239	36,374	38,301
Assumed issuance of contingent shares	-	-	8	12
Weighted-average number of shares of common stock and assumed issuance of contingent shares	36,397	38,239	36,382	38,313
Diluted				
Weighted-average number of shares of common stock and assumed issuance of contingent shares	36,397	38,239	36,382	38,313
Effect of dilutive securities	366	887	425	950
Weighted-average number of shares of common stock, assumed issuance of contingent shares, and effect of dilutive securities	36,763	39,126	36,807	39,263

Options to purchase an aggregate of 1,853,681 and 715,135 shares of common stock outstanding during the second quarter of fiscal 2009 and 2008, respectively, were excluded from the diluted net earnings per share calculation because their exercise prices were greater than the average market price of the company's common stock during the same respective periods. Options to purchase an aggregate of 1,853,681 and 164,940 shares of common stock outstanding during the year-to-date periods through the second quarter of fiscal 2009 and 2008, 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 six months of fiscal 2009 were as follows:

(Dollars in thousands)	Professional Segment	Residential Segment	Total
Balance as of October 31, 2008	$ 75,456	$ 10,736	$ 86,192
Translation adjustment	67	131	198
Balance as of May 1, 2009	$ 75,523	$ 10,867	$ 86,390

Other Intangible Assets

The components of other amortizable intangible assets were as follows:

(Dollars in thousands) May 1, 2009	Estimated Life (Years)	Gross Carrying Amount	Accumulated Amortization	Net
Patents	5-13	$ 7,653	$ (6,550)	$ 1,103
Non-compete agreements	2-10	2,438	(1,351)	1,087
Customer related	10-13	6,234	(1,148)	5,086
Developed technology	2-10	7,868	(2,646)	5,222
Other		800	(800)	—
Total amortizable		24,993	(12,495)	12,498
Non-amortizable - Trade names		5,578	—	5,578
Total other intangible assets, net		$ 30,571	$ (12,495)	$ 18,076

(Dollars in thousands) October 31, 2008	Estimated Life (Years)	Gross Carrying Amount	Accumulated Amortization	Net
Patents	5-13	$ 7,653	$ (6,320)	$ 1,333
Non-compete agreements	2-10	2,439	(1,180)	1,259
Customer related	10-13	6,327	(928)	5,399
Developed technology	2-10	7,586	(2,327)	5,259
Other		800	(800)	—
Total amortizable		24,805	(11,555)	13,250
Non-amortizable - Trade names		5,578	—	5,578
Total other intangible assets, net		$ 30,383	$ (11,555)	$ 18,828

Amortization expense for intangible assets during the first six months of fiscal 2009 was $1.0 million. Estimated amortization expense for the remainder of fiscal 2009 and succeeding fiscal years is as follows: fiscal 2009 (remainder), $0.9 million; fiscal 2010, $1.7 million; fiscal 2011, $1.7 million; fiscal 2012, $1.6 million; fiscal 2013, $1.5 million; fiscal 2014; $1.1 million; and after fiscal 2014, $4.0 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. Company-owned domestic distributorships, which consists of our distribution segment, has been combined with our corporate activities, financing functions, 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 May 1, 2009	Professional	Residential	Other	Total
Net sales	$ 310,377	$ 183,557	$ 5,918	$ 499,852
Intersegment gross sales	7,971	1,120	(9,091)	-
Earnings (loss) before income taxes	56,859	16,581	(17,383)	56,057

Three months ended May 2, 2008	Professional	Residential	Other	Total
Net sales	$ 438,650	$ 192,549	$ 7,311	$ 638,510
Intersegment gross sales	11,117	2,538	(13,655)	-
Earnings (loss) before income taxes	96,907	20,782	(21,083)	96,606

Six months ended May 1, 2009	Professional	Residential	Other	Total
Net sales	$ 539,746	$ 290,581	$ 9,697	$ 840,024
Intersegment gross sales	10,942	889	(11,831)	-
Earnings (loss) before income taxes	86,988	21,421	(42,199)	66,210
Total assets	526,061	243,224	242,059	1,011,344

Six months ended May 2, 2008	Professional	Residential	Other	Total
Net sales	$ 733,697	$ 298,874	$ 11,738	$ 1,044,309
Intersegment gross sales	15,961	4,454	(20,415)	-
Earnings (loss) before income taxes	148,460	24,563	(47,582)	125,441
Total assets	648,050	295,342	260,495	1,203,887

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

	Three Months Ended		Six Months Ended	
(Dollars in thousands)	May 1, 2009	May 2, 2008	May 1, 2009	May 2, 2008
Corporate expenses	$ (17,437)	$ (19,396)	$ (39,813)	$ (43,889)
Finance charge revenue	343	239	521	606
Elimination of corporate financing expense	2,040	3,048	3,573	5,250
Interest expense, net	(4,420)	(5,419)	(8,778)	(10,302)
Other	2,091	445	2,298	753
Total	$ (17,383)	$ (21,083)	$ (42,199)	$ (47,582)

Warranty Guarantees

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

Warranty provisions, claims, and changes in estimates for the first six-month periods in fiscal 2009 and 2008 were as follows:

(Dollars in thousands) Six Months Ended	Beginning Balance	Warranty Provisions	Warranty Claims	Changes in Estimates	Ending Balance
May 1, 2009	$ 58,770	$ 18,611	$ (15,487)	$ 1,138	$ 63,032
May 2, 2008	$ 62,030	$ 24,497	$ (16,934)	$ (32)	$ 69,561

Postretirement Benefit and Deferred Compensation Plans

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

(Dollars in thousands)	Three Months Ended May 1, 2009	Three Months Ended May 2, 2008	Six Months Ended May 1, 2009	Six Months Ended May 2, 2008
Service cost	$ 54	$ 90	$ 108	$ 179
Interest cost	175	128	350	257
Prior service cost	(48)	(48)	(96)	(96)
Amortization of losses	48	53	96	106
Net expense	$ 229	$ 223	$ 458	$ 446

As of May 1, 2009, the company had contributed approximately $0.2 million to its postretirement medical and dental benefit plan in fiscal 2009. The company presently expects to contribute a total of $0.4 million in fiscal 2009, including contributions made through May 1, 2009.

The company maintains The Toro Company Investment, Savings and Employee Stock Ownership Plan for eligible employees. The company's expenses under this plan were $3.8 million and $7.6 million for the second quarter and year-to-date periods in fiscal 2009, respectively, and $3.8 million and $8.2 million for the second quarter and year-to-date periods in fiscal 2008, 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 May 1, 2009 was $13.5 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 2005 and with limited exceptions, state and foreign income tax examinations for fiscal years before 2004. The Internal Revenue Service is currently examining the company's income tax returns for the 2006 and 2007 fiscal years. 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 May 1, 2009. Although the outcome of this examination cannot currently be determined, the company believes adequate provisions have been made for any potential unfavorable financial statement impact.

As of May 1, 2009 and May 2, 2008, the company had $5.5 million of liabilities recorded related to unrecognized tax benefits. Accrued interest and penalties on these unrecognized tax benefits was $0.9 million as of May 1, 2009 and May 2, 2008. The company recognizes potential accrued interest and penalties related to unrecognized tax benefits 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 other long-term liabilities as of May 1, 2009 was approximately $3.0 million of unrecognized tax benefits that, if recognized, will affect the company's effective tax rate.

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

Derivative Instruments and Hedging Activities

In March 2008, the Financial Accounting Standards Board (FASB) issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133." SFAS No. 161 amends and expands the disclosure requirements of SFAS No. 133 with the intent to provide users of financial statements with an enhanced understanding of: (i) how and why an entity uses derivative instruments; (ii) how derivative instruments and related hedged items are accounted for under SFAS No. 133 and its related interpretations; and (iii) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. The company adopted the disclosure requirements of this statement beginning in its first fiscal quarter ended January 30, 2009.

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 is not to 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. SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" requires companies to recognize all derivative instruments as either assets or liabilities at fair value in the statement of financial position. The company formally documents all relationships between 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. In accordance with SFAS No. 133, for derivative instruments that are designated and qualify as a cash flow hedge, all changes in fair values of outstanding cash flow hedge derivatives, except the ineffective portion, are recorded in other comprehensive income, 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 comprehensive income (AOCI) 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 other comprehensive income will be 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 three and six month periods of fiscal 2009, there were no gains or losses on contracts reclassified into earnings as a result of the discontinuance of cash flow hedges. As of May 1, 2009, the notional amount outstanding of forward contracts designated as cash flow hedges was $49.7 million.

Derivatives not designated as hedging instruments under SFAS No. 133. 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 under SFAS No. 133. 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.

(Dollars in thousands)	Asset Derivatives May 1, 2009 Balance Sheet Location	Asset Derivatives May 1, 2009 Fair Value	Asset Derivatives May 2, 2008 Balance Sheet Location	Asset Derivatives May 2, 2008 Fair Value	Liability Derivatives May 1, 2009 Balance Sheet Location	Liability Derivatives May 1, 2009 Fair Value	Liability Derivatives May 2, 2008 Balance Sheet Location	Liability Derivatives May 2, 2008 Fair Value
Derivatives Designated as Hedging Instruments								
Foreign exchange contracts	Prepaid expenses	$1,245	Prepaid expenses	$-	Accrued liabilities	$-	Accrued liabilities	$2,206
Derivatives Not Designated as Hedging Instruments								
Foreign exchange contracts	Prepaid expenses	$3,285	Prepaid expenses	-	Accrued liabilities	-	Accrued liabilities	2,497
Total Derivatives		$4,530		$-		$-		$4,703

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 under SFAS No. 133 for the three and six months ended May 1, 2009 and May 2, 2008, respectively.

(Dollars in thousands)	Gain (Loss) Recognized in OCI on Derivatives (Effective Portion) May 1, 2009	Gain (Loss) Recognized in OCI on Derivatives (Effective Portion) May 2, 2008	Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Gain (Loss) Reclassified from AOCI into Income (Effective Portion) May 1, 2009	Gain (Loss) Reclassified from AOCI into Income (Effective Portion) May 2, 2008	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) May 1, 2009	Gain (Loss) Recognized in Income on Derivatives (Ineffective Portion and Excluded from Effectiveness Testing) May 2, 2008
For the three months ended								
Foreign exchange contracts	$(1,071)	$3,253	Net sales	$5,655	$(3,863)	Other income, net	$729	$(233)
Foreign exchange contracts	380	(281)	Cost of sales	(1,336)	113			
Total	$(691)	$2,972		$4,319	$(3,750)			
For the six months ended	May 1, 2009	May 2, 2008		May 1, 2009	May 2, 2008		May 1, 2009	May 2, 2008
Foreign exchange contracts	$(1,061)	$3,850	Net sales	$8,396	$(5,803)	Other income, net	$(499)	$99
Foreign exchange contracts	1,687	(246)	Cost of sales	(2,246)	163			
Total	$626	$3,604		$6,150	$(5,640)			

As of May 1, 2009, the company anticipates to reclassify approximately $1.8 million of gains from AOCI to earnings during the next twelve 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 under SFAS No. 133.

(Dollars in thousands)	Location of Gain (Loss) Recognized in Net Earnings	Gain (Loss) Recognized in Net Earnings Three Months Ended May 1, 2009	Three Months Ended May 2, 2008	Six Months Ended May 1, 2009	Six Months Ended May 2, 2008
Foreign exchange contracts	Other income, net	$(947)	$(5,059)	$2,782	$(5,086)

Fair Value Measurements

In September 2006, the FASB issued SFAS No. 157 "Fair Value Measurements." SFAS No. 157 introduces a framework for measuring fair value and expands required disclosures about fair value measurements of assets and liabilities. The company adopted the standard for financial assets and liabilities and nonfinancial assets and liabilities measured at fair value on a recurring basis as of November 1, 2008, and there was no financial statement impact resulting from the adoption. We will adopt the provisions of SFAS No. 157 for nonfinancial assets and liabilities that are not required or permitted to be measured on a recurring basis during the first quarter of fiscal 2010, as required.

SFAS No. 157 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. SFAS No. 157 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 — 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; quoted prices 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 that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The company utilizes the income approach to measure the fair value of its foreign currency contracts. The income approach uses significant other observable inputs to value derivative instruments that hedge foreign currency transactions.

Assets and liabilities measured at fair value on a recurring basis, as of May 1, 2009, are summarized below:

(Dollars in thousands)	Level 1	Level 2	Level 3	Total
Foreign exchange contracts, net	-	$ 4,530	-	$ 4,530
Total	-	$ 4,530	-	$ 4,530

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 infringement of the company's patents by others, the company periodically reviews competitors' products. To avoid potential liability with respect to others' patents, the company 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 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 with prejudice; (ii) dismissed all non-Illinois state-law claims without prejudice and with instructions that such claims must be filed in local courts; and (iii) rejected the proposed settlement with MTD. The proposed Honda settlement was not under consideration by the court and was not addressed in the memorandum and order. 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.

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 for 120 days so that the parties could explore mediation. Formal mediation proceedings commenced and on May 28, 2009, the Court extended the litigation stay to August 28, 2009, and re-scheduled the status conference to September 2009. To date, more than 65 lawsuits have been filed in various federal and state courts, which collectively assert claims under the laws of approximately 50 jurisdictions.

Management continues to evaluate these lawsuits and is unable to reasonably estimate the likelihood of loss or the amount or range of potential loss that could result from the litigation. Therefore, no accrual has been established for potential loss in connection with these lawsuits. Management is also unable to assess at this time whether these lawsuits will have a material adverse effect on the company's annual consolidated operating results or financial condition, although an unfavorable resolution could be material to the company's consolidated operating results for a particular period.

Textron Innovations Inc. v. The Toro Company; The Toro Company v. Textron Inc. and Jacobsen. In July 2005, Textron Innovations Inc., the patent holding company of Textron, Inc., filed a lawsuit in Delaware Federal District Court against the company for patent infringement. Textron alleges that the company willfully infringed certain claims of three Textron patents by selling its Groundsmaster® commercial mowers. Textron seeks damages for the company's past sales and an injunction against future infringement. In August and November 2005, management answered the complaint, asserting defenses and counterclaims of non-infringement, invalidity, and equitable estoppel. Following the Court's order in October 2006 construing the claims of Textron's patents, discovery in the case was closed in February 2007. In March 2007, following unsuccessful attempts to mediate the case, management filed with the USPTO to have Textron's patents reexamined. The reexamination proceedings are pending in the USPTO, and all of the claims asserted against the company in all three patents stand rejected. In April 2007, the Court granted the company's motion to stay the litigation and, in June 2007, denied Textron's motion for reconsideration of the Court's order staying the proceedings.

Management continues to evaluate these lawsuits and is unable to reasonably estimate the likelihood of loss or the amount or range of potential loss that could result from the litigation. Therefore, no accrual has been established for potential loss in connection with these lawsuits. While management does not believe that these lawsuits will have a material adverse effect on the company's consolidated financial condition, an unfavorable resolution could be material to the company's consolidated operating results.

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

Nature of Operations

The Toro Company is in the business of designing, manufacturing, and marketing professional turf maintenance equipment and services, turf and agricultural micro-irrigation systems, landscaping equipment, and residential yard and irrigation products worldwide. We sell our products through a network of distributors, dealers, hardware retailers, home centers, mass retailers, and over the Internet. Our businesses are organized into three reportable business segments: professional, residential, and distribution. A company-owned distributorship, which consists of our distribution segment, has been combined with our corporate activities and financing functions. 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 continue to be, attributable to new and enhanced products.

The Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) for the second quarter of fiscal 2009 should be read in conjunction with the MD&A included in our Annual Report on Form 10-K (Item 7) for the fiscal year ended October 31, 2008.

RESULTS OF OPERATIONS

Overview

For the second quarter of fiscal 2009, our net sales were down 21.7 percent compared to the second quarter of fiscal 2008. Year-to-date net sales were also down by 19.6 percent compared to the same period last fiscal year. Shipments of most professional segment products were significantly down due to decreased demand and customers' reluctance to place stocking orders largely as a consequence of the global recessionary conditions, which also resulted in lower field inventory levels for our domestic businesses. Residential segment net sales were also down by 4.7 percent and 2.8 percent for the second quarter and year-to-date periods of fiscal 2009, respectively, compared to the same periods in the prior fiscal year due mainly to a decline in shipments of riding products, which was somewhat offset by an increase in sales of walk power mowers as a result of additional product placement at a key retailer for a new and broader line of walk power mowers. International net sales declined 24.8 percent and 21.6 percent for the second quarter and year-to-date periods of fiscal 2009, respectively, from the same periods in the prior fiscal year, due also to reduced demand as a result of the recessionary conditions affecting our key international markets, as well as a stronger U.S. dollar that negatively impacted net sales by approximately $12 million and $24 million for the second quarter and year-to-date periods of fiscal 2009, respectively. Our net earnings declined 41.3 percent and 46.5 percent for the second quarter and year-to-date periods of fiscal 2009 to $36.9 million and $43.6 million, respectively, compared to the same periods in the prior fiscal year. These decreases were primarily the result of lower sales volumes and lower gross margin due to higher commodity costs, production cuts, and unfavorable product mix in the second quarter and year-to-date periods of fiscal 2009 compared to the same periods last fiscal year.

During this difficult economic environment, we have been reducing expenses and continuing efforts to reduce working capital. As a result of these actions, our selling, general, and administrative (SG&A) expenses were down $22.7 million and $35.3 million for the second quarter and year-to-date periods of fiscal 2009, respectively, compared to the same periods in the prior fiscal year. In February 2009, we announced the reduction of our worldwide salaried and office workforce by approximately 100 employees, suspension of regularly scheduled salary increases, a reduction of officers' salaries, changes in our vacation policy, and four furlough days – all for the remainder of fiscal 2009. Our inventory levels also decreased 18.7 percent for the second quarter of fiscal 2009 compared to the second quarter of fiscal 2008, which also contributed to a decline in short-term debt of $118.6 million as of the end of the second quarter of fiscal 2009 compared to the end of the second quarter of fiscal 2008. We declared a cash dividend of $0.15 per share during the second quarter of fiscal 2009, which was equivalent to the cash dividend we declared in the first quarter of fiscal 2009 and each quarter of fiscal 2008.

We expect the global economic slow-down to continue for at least the remainder of our fiscal year and to continue to have a negative impact on our financial results for fiscal 2009. However, we believe we are well positioned to manage through this challenging environment because of the actions we have taken to improve operating efficiency and asset utilization, as well as reducing expenses. Our continued focus is on generating customer demand and aggressively driving retail sales for our innovative products, while keeping production closely aligned with expected shipment volumes. We will continue to keep a cautionary eye on the global economies, 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 second quarter of fiscal 2009 were $36.9 million, or $1.00 per diluted share, compared to $62.8 million, or $1.60 per diluted share, for the second quarter of fiscal 2008, net earnings per diluted share decrease of 37.5 percent. Year-to-date net earnings in fiscal 2009 were $43.6 million, or $1.18 per diluted share, compared to $81.4 million, or $2.07 per diluted share, last fiscal year, net earnings per diluted share decrease of 43.0 percent. The primary factors contributing to these declines were lower sales volumes and a decline in gross profit, somewhat offset by a decrease in SG&A expense and a lower effective tax rate.

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

	Three Months Ended		Six Months Ended	
	May 1, 2009	May 2, 2008	May 1, 2009	May 2, 2008
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	(67.7)	(64.3)	(66.7)	(63.9)
Gross profit	32.3	35.7	33.3	36.1
Selling, general, and administrative expense	(20.5)	(19.6)	(24.6)	(23.2)
Interest expense	(0.9)	(0.8)	(1.0)	(1.0)
Other income (expense), net	0.3	(0.2)	0.2	0.1
Provision for income taxes	(3.8)	(5.3)	(2.7)	(4.2)
Net earnings	7.4%	9.8%	5.2%	7.8%

Net Sales

Worldwide consolidated net sales for the second quarter and year-to-date periods of fiscal 2009 were down 21.7 percent and 19.6 percent, respectively, from the same periods in the prior fiscal year. Worldwide professional segment net sales were down 29.2 percent and 26.4 percent for the second quarter and year-to-date periods of fiscal 2009, respectively, compared to the same period in the prior fiscal year as shipments for most product categories were hampered by decreased demand largely resulting from the global economic recession. Worldwide sales of golf maintenance equipment and irrigation systems were down significantly, as were sales of professionally installed residential/commercial irrigation products and landscape contractor equipment. Residential segment net sales also decreased by 4.7 percent and 2.8 percent for the second quarter and year-to-date periods of fiscal 2009, respectively, compared to the same periods in fiscal 2008 due mainly to a decline in worldwide shipments and decreased demand for riding products. Somewhat offsetting these declines were an increase in sales of walk power mowers as a result of additional product placement at a key retailer for a new and broader line of walk power mowers, as well as strong demand for snow thrower products in North America as a result of heavy snow falls during the winter season of 2008/2009 for the year-to-date comparison. International net sales for the second quarter and year-to-date periods of fiscal 2009 were down 24.8 percent and 21.6 percent, respectively, from the same periods in the prior fiscal year due also to reduced demand as a result of the recessionary conditions affecting our key international markets, as well as a stronger U.S. dollar compared to other currencies in which we transact business that accounted for approximately $12 million and $24 million of our net sales decline for the second quarter and year-to-date periods of fiscal 2009, respectively.

Gross Profit

As a percentage of net sales, gross profit for the second quarter of fiscal 2009 decreased to 32.3 percent compared to 35.7 percent in the second quarter of fiscal 2008. Gross profit as a percent of net sales for the year-to-date period of fiscal 2009 also decreased to 33.3 percent compared to 36.1 percent for year-to-date period of fiscal 2008. These declines were due to the following factors: (i) higher average commodity costs; (ii) increased manufacturing costs from lower plant utilization as we cut production due to a decline in sales volumes, combined with efforts to lower inventory levels; (iii) lower sales of our higher-margin products; and (iv) a stronger U.S. dollar compared to other currencies in which we transact business, in each case in the second quarter and year-to-date periods of fiscal 2009 compared to the same periods in the prior fiscal year. Somewhat offsetting those negative factors were price increases introduced on most products and a decrease in freight expense.

Selling, General, and Administrative Expense

Selling, general, and administrative expense decreased $22.7 million, or 18.2 percent, for the second quarter of fiscal 2009 compared to the second quarter of fiscal 2008. SG&A expense decreased $35.3 million, or 14.6 percent for the year-to-date period of fiscal 2009 compared to the year-to-date period of fiscal 2008. SG&A expense as a percentage of net sales for the second quarter and year-to-date periods of fiscal 2009 increased to 20.5 percent and 24.6 percent, respectively, compared to 19.6 percent and 23.2 percent for the second quarter and year-to-date periods of fiscal 2008, respectively, due to fixed SG&A costs spread over lower sales volumes. The decline in SG&A expense was primarily attributable to overall reduced spending in response to the continuing worldwide recessionary economic conditions, as well as lower profit sharing and incentive compensation expense of $1.8 million and $5.5 million for the second quarter and year-to-date periods of fiscal 2009, respectively, compared to the same periods in the prior fiscal year. Somewhat offsetting those declines were increased costs incurred for workforce reductions of $2.1 million and higher bad debt expense of $1.3 million, mainly for the year-to-date comparison.

Interest Expense

Interest expense for the second quarter and year-to-date periods of fiscal 2009 was down 18.4 percent and 14.8 percent, respectively, compared to the same periods in the prior fiscal year as a result of lower average short-term debt levels and a decline in average interest rates.

Other Income (Expense), Net

Other income, net for the second quarter and year-to-date periods of fiscal 2009 increased $2.3 million and $1.4 million, respectively, compared to the same periods in the prior fiscal year. These increases were due to foreign currency exchange rate gains this year compared to foreign currency exchange rate losses last year, somewhat offset by a decline in financing charge revenue and lower interest income.

Provision for Income Taxes

The effective tax rate for the second quarter of fiscal 2009 was 34.2 percent compared to 35.0 percent for the second quarter of fiscal 2008. The effective tax rate for the year-to-date period of fiscal 2009 was 34.2 percent compared to 35.1 percent for the same period in the prior fiscal year. The decrease in the effective tax rate was primarily the result of the reinstatement of the domestic research tax credit and the tax impact of foreign currency exchange rate fluctuations, somewhat offset by a valuation allowance for foreign net operating losses and prior years' provision adjustments of $0.6 million.

BUSINESS SEGMENTS

As described previously, we operate in three reportable business segments: professional, residential, and distribution. Company-owned domestic distributorships, which consists of our distribution segment, has been combined with our corporate activities and financing functions 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, including corporate financing activities, other income, net, and interest expense.

The following table summarizes net sales by segment:

(Dollars in thousands)	Three Months Ended May 1, 2009	Three Months Ended May 2, 2008	$ Change	% Change
Professional	$ 310,377	$ 438,650	$ (128,273)	(29.2)%
Residential	183,557	192,549	(8,992)	(4.7)
Other	5,918	7,311	(1,393)	(19.1)
Total *	$ 499,852	$ 638,510	$ (138,658)	(21.7)%
* Includes international sales of:	$ 148,756	$ 197,770	$ (49,014)	(24.8)%

(Dollars in thousands)	Six Months Ended May 1, 2009	Six Months Ended May 2, 2008	$ Change	% Change
Professional	$ 539,746	$ 733,697	$ (193,951)	(26.4)%
Residential	290,581	298,874	(8,293)	(2.8)
Other	9,697	11,738	(2,041)	(17.4)
Total *	$ 840,024	$ 1,044,309	$ (204,285)	(19.6)%
* Includes international sales of:	$ 279,147	$ 356,227	$ (77,080)	(21.6)%

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

(Dollars in thousands)	Three Months Ended May 1, 2009	Three Months Ended May 2, 2008	$ Change	% Change
Professional	$ 56,859	$ 96,907	$ (40,048)	(41.3)%
Residential	16,581	20,782	(4,201)	(20.2)
Other	(17,383)	(21,083)	3,700	17.5
Total	$ 56,057	$ 96,606	$ (40,549)	(42.0)%

(Dollars in thousands)	Six Months Ended May 1, 2009	Six Months Ended May 2, 2008	$ Change	% Change
Professional	$ 86,988	$ 148,460	$ (61,472)	(41.4)%
Residential	21,421	24,563	(3,142)	(12.8)
Other	(42,199)	(47,582)	5,383	11.3
Total	$ 66,210	$ 125,441	$ (59,231)	(47.2)%

Professional

Net Sales. Worldwide net sales for the professional segment in the second quarter and year-to-date periods of fiscal 2009 were down 29.2 percent and 26.4 percent, respectively, compared to the same periods last fiscal year. Shipments declined for most domestic and international product categories due to decreased demand and customers' reluctance to place stocking orders as a result of the continued worldwide recessionary economic conditions, which also resulted in lower field inventory levels for our domestic businesses. Worldwide sales of golf maintenance equipment and irrigation systems were significantly down as customers delayed investments in new equipment at existing golf courses and new golf course construction slowed. In addition, sales of professionally installed residential/commercial irrigation systems were down due to decreased demand largely as a result of ongoing weakness in the housing and commercial construction markets. Sales of landscape contractor equipment were also down due to the recessionary economic conditions, but were somewhat offset by positive customer response to new product introductions.

Operating Earnings. Operating earnings for the professional segment in the second quarter and year-to-date periods of fiscal 2009 decreased 41.3 percent and 41.4 percent, respectively, compared to the same periods last fiscal year. Expressed as a percentage of net sales, professional segment operating margin decreased to 18.3 percent compared to 22.1 percent in the second quarter of fiscal 2008, and the fiscal 2009 year-to-date professional segment operating margin decreased to 16.1 percent compared to 20.2 percent from the same period last fiscal year. These profit declines were primarily attributable to lower gross margins due to the same factors discussed previously in the Gross Profit section. Higher SG&A expense as a percentage of net sales also adversely affected operating earnings, which was due mainly to fixed SG&A costs spread over lower sales volumes.

Residential

Net Sales. Worldwide net sales for the residential segment in the second quarter and year-to-date periods of fiscal 2009 were down 4.7 percent and 2.8 percent, respectively, compared to the same periods last fiscal year. These sales declines were due mainly to lower worldwide shipments and reduced demand for riding products. Somewhat offsetting these declines were an increase in sales of walk power mowers as a result of additional product placement at a key retailer for a new and broader line of walk power mowers, as well as strong demand for snow thrower products in North America as a result of heavy snow falls during the winter season of 2008/2009 for the year-to-date comparison.

Operating Earnings. Operating earnings for the residential segment in the second quarter and year-to-date periods of fiscal 2009 decreased 20.2 percent and 12.8 percent, respectively, compared to the same periods last fiscal year. Expressed as a percentage of net sales, residential segment operating margin decreased to 9.0 percent compared to 10.8 percent in the second quarter of fiscal 2008, and fiscal 2009 year-to-date residential segment operating margin decreased to 7.4 percent compared to 8.2 percent last fiscal year. These profit declines were primarily attributable to lower gross margins due mainly to higher average commodity costs in the first half of fiscal 2009 compared to the first half of fiscal 2008 and unfavorable product mix. Somewhat offsetting the profit decline was lower SG&A expense as a percent of net sales from a decline in spending for marketing, administration, warehousing, and engineering expenses as a result of budget reductions.

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 addition, elimination of the professional and residential segments' floor plan interest costs from Toro Credit Company are also included in this segment. Net sales for the other segment were down for the second quarter and year-to-date periods of fiscal 2009 compared to the same periods last fiscal year by $1.4 million, or 19.1 percent, and $2.0 million, or 17.4 percent, respectively, as a result of reduced demand due to the domestic economic recession, as well as a reduction in the elimination of floor plan interest costs as a result of lower receivables with Toro Credit Company and a reduction in interest rates.

Operating Losses. Operating losses for the other segment were down for the second quarter and year-to-date periods of fiscal 2009 by $3.7 million, or 17.5 percent, and $5.4 million, or 11.3 percent, respectively, compared to the same periods last fiscal year. The loss decreases were primarily attributable to the following factors: (i) overall reduced spending in response to the economic downturn; (ii) foreign currency exchange rate gains this year compared to foreign currency exchange rate losses last year; and (iii) decreased interest expense, previously discussed. For the year-to-date period of fiscal 2009 compared to the year-to-date period of fiscal 2008, the other segment operating loss was also impacted by a decline in profit sharing and incentive compensation expense, somewhat offset by costs incurred for workforce reductions and higher bad debt expense.

FINANCIAL POSITION

Working Capital

We have taken proactive measures to help us manage through the tough economic environment that continued to persist through the second quarter of fiscal 2009, including adjusting production plans, controlling costs, and managing our assets. As such, our financial condition remains strong. We continue to place additional emphasis on asset management with our GrowLean initiative, with a focus on: (i) achieving strong profitability of our products and services all the way through the supply chain; (ii) minimizing the amount of working capital in the supply chain; and (iii) maintaining or improving order replenishment and service levels to end users.

Receivables as of the end of the second quarter of fiscal 2009 were down 25.5 percent compared to the end of the second quarter of fiscal 2008 due in part to the decrease in net sales. Our average day's sales outstanding for receivables improved to 69 days based on sales for the last twelve months ended May 1, 2009, compared to 71 days for the twelve months ended May 2, 2008. Inventory was also down as of the end of the second quarter of fiscal 2009 by 18.7 percent compared to the end of the second quarter of fiscal 2008, and average inventory turnover improved 9.9 percent for the twelve months ended May 1, 2009 compared to the twelve months ended May 2, 2008.

Liquidity and Capital Resources

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

Cash Flow. The first half of our fiscal year historically uses more operating cash than the second half of our fiscal year due to the seasonality of our business. Cash used in operating activities for the first six months of fiscal 2009 was $38.4 million lower than the first six months of fiscal 2008 due primarily to a lower increase in receivables and inventory levels for the first six months of fiscal 2009 compared to the same period last fiscal year, which was somewhat offset by a decline in net earnings and a lower increase in accounts payable and accrued liabilities for the first six months of fiscal 2009 compared to the same period last fiscal year. Cash used in investing activities was lower by $4.5 million compared to the first six months of fiscal 2008, due mainly to a decrease in purchases of property, plant, and equipment in the first six months of fiscal 2009 compared to the first six months of fiscal 2008. Cash provided by financing activities was also lower by $84.0 million compared to the first six months of fiscal 2008, due to a substantial decline in short-term debt for the first six months of fiscal 2009 compared to the first six months of fiscal 2008, somewhat offset by lower levels of repurchases of our common stock for the first six-month comparison.

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. Our peak borrowing usually occurs between January and April. Seasonal cash requirements are financed from operations and with short-term financing arrangements, including a $225.0 million unsecured senior five-year revolving credit facility that expires in January 2012. Interest expense on this credit line is determined based on a LIBOR rate plus a basis point spread defined in the credit agreement. In addition, our non-U.S. operations maintain unsecured short-term lines of credit of approximately $16 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 May 1, 2009, we had $32.9 million of outstanding short-term debt and $10.1 million of outstanding standby letters of credit. Average short-term debt was $27.5 million in the first six months of fiscal 2009 compared to $103.0 million in the first six months of fiscal 2008, a decrease of 73.3 percent. This decline was due mainly to a decrease in working capital needs in the first six months of fiscal 2009 compared to the first six months of fiscal 2008 as a result of lower levels of accounts receivable and inventory, as previously discussed, as well as lower levels of repurchases of our common stock during the first six months of fiscal 2009 compared to the same period last fiscal year. As of May 1, 2009, we had $198.7 million of unutilized availability under our credit agreements.

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 May 1, 2009, and expect to be in compliance with all covenants during the remainder of fiscal 2009.

Off-Balance Sheet Arrangements and Contractual Obligations

Our off-balance sheet arrangements and contractual obligations generally relate to customer financing activities, inventory purchase commitments, deferred compensation arrangements, and operating lease commitments. Third party financing companies purchased $114.8 million of receivables from us during the first six months of fiscal 2009, and $109.8 million was outstanding as of May 1, 2009. See our most recently filed Annual Report on Form 10-K for further details regarding our off-balance sheet arrangements and contractual obligations. No material change in this information occurred during the first six months of fiscal 2009.

Inflation

We are subject to the effects of inflation and changing prices. In the first half of fiscal 2009, average prices paid for commodities we purchase, namely steel and steel components, were higher compared to the first half of fiscal 2008, which hampered our gross margin rate. Somewhat offsetting those higher costs were lower average prices paid for fuel and petroleum-based resins. We will continue to closely follow the commodities that affect our product lines, and we anticipate average prices paid for commodities for the remainder of fiscal 2009 to be approximately equal to the average prices paid in fiscal 2008, if commodity costs continue to trend similar to the first half of fiscal 2009. We plan to attempt to mitigate the impact of inflationary pressures by engaging in proactive vendor negotiations, reviewing alternative sourcing options, and internal cost reduction efforts.

Significant Accounting Policies and Estimates

See our most recent Annual Report on Form 10-K for the fiscal year ended October 31, 2008 for a discussion of our critical accounting policies.

New Accounting Pronouncements to be Adopted

In April 2008, the Financial Accounting Standards Board (FASB) finalized Staff Position No. 142-3, “Determination of the Useful Life of Intangible Assets” (FSP 142-3). This position amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under Statement of Financial Accounting Standards (SFAS) No. 142, “Goodwill and Other Intangible Assets.” FSP 142-3 applies to intangible assets that are acquired individually or with a group of other assets and both intangible assets acquired in business combinations and asset acquisitions. We will adopt the provisions of FSP 142-3 on November 1, 2009, as required.

In December 2007, the FASB issued SFAS No. 141 (Revised 2007), “Business Combinations.” SFAS No. 141R applies to all business combinations and requires most identifiable assets, liabilities, noncontrolling interests, and goodwill acquired to be recorded at “full fair value.” This statement also establishes disclosure requirements that will enable users to evaluate the nature and financial effects of the business combination. We will adopt the provisions of SFAS No. 141R to any business combination occurring on or after November 1, 2009, as required.

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

No other new accounting pronouncement that has been issued but not yet effective for us during the second quarter of fiscal 2009 has had or is expected to have a material impact on our consolidated financial statements.

Forward-Looking Information

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

Forward-looking statements involve risks and uncertainties 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 continuation or worsening of the recessionary conditions in the U.S. and other regions around the world and worldwide slow or negative economic growth rates; continued slow down or reductions in golf course development, renovation, and improvement; continued slow down or reductions in home ownership, construction, and home sales; reduced consumer spending levels; reduced credit availability or unfavorable credit terms for our distributors, dealers, and end-user customers; increased unemployment rates; interest rates; inflation; reduced consumer confidence; and general economic and political conditions and expectations in the United States and the foreign economies in which we conduct business.
- Increases in the cost and availability of raw materials and components that we purchase and increases in our other costs of doing business, including transportation costs, may adversely affect our profit margins and business.
- Weather conditions may reduce demand for some of our products and adversely affect our net sales.
- Our professional segment net sales are dependent upon the level of growth in the residential and commercial construction markets, the level of homeowners who outsource lawn care, the amount of investment in golf course renovations and improvements, 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 consumer spending levels, the amount of product placement at retailers, changing buying patterns of customers, and The Home Depot, Inc. as a major customer.
- If we are unable to continue to enhance existing products and develop and market new products that respond to customer needs and preferences and achieve market acceptance, or if we experience unforeseen product quality or other problems in the development, production, and usage of new and existing products, we may experience a decrease in demand for our products, and our business could suffer.
- We face intense competition in all of our product lines with numerous manufacturers, including from some competitors that have greater 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, political, legal, accounting, and business factors; and may not be successful or produce desired levels of net sales.
- Fluctuations in foreign currency exchange rates could result in declines in our reported net sales and net earnings.
- We manufacture our products at and distribute our products from several locations in the United States and internationally. Any disruption at any of these facilities or our inability to cost-effectively expand existing and/or move production between manufacturing facilities could adversely affect our business and operating results.
- We intend to grow our business in part through additional acquisitions, alliances, stronger customer relations, and new partnerships, which are risky and could harm our business, particularly if we are not able to successfully integrate such acquisitions, alliances, and partnerships.
- We rely on our management information systems for inventory management, distribution, and other functions. If our information systems fail to adequately perform these functions or if we experience an interruption in their operation, our business and operating results could be adversely affected.
- A significant portion of our net sales are financed by third parties. Some Toro dealers and Exmark distributors and dealers finance their inventories with third party financing sources. The termination of our agreements with these third parties, any material change to the terms of our agreements with these third parties or in the availability or terms of credit offered to our

customers by these third parties, or any delay in securing replacement credit sources, could adversely affect our sales and operating results.

- Our reliance upon patents, trademark laws, and contractual provisions to protect our proprietary rights may not be sufficient to protect our intellectual property from others who may sell similar products. Our products may infringe the proprietary rights of others.
- Our business, properties, and products are subject to governmental regulation with which compliance may require us to incur expenses or modify our products or operations and non-compliance may expose us to penalties. Governmental regulation may also adversely affect the demand for some of our products and our operating results.
- We are subject to product liability claims, product quality issues, and other litigation from time to time that could adversely affect our operating results or financial condition, including without limitation the pending litigation against us and other defendants that challenges the horsepower ratings of lawnmowers, of which we are currently unable to assess whether such litigation would have a material adverse effect on our consolidated operating results or financial condition, although an adverse result might be material to our operating results in a particular period.
- If we are unable to retain our key employees, and attract and retain other qualified personnel, we may not be able to meet strategic objectives and our business could suffer.
- The terms of our credit arrangements and the indentures governing our senior notes and debentures could limit our ability to conduct our business, take advantage of business opportunities, and respond to changing business, market, and economic conditions. 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 (Item 1A).

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

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk stemming from changes in foreign currency exchange rates, interest rates, and commodity prices. Changes in these factors could cause fluctuations in our net earnings and cash flows. See further discussions on these market risks below. 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 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 exchange rate fluctuations and to minimize earnings and cash flow volatility associated with foreign currency exchange rate changes, and not for trading purposes. We are exposed to foreign currency exchange rate risk arising from transactions in the normal course of business, such as sales to third party customers, 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 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 currency contracts that change in value as foreign currency exchange rates change, to protect the value of existing foreign currency assets, liabilities, anticipated sales, and probable commitments. Decisions on whether to use such contracts are made based on the amount of exposures to the currency involved and an assessment of the near-term market value for each currency. Worldwide foreign currency exchange rate exposures are reviewed monthly. The gains and losses on these contracts offset changes in the value of the related exposures. Therefore, changes in market values of these hedge instruments are highly correlated with changes in market values of underlying hedged items both at inception of the hedge and over the life of the hedge contract. During the three and six months ended May 1, 2009, the amount of gains reclassified to earnings for such cash flow hedges was $4.3 million and $6.1 million, respectively. For the six months ended May 1, 2009, the gains treated as an increase to net sales for contracts to hedge trade sales were $8.4 million and the losses treated as an increase to cost of sales for contracts to hedge inventory purchases were $2.2 million.

The following foreign currency exchange rate contracts held by us have maturity dates in fiscal 2009 and 2010. All items are non-trading and stated in U.S. dollars. Some derivative instruments we enter into do not meet the hedging criteria of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities;" therefore, changes in their fair value are recorded in other income, net. The average contracted rate, notional amount, pre-tax value of derivative instruments in accumulated other comprehensive loss, and fair value impact of derivative instruments in other income, net for the six months ended May 1, 2009 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	0.7690	$ 29,754.1	$ 2,497.7	$ 2,077.6
Buy US dollar/Sell Canadian dollar	0.9579	4,118.9	397.3	686.7
Buy US dollar/Sell Euro	1.4153	74,801.2	2,785.0	8,484.3
Buy Euro/Sell US dollar	1.3388	476.5	-	(4.4)
Buy US dollar/Sell British pound	1.4619	10,964.5	-	(117.7)
Buy Mexican peso/Sell US dollar	12.7702	28,503.8	(2,798.0)	(2,181.6)

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 reasonably ensure that information required to be disclosed by us in the reports we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms and that such information is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, we recognize that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and we are required to apply our judgment in evaluating the cost-benefit relationship of possible internal controls. Our management evaluated, with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered in this Quarterly Report on Form 10-Q. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of such period to provide reasonable assurance that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms, and that material information relating to our company and our consolidated subsidiaries is made known to management, including our Chief Executive Officer and Chief Financial Officer, particularly during the period when our periodic reports are being prepared. There was no change in our internal control over financial reporting that occurred during our fiscal second quarter ended May 1, 2009 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 infringement of the company’s patents by others, the company periodically reviews competitors’ products. To avoid potential liability with respect to others’ patents, the company 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 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 with prejudice; (ii) dismissed all non-Illinois state-law claims without prejudice and with instructions that such claims must be filed in local courts; and (iii) rejected the proposed settlement with MTD. The proposed Honda settlement was not under consideration by the court and was not addressed in the memorandum and order. 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.

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 for 120 days so that the parties could explore mediation. Formal mediation proceedings commenced and on May 28, 2009, the Court extended the litigation stay to August 28, 2009, and re-scheduled the status conference to September 2009. To date, more than 65 lawsuits have been filed in various federal and state courts, which collectively assert claims under the laws of approximately 50 jurisdictions.

Management continues to evaluate these lawsuits and is unable to reasonably estimate the likelihood of loss or the amount or range of potential loss that could result from the litigation. Therefore, no accrual has been established for potential loss in connection with these lawsuits. Management is also unable to assess at this time whether these lawsuits will have a material adverse effect on the company's annual consolidated operating results or financial condition, although an unfavorable resolution could be material to the company's consolidated operating results for a particular period.

Textron Innovations Inc. v. The Toro Company; The Toro Company v. Textron Inc. and Jacobsen. In July 2005, Textron Innovations Inc., the patent holding company of Textron, Inc., filed a lawsuit in Delaware Federal District Court against the company for patent infringement. Textron alleges that the company willfully infringed certain claims of three Textron patents by selling our Groundsmaster® commercial mowers. Textron seeks damages for the company's past sales and an injunction against future infringement. In August and November 2005, management answered the complaint, asserting defenses and counterclaims of non-infringement, invalidity, and equitable estoppel. Following the Court's order in October 2006 construing the claims of Textron's patents, discovery in the case was closed in February 2007. In March 2007, following unsuccessful attempts to mediate the case, management filed with the USPTO to have Textron's patents reexamined. The reexamination proceedings are pending in the USPTO, and all of the claims asserted against the company in all three patents stand rejected. In April 2007, the Court granted our motion to stay the litigation and, in June 2007, denied Textron's motion for reconsideration of the Court's order staying the proceedings.

Management continues to evaluate these lawsuits and is unable to reasonably estimate the likelihood of loss or the amount or range of potential loss that could result from the litigation. Therefore, no accrual has been established for potential loss in connection with these lawsuits. While management does not believe that these lawsuits will have a material adverse effect on the company's consolidated financial condition, an unfavorable resolution could be material to the company's consolidated operating results.

Item 1A. RISK FACTORS

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

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

The following table shows our second quarter of fiscal 2009 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)
January 31, 2009 through February 27, 2009	-	$ -	-	2,269,552
February 28, 2009 through March 27, 2009	56,728	27.58	56,728	2,212,824
March 28, 2009 through May 1, 2009	58,913(2)	29.62	55,571	2,157,253
Total	115,641	$ 28.62	112,299	

(1) On May 21, 2008, the company's Board of Directors authorized the repurchase of 4,000,000 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 3,342 units (shares) of the company's common stock purchased in open-market transactions at an average price of $25.66 per share on behalf of a rabbi trust formed to pay benefit obligations of the company to participants in deferred compensation plans. These 3,342 shares were not repurchased under the company's repurchase program described in footnote (1) above.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Our 2009 Annual Meeting of Shareholders was held on March 18, 2009. The results of the shareholder vote on the business brought before the meeting were as follows:

	For	Against/ Withheld	Abstain	Broker Non-Votes
1. Elect as directors the nominees named in thecompany's proxy statement, each to serve for a termof three years ending at the 2012 Annual Meeting ofShareholders				
Janet K. Cooper	31,334,838	2,125,175	0	0
Gary L. Ellis	33,056,733	403,280	0	0
Gregg W. Steinhafel	32,709,031	750,982	0	0
2. Approve an amendment to The Toro Company 2000 Directors Stock Plan to increase the number of shares of the company's common stock authorized for issuance under the plan by 65,000	26,739,172	2,349,903	418,234	3,952,704
3. Ratify the selection of KPMG LLP as the company's independent registered public accounting firm for its fiscal year ending October 31, 2009	33,181,367	117,374	161,272	0

Robert C. Buhrmaster, Winslow H. Buxton, Robert H. Nassau, and Christopher A. Twomey continue to serve as directors for terms ending at the 2010 Annual Meeting of Shareholders.

Katherine J. Harless, Michael J. Hoffman, and Inge G. Thulin continue to serve as directors for terms ending at the 2011 Annual Meeting of Shareholders.

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).
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	The Toro Company 2000 Directors Stock Plan (As Amended March 18, 2009) (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).

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: June 5, 2009	By /s/ Stephen P. Wolfe
	Stephen P. Wolfe Vice President, Finance and Chief Financial Officer (duly authorized officer and principal financial officer)

THE TORO COMPANY
2000 DIRECTORS STOCK PLAN
(As Amended March 18, 2009)

1. **Purpose of the Plan.** The purpose of The Toro Company 2000 Directors Stock Plan ("Plan") is to enable The Toro Company (the "Company") to attract and retain experienced and knowledgeable directors to serve on the Board of Directors of the Company or its subsidiaries, and to further align their interests with those of the stockholders of the Company by providing for or increasing their stock ownership interests in the Company. It is intended that the Plan be interpreted so that transactions under the Plan are exempt under Rule 16b-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), to the extent applicable.

2. **Eligibility.** All members of the Company's Board of Directors who are not current employees of the Company or any of its subsidiaries ("Nonemployee Directors") are eligible to participate in the Plan.

3. **Plan Awards.**

a. **Directors Shares.** To carry out the purposes of the Plan, the Company shall, on the first business day of each fiscal year, issue to each person who is then a Nonemployee Director, shares of the Company's Common Stock, $1.00 par value (the "Common Stock"), in an amount equal to $20,000 divided by the fair market value of one share of Common Stock rounded down to the greatest number of whole shares ("Directors Shares"), subject to adjustment as provided in Section 5 hereof. Fair market value for this purpose shall be the average of the 4 p.m. Eastern Time closing prices of the Common Stock as reported by the New York Stock Exchange for each of the trading days in the three calendar months immediately prior to the date of issue of the Directors Shares.

b. **Directors Options.**

i. ***Annual Grant.*** Subject to the terms and conditions of this Section 3.b., on the first business day of each fiscal year, the Company shall grant to each person who is then a Nonemployee Director**,** a nonqualified option to purchase shares of the Common Stock (a "Directors Option"). Each such option shall have a grant date fair value of $40,000, determined using a standard Black-Scholes, binomial or monte carlo valuation formula, based on assumptions consistent with those used to value option grants disclosed under Schedule 14A under the Securities Exchange Act of 1934, or successor requirements, for the business day prior to the date of grant.

ii. ***Vesting, Transferability and Exercisability.***

(a) ***Vesting.*** Except as provided in Sections 3.b.ii.(c)(1) and (2) and Section 6, Directors Options shall vest and become exercisable in three equal installments on each of the first, second and third anniversaries following the date of grant, and shall remain exercisable for a term of ten years after the date of grant.

(b) ***No Transfer.*** No Directors Option shall be assigned or transferred, except by will or the laws of descent and distribution. An option so transferred may be exercised after the death of the individual to whom it is granted only by such individual's legal representatives, heirs or legatees, not later than the earlier of the date the option expires or one year after the date of death of such individual, and only with respect to an option exercisable at the time of death.

(c) ***Exercise.*** During the lifetime of a Nonemployee Director, Directors Options held by such individual may be exercised only by the Nonemployee Director and only while serving as a member of the Board of Directors of the Company and only if the Nonemployee Director has been continuously so serving since the date such options were granted, except as follows:

(1) ***Disability or Death.*** In the event of disability or death of a Nonemployee Director, all outstanding unvested options shall vest effective as of the date of death or termination of service by reason of disability, and all such vested options may be exercised by such individual or his or her legal representatives not later than the earlier of the date the option expires or one year after the date such service as a Nonemployee Director ceases by reason of disability or death.

(2) ***Termination.*** If a Nonemployee Director has served as a member of the Board of Directors for ten full fiscal years or longer and terminates service on the Board, (A) outstanding unvested options shall remain outstanding and continue to vest in accordance with their terms, and (B) the Nonemployee Director may exercise all such vested outstanding options for up to four years after the date of termination, but not later than the date an option expires. If a Nonemployee Director has served as a member of the Board of Directors for less than ten years and terminates service on the Board, (C) all unvested options shall expire and be canceled and (D) the Nonemployee Director may exercise any vested outstanding options for up to three months after the date of termination, but not later than the date an option expires.

(d) ***Methods of Exercise and Payment of Exercise Price.*** Subject to the terms and conditions of the Plan and the terms and conditions of the option agreement, a vested option may be exercised in whole at any time or in part from time to time, by delivery to the Company at its principal office of a written notice of exercise specifying the number of shares with respect to which the option is being exercised, accompanied by payment in full of the exercise price for shares to be purchased at that time. Payment may be made (1) in cash, (2) by tendering (either actually or by attestation) shares of Common Stock already owned for at least six months (or shorter period necessary to avoid a charge to the Company's earnings for financial statement purposes) valued at the fair market value of the Common Stock on the date of exercise, (3) in a combination of cash and Common Stock or (4) by delivery of a notice of exercise of options, together with irrevocable instructions, approved in advance by proper officers of the Company, (A) to a brokerage firm designated by the Company, to deliver promptly to the Company the aggregate amount of sale or loan proceeds to pay the exercise price and any related tax withholding obligations and (B) to the Company, to deliver certificates for such purchased shares directly to such brokerage firm, all in accordance with regulations of the Federal Reserve Board.

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

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

4. **Shares in Lieu of Fees.** A Nonemployee Director shall have the right to elect to receive shares of Common Stock in lieu of annual retainer and meeting fees otherwise payable in cash. The election to receive Common Stock shall be made prior to the date fees are otherwise scheduled to be paid but not later than May 31 of the calendar year for which the fees are to be paid. Fees that are earned after the date a director makes an election shall be reserved through the rest of the calendar year and shares shall be issued in December of that year. The number of shares to be issued shall be determined by dividing the dollar amount of reserved fees by the 4 p.m. Eastern Time closing price of one share of Common Stock as reported by the New York Stock Exchange for the date that the shares are issued.

5. **Stock Subject to Plan.** Subject to adjustment as provided in this paragraph and subject to increase by amendment of the Plan, the total number of shares of Common Stock reserved and available for issuance in connection with the Plan shall be 520,000 shares. If any Directors Option granted hereunder expires unexercised, terminates, is exchanged for other options without the issuance of shares of Common Stock or is exercised by delivery or constructive delivery of shares of Common Stock already owned by the option holder, the shares of Common Stock reserved for issuance pursuant to such option shall, to the extent of any such termination or to the extent the shares covered by an option are not issued or used, again be available for option grants under the Plan, unless prohibited by applicable law or regulation. Any shares issued by the Company in connection with the assumption or substitution of outstanding option grants from any acquired corporation shall not reduce the shares available for stock awards or option grants under the Plan. In the event of a corporate transaction involving the Company, the Common Stock or the Company's corporate or capital structure, including but not limited to any stock dividend, stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, reclassification, split-up, spin-off, combination or exchange of shares, or a sale of the Company or of all or part of its assets or any distribution to stockholders other than a normal cash dividend, the Committee shall make such proportional adjustments as are necessary to preserve the benefits or potential benefits of the Directors Shares and Directors Options. Action by the Committee may include all or any adjustment in (a) the maximum number and kind of securities subject to the Plan as set forth in this paragraph; (b) the maximum number and kind of securities that may be made subject to Directors Options and the determination of the number or kind of Directors Shares; (c) the number and kind of securities subject to any outstanding Directors Option; and (d) any other adjustments that the Committee determines to be equitable.

6. **Change of Control.** In the event of a Change of Control of the Company as hereinafter defined, all Directors Options shall fully vest, and be exercisable in their entirety immediately, and notwithstanding any other provisions of the Plan, shall continue to be exercisable for three years following the Change of Control, but not later than ten years after the date of grant.

Change of Control means:

a. The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) of 15% or more of either (i) the then-outstanding shares of Common Stock of the Company (the "Outstanding Company Common Stock") or (ii) the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that for purposes of this subsection a., the following acquisitions shall not constitute a Change of Control: (i) any acquisition directly from the Company, (ii) any acquisition by the Company, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company or (iv) any acquisition by any corporation pursuant to a transaction that complies with clauses (i), (ii) and (iii) of subsection c. of this Section 6; or

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

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

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

7. **Administration of the Plan.** The Plan shall be administered by a committee composed of those members of the Board of Directors of the Company who are also employees of the Company (the “Committee”). The Committee shall have the authority to carry out all provisions of the Plan; provided, however, that it shall have no discretion to determine which Nonemployee Directors may receive Directors Shares or Directors Options or to set the value of such Directors Shares or Directors Options, other than to make the calculations required by Section 3.a., Section 3.b. or Section 5.

8. **Tax Withholding.** The Company shall have the right to deduct from any settlement made under the Plan, including the exercise of an option or the sale of shares of Common Stock, any federal, state or local taxes of any kind required by law to be withheld with respect to such payments or to require the option holder to pay the amount of any such taxes or to take such other action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes. If Common Stock is withheld or surrendered to satisfy tax withholding, such stock shall be valued at its fair market value as of the date such Common Stock is withheld or surrendered. The Company may also deduct from any such settlement any other amounts due the Company by the option holder.

9. **Effective Date and Term of Plan.** The Plan first became effective March 14, 2001 and shall end March 12, 2011, unless terminated earlier by action of the Board of Directors.

10. **Amendment.** The Board may amend, suspend or terminate the Plan at any time, with or without advance notice to Plan participants. The effective date of any amendment to the Plan shall be the date of its adoption by the Board of Directors, subject to stockholder approval, if required. No amendment of the Plan shall adversely affect in a material manner any right of any option holder with respect to any option theretofore granted without such option holder’s written consent.

11. **Governing Law.** The Plan, Directors Shares, Directors Options and agreements entered into under the Plan shall be construed, administered and governed in all respects under and by the applicable laws of the State of Delaware, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of the Plan or an option or an award or agreement to the substantive law of another jurisdiction.

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: June 5, 2009

/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: June 5, 2009

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

Exhibit 32

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 May 1, 2009 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
June 5, 2009

/s/ Stephen P. Wolfe
Stephen P. Wolfe
Vice President, Finance
and Chief Financial Officer
June 5, 2009

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.