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 February 2, 2007

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 x No o

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

Large accelerated filer x   Accelerated filer   o   Non-accelerated filer o

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

Yes o No x

The number of shares of Common Stock outstanding as of March 2, 2007 was 40,302,086.

THE TORO COMPANY
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PART I.

Item 1. FINANCIAL INFORMATION

THE TORO COMPANY AND SUBSIDIARIES
Condensed Consolidated Statements of Earnings (Unaudited)
(Dollars and shares in thousands, except per share data)

	Three Months Ended	
	February 2, 2007	February 3, 2006
Net sales	$ 379,088	$ 369,640
Cost of sales	239,023	237,766
Gross profit	140,065	131,874
Selling, general, and administrative expense	112,281	107,205
Earnings from operations	27,784	24,669
Interest expense	(4,487)	(4,243)
Other income, net	2,391	886
Earnings before income taxes	25,688	21,312
Provision for income taxes	7,238	7,033
Net earnings	$ 18,450	$ 14,279
Basic net earnings per share of common stock	$ 0.45	$ 0.33
Diluted net earnings per share of common stock	$ 0.44	$ 0.32
Weighted-average number of shares of common stock outstanding—Basic	41,139	43,608
Weighted-average number of shares of common stock outstanding—Diluted	42,253	44,959

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)

	February 2, 2007	February 3, 2006	October 31, 2006
ASSETS			
Cash and cash equivalents	$ 30,051	$ 19,744	$ 55,523
Receivables, net	357,165	313,157	294,833
Inventories, net	307,415	295,687	238,544
Prepaid expenses and other current assets	14,905	18,049	9,437
Deferred income taxes	55,801	56,099	55,846
Total current assets	765,337	702,736	654,183
Property, plant, and equipment	552,886	514,232	540,339
Less accumulated depreciation	383,582	349,154	374,016
	169,304	165,078	166,323
Deferred income taxes	1,862	—	1,862

Other assets	10,477	12,036	10,011
Goodwill	81,571	81,208	81,469
Other intangible assets, net	5,885	5,249	5,225
Total assets	$ 1,034,436	$ 966,307	$ 919,073
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current portion of long-term debt	$ 75,000	$ 35	$ —
Short-term debt	127,100	51,900	320
Accounts payable	106,881	95,213	89,673
Accrued liabilities	230,485	242,453	252,636
Total current liabilities	539,466	389,601	342,629
Long-term debt, less current portion	100,000	175,000	175,000
Deferred revenue and other long-term liabilities	9,142	10,295	9,415
Stockholders' equity:			
Preferred stock, par value $1.00 per share, authorized 1,000,000 voting and 850,000 non-voting shares, none issued and outstanding	—	—	—
Common stock, par value $1.00 per share, authorized 100,000,000 shares, issued and outstanding 40,224,629 shares as of February 2, 2007 (net of 13,807,591 treasury shares), 42,561,238 shares as of February 3, 2006 (net of 11,470,982 treasury shares), and 40,355,714 shares as of October 31, 2006 (net of 13,676,506 treasury shares)	40,225	42,561	40,356
Retained earnings	351,992	360,336	358,522
Accumulated other comprehensive loss	(6,389)	(11,486)	(6,849)
Total stockholders' equity	385,828	391,411	392,029
Total liabilities and stockholders' equity	$ 1,034,436	$ 966,307	$ 919,073

See accompanying notes to condensed consolidated financial statements.

THE TORO COMPANY AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows (Unaudited)

(Dollars in thousands)

	Three Months Ended	
	February 2, 2007	February 3, 2006
Cash flows from operating activities:		
Net earnings	$ 18,450	$ 14,279
Adjustments to reconcile net earnings to net cash used in operating activities:		
Equity losses from investments	59	359
Provision for depreciation and amortization	10,334	10,534
Gain on disposal of property, plant, and equipment	(46)	(29)
Stock-based compensation expense	1,944	2,510
Decrease in deferred income taxes	90	596
Changes in operating assets and liabilities:		
Receivables, net	(62,588)	(17,599)
Inventories, net	(67,261)	(60,085)
Prepaid expenses and other assets	(5,737)	(2,270)
Accounts payable, accrued expenses, and deferred revenue	(6,099)	(1,623)
Net cash used in operating activities	(110,854)	(53,328)
Cash flows from investing activities:		
Purchases of property, plant, and equipment	(12,478)	(8,026)
Proceeds from disposal of property, plant, and equipment	47	126
(Increase) decrease in other assets	(754)	3,118
Acquisition, net of cash acquired	(1,088)	—
Net cash used in investing activities	(14,273)	(4,782)
Cash flows from financing activities:		
Increase in short-term debt	126,780	51,575
Repayments of long-term debt	—	(11)
Excess tax benefits from stock-based awards	2,758	12,275
Proceeds from exercise of stock-based awards	4,145	4,101
Purchases of Toro common stock	(29,029)	(27,587)
Dividends paid on Toro common stock	(4,929)	(3,923)
Net cash provided by financing activities	99,725	36,430
Effect of exchange rates on cash	(70)	22
Net decrease in cash and cash equivalents	(25,472)	(21,658)

Cash and cash equivalents as of the beginning of the fiscal period	55,523	41,402
Cash and cash equivalents as of the end of the fiscal period	$ 30,051	$ 19,744

See accompanying notes to condensed consolidated financial statements.

THE TORO COMPANY AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited)
February 2, 2007

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 the results of operations. Since the company’s business is seasonal, operating results for the three months ended February 2, 2007 cannot be annualized to determine the expected results for the fiscal year ending October 31, 2007. Certain amounts from prior period’s financial statements have been reclassified to conform to this period’s presentation.

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, 2006. The policies described in that report are used for preparing quarterly reports.

Accounting Policies

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

Acquisition

On January 19, 2007, the company completed the purchase of certain assets and assumed certain liabilities of Allen Hover Mower. Allen Hover Mower sells walk power mowers worldwide that are specifically designed to perform well on steep inclines for the golf course and grounds maintenance market, and has annual net sales of approximately $2 million.

Comprehensive Income

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

	Three Months Ended	
(Dollars in thousands)	**February 2, 2007**	**February 3, 2006**
Net earnings	$ 18,450	$ 14,279
Other comprehensive income (loss):		
Cumulative translation adjustments	559	431
Unrealized loss on derivative instruments, net of taxes	(99)	(336)
Comprehensive income	$ 18,910	$ 14,374

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.” During the first quarter of fiscal 2007, option awards were granted with an exercise price equal to the market price of the company’s common stock as of the date of grant. For certain non-officer employees, the options vest after two years from the date of grant and have a five-year contractual term. Other options granted during the first quarter of fiscal 2007 vest one-third each year over a three-year period and have a ten-year contractual term. Compensation expense equal to the grant date fair value is recognized for these awards over the vesting period. The company also issues Performance Shares to key employees. The company determines the fair value of these Performance Shares as of the date of grant and recognizes the expense over the vesting period. Total compensation expense for option awards and Performance Shares was $1.9 million for the first quarter of fiscal 2007 and $2.1 million for the first quarter of fiscal 2006.

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 following table. 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 will 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 stock over the most recent historical period equivalent to the expected life of the option. The risk-free interest rate for periods within the contractual life of the option is based on the U.S. Treasury rate over the expected life at the time of grant. Dividend yield is estimated over the expected life based on the company's dividend policy, historical dividends paid, expected increase in future cash dividends, and expected increase in the company's stock price. The following table illustrates the assumptions for options granted in the following fiscal periods.

	Three Months Ended	
	February 2, 2007	February 3, 2006
Expected life of option in years	3 - 6.5	2.5 - 6.5
Expected volatility	24.96% - 26.44%	25.26% - 26.96%
Weighted-average volatility	25.65%	26.12%
Risk-free interest rate	4.420% - 4.528%	4.399% - 4.526%
Expected dividend yield	0.78% - 0.90%	0.65% - 0.70%
Weighted-average dividend yield	0.84%	0.67%

The weighted-average fair value of options granted during the first quarters of fiscal 2007 and 2006 was $12.33 per share and $10.94 per share, respectively. The fair value of Performance Shares granted during the first quarters of fiscal 2007 and 2006 was $44.90 per share and $41.44 per share, respectively.

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 based on 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)	February 2, 2007	February 3, 2006	October 31, 2006
Raw materials and work in process	$ 74,894	$ 66,913	$ 67,976
Finished goods and service parts	292,264	287,289	229,137
	367,158	354,202	297,113
Less: LIFO	40,860	40,011	40,860
Other reserves	18,883	18,504	17,709
Total	$ 307,415	$ 295,687	$ 238,544

Per Share Data

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

(Shares in thousands)	February 2, 2007	February 3, 2006
Basic		
Weighted-average number of shares of common stock	41,058	43,459
Assumed issuance of contingent shares	81	149
Weighted-average number of shares of common stock and assumed issuance of contingent shares	41,139	43,608
Diluted		
Weighted-average number of shares of common stock and assumed issuance of contingent shares	41,139	43,608
Effect of dilutive securities	1,114	1,351
Weighted-average number of shares of common stock, assumed issuance of contingent shares, and effect of dilutive securities	42,253	44,959

Segment Data

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

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

(Dollars in thousands) Three months ended February 2, 2007	Professional	Residential	Other	Total
Net sales	$ 272,142	$ 101,858	$ 5,088	$ 379,088
Intersegment gross sales	5,855	731	(6,586)	—
Earnings (loss) before income taxes	48,360	4,379	(27,051)	25,688
Total assets	524,931	261,158	248,347	1,034,436

Three months ended February 3, 2006	Professional	Residential	Other	Total
Net sales	$ 253,605	$ 108,185	$ 7,850	$ 369,640
Intersegment gross sales	7,590	670	(8,260)	—
Earnings (loss) before income taxes	41,660	5,149	(25,497)	21,312
Total assets	498,768	233,657	233,882	966,307

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

	Three Months Ended	
(Dollars in thousands)	February 2, 2007	February 3, 2006
Corporate expenses	$ (25,589)	$ (25,257)
Finance charge revenue	621	701
Elimination of corporate financing expense	2,682	3,481
Interest expense, net	(4,487)	(4,243)
Other	(278)	(179)
Total	$ (27,051)	$ (25,497)

Goodwill

The changes in the net carrying amount of goodwill for the first quarter of fiscal 2007 were as follows:

(Dollars in thousands)	Professional Segment	Residential Segment	Total
Balance as of October 31, 2006	$ 70,948	$ 10,521	$ 81,469
Translation adjustment	59	43	102
Balance as of February 2, 2007	$ 71,007	$ 10,564	$ 81,571

Other Intangible Assets

The components of other amortizable intangible assets were as follows:

	February 2, 2007		October 31, 2006	
(Dollars in thousands)	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Patents	$ 6,554	$ (6,050)	$ 6,553	$ (5,964)
Non-compete agreements	1,000	(892)	1,000	(885)
Customer related	1,375	(275)	1,336	(234)
Other	3,156	(1,733)	2,363	(1,615)
Total	$ 12,085	$ (8,950)	$ 11,252	$ (8,698)
Total other intangible assets, net	$ 3,135		$ 2,554	

Amortization expense for intangible assets during the first quarter of fiscal 2007 was $244,000. Estimated amortization expense for the remainder of fiscal 2007 and succeeding fiscal years is as follows: 2007 (remainder), $783,000; 2008, $859,000; 2009, $515,000; 2010, $241,000; 2011, $175,000; 2012, $175,000; and after 2012, $387,000.

The company also has $2.7 million of non-amortizable intangible assets related to the Hayter brand name.

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, provided operator abuse, improper use, or negligence did not necessitate the repair. 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 original factory warranty period expires.

Warranty provisions, claims, and changes in estimates for the three-month periods in fiscal 2007 and 2006 were as follows:

(Dollars in thousands) Three Months Ended	Beginning Balance	Warranty Provisions	Warranty Claims	Changes in Estimates	Ending Balance
February 2, 2007	$ 65,235	$ 8,542	$ (9,516)	$ (369)	$ 63,892

February 3, 2006	$ 61,385	$ 7,983	$ (7,647)	$ (884)	$ 60,837

Postretirement Benefit and Deferred Compensation Plans

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

	Three Months Ended	
(Dollars in thousands)	February 2, 2007	February 3, 2006
Service cost	$ 94	$ 95
Interest cost	124	128
Prior service cost	(48)	(48)
Amortization of losses	54	68
Net expense	$ 224	$ 243

As of February 2, 2007, approximately $125,000 of contributions had been made. The company presently expects to contribute a total of $500,000 to its postretirement health-care benefit plan in fiscal 2007, including contributions made through February 2, 2007.

The company maintains The Toro Company Investment, Savings and Employee Stock Ownership Plan for eligible employees. The company's expenses under this plan were $5.7 million for the first quarter of fiscal 2007 and $4.1 million for the first quarter of fiscal 2006.

During the first quarter of fiscal 2007, the company began to offer participants in the company's deferred compensation plans the option to invest their deferred compensation in multiple investment options. At the same time, the company elected to fund the majority of the deferred compensation plans, which amounted to $18 million. The fair value of the investment in the deferred compensation plans as of February 2, 2007 was $17.3 million, which reduced the company's deferred compensation liability reflected in accrued liabilities on the consolidated balance sheet.

Derivative Instruments and Hedging Activities

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

The company enters into foreign currency exchange contracts to hedge the risk from forecasted settlements in local currencies of trade sales and purchases. These contracts are designated as cash flow hedges and are reported at fair value as a hedge asset or liability in prepaid expenses or accrued liabilities, as applicable. Changes in the fair value of these contracts are reported in accumulated other comprehensive loss until the hedged transaction occurs. Once the forecasted transaction has been recognized as a sale or inventory purchase and a related asset or liability recorded in the balance sheet, the related fair value of the derivative hedge contract is reclassified from accumulated other comprehensive loss into earnings. During the three months ended February 2, 2007, the amount of losses reclassified to earnings for such cash flow hedges was $0.2 million. For the three months ended February 2, 2007, the losses treated as a reduction to net sales for contracts to hedge trade sales were $0.4 million and the gains treated as a reduction of cost of sales for contracts to hedge inventory purchases were $0.2 million. As of February 2, 2007, the notional amount of such contracts outstanding was $73.6 million. The unrecognized after-tax gain portion of the fair value of the contracts recorded in accumulated other comprehensive loss as of February 2, 2007 was $0.3 million.

The company also enters into other foreign currency exchange contracts. These contracts are intended to hedge intercompany financing transactions and other activities and are not designed as hedging instruments under the accounting criteria of SFAS No. 133; therefore, changes in fair value of these instruments are recorded in other income, net.

Subsequent Event
In March 2007, we added a $75 million line of credit from a domestic bank to address seasonal cash needs.

Contingencies

On June 3, 2004, eight individuals who claim to have purchased lawnmowers in Illinois and Minnesota filed a lawsuit in Illinois state court against the company and eight other defendants alleging that the horsepower labels on the products the plaintiffs purchased were inaccurate. On May 17, 2006, the plaintiffs filed an amended complaint to add 84 additional plaintiffs and an engine manufacturer as an additional defendant. The amended complaint asserts violations of the federal Racketeer Influenced and Corrupt Organizations (RICO) Act and statutory and common law claims arising from the laws of 48 states. The plaintiffs seek 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 seeks an injunction, unspecified compensatory and punitive damages, treble damages under the RICO Act and attorneys' fees. In late May 2006, the case was removed to Federal court in the Southern District of Illinois. On August 1, 2006, all of the defendants, except MTD Products Inc., filed motions to dismiss claims in the amended complaint. On August 4, 2006, the plaintiffs filed a motion for preliminary approval of a settlement agreement with MTD Products

Inc. and certification of a settlement class. All remaining non-settling defendants have filed counterclaims against MTD Products Inc. for potential contribution amounts, and MTD Products Inc. has filed cross claims against the non-settling defendants. A court hearing on the defendants' motions to dismiss and the plaintiffs' motion for preliminary approval of the settlement agreement and certification of a settlement class was held on August 29, 2006. As of March 12, 2007, the court has not yet ruled on these motions. On December 21, 2006, another defendant, American Honda Motor Company, notified us that it had reached an agreement of settlement with the plaintiffs. We continue to evaluate this lawsuit and are unable to reasonably estimate the likelihood of loss or the amount or range of potential loss that could result from this litigation. Therefore, no accrual has been established for potential loss in connection with this lawsuit. We are also unable to assess at this time whether the lawsuit will have a material adverse effect on our annual consolidated operating results or financial condition, although an unfavorable resolution could be material to our consolidated operating results for a particular period.

In the ordinary course of business, in addition to that described above, the company may become liable with respect to pending and threatened litigation for product liability, tax, patent, environmental, and other matters. While the ultimate results of current claims, investigations, and lawsuits involving the company are unknown at this time, management believes that, except for the lawsuit discussed above, the outcomes of these cases are unlikely to have a material adverse effect on the consolidated operating results, liquidity, or financial position of the company.

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

RESULTS OF OPERATIONS

Overview

Our results for the first quarter of fiscal 2007 were positive with net sales growth of 2.6 percent and a net earnings growth rate of 29.2 percent compared to the first quarter of fiscal 2006. Strong international performance led the sales increase along with strong worldwide shipments of most professional segment products, which more than offset a decline in sales of both snow thrower and landscape contractor equipment products. Net earnings increased significantly, and as a percentage of net sales rose from 3.9 percent in the first quarter of fiscal 2006 to 4.9 percent in the first quarter of fiscal 2007. Higher gross margins, an increase in other income, and lower tax expense as a percent of earnings before income taxes contributed to the earnings improvement while higher selling, general, and administrative expenses somewhat hampered the net earnings growth rate. We also increased our first quarter cash dividend by 33 percent compared to the quarterly cash dividend paid in the first quarter of fiscal 2006.

Receivables as of the end of the first quarter of fiscal 2007 were up 14.1 percent compared to the first quarter of fiscal 2006 due primarily to the timing of shipments to later in the quarter and a higher proportion of international sales that have longer payment terms. Inventory was also up as of the end of the first quarter of fiscal 2007 by 4.0 percent compared to the first quarter of fiscal 2006. As part of our GrowLean initiative, additional emphasis will be placed on asset management.

Our fiscal 2007 first quarter results were solid, and we are optimistic that results for the full fiscal year of 2007 will end strong. However, as net sales and earnings for the first quarter of our fiscal year are typically lower than other quarters, the results of our first quarter are not necessarily an indicator of spring season sales trends, which are still ahead. We continue to keep a cautionary eye on the domestic and global economies, weather, field inventory levels, commodity prices, 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 first quarter of fiscal 2007 were $18.5 million or $0.44 per diluted share compared to $14.3 million or $0.32 per diluted share for the first quarter of fiscal 2006, a net earnings increase of 29.2 percent. The primary factors contributing to this increase were higher sales volumes, an increase in gross margins, higher other income, and a decline in tax expense as a percent of earnings before income taxes, somewhat offset by higher selling, general, and administrative costs. In addition, first quarter of fiscal 2007 diluted net earnings per share were benefited by approximately $0.03 per share compared to the first quarter of fiscal 2006 as a result of reduced shares outstanding due to our continued Toro common stock repurchases during the past twelve months.

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

	Three Months Ended	
	February 2, 2007	February 3, 2006
Net sales	100.0%	100.0%
Cost of sales	(63.1)	(64.3)
Gross profit	36.9	35.7

Selling, general, and administrative expense	(29.6)	(29.0)
Interest expense	(1.2)	(1.1)
Other income, net	0.7	0.2
Provision for income taxes	(1.9)	(1.9)
Net earnings	4.9%	3.9%

Net Sales

Worldwide consolidated net sales for the first quarter of fiscal 2007 were up 2.6 percent compared to last fiscal year’s first quarter. Favorable currency rates accounted for over half of the sales growth for the quarter. International sales for the first quarter of fiscal 2007 were strong, increasing by 10.5 percent compared to the first quarter of fiscal 2006. Disregarding currency effects, international sales increased 5.6 percent. Professional segment products worldwide were strong as a result of continued demand in international markets, introduction of new products, and improved availability of some products. Residential segment net sales of riding and walk power mower products were also up for the first quarter comparison due mainly to the introduction of new products. However, worldwide sales of snow thrower products were down as a result of the lack of snow fall in key markets as of the end of the first quarter of fiscal 2007. In addition, worldwide sales of landscape contractor equipment products were down for the first quarter compared to last year’s first quarter due mainly to our customers’ efforts to reduce field inventory levels by ordering product closer to retail demand. Other segment net sales were also down for the first quarter compared to the prior year’s first quarter due to lower sales at a company-owned distributorship.

Gross Profit

Gross profit in dollars for the first quarter of fiscal 2007 increased 6.2 percent compared to the first quarter of fiscal 2006. As a percentage of net sales, gross profit for the first quarter of fiscal 2007 was 36.9 percent compared to 35.7 percent in the first quarter of fiscal 2006. The increase in gross profit as a percentage of net sales was the result of the following factors: (i) a greater percentage of professional segment sales that have higher gross margins; (ii) increased sales of higher-margin products; (iii) cost reduction efforts, including benefits from past and continuing profit improvement initiatives; and (iv) favorable foreign currency exchange rates compared to the U.S. dollar. Somewhat offsetting those positive factors were: (i) lower residential segment gross margins primarily attributable to higher sales of lower-margin products and (ii) higher commodity costs.

Selling, General, and Administrative Expense

Selling, general, and administrative expense (SG&A) for the first quarter of fiscal 2007 increased by 4.7 percent compared to the same period last fiscal year. SG&A as a percentage of net sales increased to 29.6 percent in the first quarter of fiscal 2007 compared to 29.0 percent in the first quarter of fiscal 2006. Those increases in SG&A expense were primarily attributable to: (i) a retirement plan contribution to certain participants’ profit sharing accounts to correct an identified contribution shortfall; (ii) higher warranty expense due to special warranty modifications in the first quarter of fiscal 2007, whereas last year warranty expense was favorably impacted by a reimbursement received from a vendor for a special product modification; and (iii) an increase in marketing and service expense. Somewhat offsetting those increases was a reduction in self-insurance costs due to favorable claims experience.

Interest Expense

Interest expense for the first quarter of fiscal 2007 increased by 5.8 percent compared to the first quarter of fiscal 2006 due to higher average short-term debt.

Other Income, Net

Other income, net for the first quarter of fiscal 2007 was $2.4 million compared to $0.9 million for the same period last fiscal year, an increase of $1.5 million. The increase was due primarily to higher currency exchange rate gains, an increase in interest income, and lower equity investment losses in the first quarter of fiscal 2007 compared to the first quarter of fiscal 2006.

Provision for Income Taxes

The tax rate for the first quarter of fiscal 2007 was 28.2 percent compared to 33.0 percent in the first quarter of fiscal 2006. The decline was the result of the reinstatement of the federal research and development tax credit, which was somewhat offset by an increase in the effective tax rate due to the accelerated phase-out of benefits for foreign export incentives as compared to the phase-in benefit for the domestic manufacturing credit.

BUSINESS SEGMENTS

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

The following table summarizes net sales by segment:

	Three Months Ended			
(Dollars in thousands)	**February 2, 2007**	**February 3, 2006**	**$ Change**	**% Change**
Professional	$ 272,142	$ 253,605	$ 18,537	7.3%
Residential	101,858	108,185	(6,327)	(5.8)
Other	5,088	7,850	(2,762)	(35.2)
Total *	$ 379,088	$ 369,640	$ 9,448	2.6%

* Includes international sales of:	$ 132,613	$ 120,059	$ 12,554	10.5%

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

(Dollars in thousands)	Three Months Ended February 2, 2007	Three Months Ended February 3, 2006	$ Change	% Change
Professional	$ 48,360	$ 41,660	$ 6,700	16.1%
Residential	4,379	5,149	(770)	(15.0)
Other	(27,051)	(25,497)	(1,554)	(6.1)
Total	$ 25,688	$ 21,312	$ 4,376	20.5%

Professional

Net Sales. Worldwide net sales for the professional segment in the first quarter of fiscal 2007 were up 7.3 percent compared to the first quarter of fiscal 2006. This increase was primarily due to strong international sales, which were up 20.3 percent for the professional segment for the first quarter comparison, due to continued demand and growth in international markets, the success of new products introduced within the past two years, and improved availability of some products. Domestic sales of most professional segment products were also up due mainly to the introduction of new products and strong early season stocking orders from our customers in anticipation of strong retail demand during fiscal 2007. This resulted in higher field inventory levels for some product lines in this segment as of the end of the first quarter of fiscal 2007 compared to the end of the first quarter of fiscal 2006. However, worldwide sales of landscape contractor equipment were down for the first quarter comparison due mainly to our customers' efforts to reduce field inventory levels by ordering product closer to retail demand.

Operating Earnings. Operating earnings for the professional segment were $48.4 million in the first quarter of fiscal 2007 compared to $41.7 million in the first quarter of fiscal 2006, an increase of 16.1 percent. Expressed as a percentage of net sales, professional segment operating margins increased to 17.8 percent compared to 16.4 percent in the first quarter of fiscal 2006. This profit improvement was the result of higher gross margins in the first quarter of fiscal 2007 compared to the first quarter of fiscal 2006 due to improved margins on some products; cost reduction efforts, including benefits from past and continuing profit improvement initiatives; select price increases; and favorable foreign currency exchange rates compared to the U.S dollar. Somewhat offsetting the operating earnings improvement was an increase in SG&A expense, primarily from higher warranty expense.

Residential

Net Sales. Worldwide net sales for the residential segment in the first quarter of fiscal 2007 were down by 5.8 percent compared to the first quarter of fiscal 2006. This decrease was primarily due to lower worldwide sales of snow thrower products as a result of the lack of snowfall in key markets as of the end of the first quarter of fiscal 2007. Somewhat offsetting the decline in snow thrower sales was an increase in sales of riding products due mainly to the introduction of new products. Sales of walk power mowers were also up due mainly to the introduction of new products, better availability of new products in the first quarter of fiscal 2007 compared to the first quarter of fiscal 2006, and customers ordering product earlier than last year.

Operating Earnings. Operating earnings for the residential segment decreased 15.0 percent in the first quarter of fiscal 2007 compared to the first quarter of fiscal 2006. Expressed as a percentage of net sales, residential segment operating margins decreased to 4.3 percent compared to 4.8 percent in the first quarter of fiscal 2006. This decrease was due mainly to a decline in gross margins as a result of higher sales of lower-margin products. In addition, SG&A expense as a percentage of net sales increased due mainly to higher fixed costs over lower sales volumes.

Other

Net Sales. Net sales for the other segment include sales from our wholly owned domestic distribution companies less sales from the professional and residential segments to those distribution companies. In addition, elimination of the professional and residential segments' floor plan interest costs from Toro Credit Company are also included in this segment. The other segment net sales decreased $2.8 million, or 35.2 percent, in the first quarter of fiscal 2007 compared to the first quarter of fiscal 2006, due to decreased sales at a company-owned distributorship.

Operating Losses. Operating losses for the other segment were up $1.6 million or 6.1 percent for the first quarter of fiscal 2007 compared to the first quarter of fiscal 2006. This increased loss was due to a retirement plan contribution to certain participants' profit sharing accounts to correct an identified contribution shortfall and an increase in operating losses at the company-owned distributorships, somewhat offset by lower administrative expenses and an increase in other income discussed previously.

FINANCIAL POSITION

Working Capital

Receivables as of the end of the first quarter of fiscal 2007 were up 14.1 percent compared to the first quarter of fiscal 2006. This increase was due primarily to the timing of shipments to later in the quarter and a higher proportion of international sales that have longer payment terms. Our average days sales outstanding for receivables improved to 73 days based on sales for the last twelve months ended February 2, 2007, compared to 76 days for the twelve months ended February 3, 2006. Inventory was up as of the end of the first quarter of fiscal 2007 by 4.0 percent compared to the first quarter of fiscal 2006.

Average working capital for the first three months of fiscal 2007 was $267.4 million compared to $306.5 million for the first three months of fiscal 2006, a decrease of 12.8 percent. This decrease was due to higher average short-term debt and the classification of the $75 million notes due in June 2007 as current portion of long-term debt, somewhat offset by higher average receivables and inventory levels. Average receivables for the first three months of fiscal 2007 increased by 3.3 percent compared to the first three months of fiscal 2006 on a sales increase of 2.6 percent. Average inventory levels increased by 8.8 percent for the first three months of fiscal 2007 compared to the first three months of fiscal 2006, and average inventory turnover declined slightly by 1.3 percent for the twelve months ended February 2, 2007 compared to the twelve months ended February 3, 2006.

As part of our GrowLean initiative, additional emphasis will be placed on asset management, with a focus on ensuring strong profitability of our products and services all the way through retail; minimizing the amount of working capital in the supply chain; and maintaining or improving fill rates and service levels to end users. Our long-term goal is to reduce average net working capital (accounts receivable plus inventory minus trade payables) as a percent of net sales below 20 percent, or in the "teens." The average net working capital for the twelve months ended February 2, 2007 was 29.7 percent.

Liquidity and Capital Resources

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

As of February 2, 2007, we have $75 million of notes due on June 15, 2007 that are classified as current portion of long-term debt. We are in the process of replacing this debt on a long-term basis. However, since we did not have the capacity to refinance the $75 million notes under our credit agreements as of February 2, 2007, the $75 million notes were classified as current portion of long-term debt. We believe we will obtain cost effective financing in advance of the repayment date for the notes.

Our Board of Directors approved a cash dividend of $0.12 per share for the first quarter of fiscal 2007 paid on January 12, 2007, which was an increase over our cash dividend of $0.09 per share for the first quarter of fiscal 2006.

Cash Flow. Our first fiscal quarter historically uses more operating cash than other quarters due to the seasonality of our business. Cash used in operating activities for the first three months of fiscal 2007 was $57.6 million higher than the first three months of fiscal 2006 due primarily to a higher increase in receivables and inventory levels, somewhat offset by a higher level of accounts payable and net earnings for the first three months of fiscal 2007 compared to the first three months of fiscal 2006. Cash used in investing activities was higher by $9.5 million compared to the first quarter of fiscal 2006, due mainly to an increase of purchases of property, plant, and equipment in the first quarter of fiscal 2007 compared to the first quarter of fiscal 2006 as well as cash received last year for payments of note receivables. Cash provided by financing activities was higher by $63.3 million compared to the first quarter of fiscal 2006. This increase was due mainly to an increase in short-term debt, as previously discussed, and lower tax benefits from stock-based awards in the first quarter of fiscal 2007 compared to the first quarter of fiscal 2006.

Credit Lines and Other Capital Resources. Our business is seasonal, with accounts receivable balances historically increasing between January and April as a result of higher sales volumes and extended payment terms made available to our customers, and decreasing between May and December when payments are received. The seasonality of production and shipments causes our working capital requirements to fluctuate during the year. Our peak borrowing usually occurs between February and May. Seasonal cash requirements are financed from operations and with short- and medium-term financing arrangements, including a $175.0 million unsecured senior five-year revolving credit facility. During the first quarter of fiscal 2007, we amended our credit agreement to extend the maturity date of the facility from October 2010 to January 2012. In March 2007, we also added a $75 million line of credit from a domestic bank to address seasonal cash needs. Interest expense on these credit lines is determined based on a LIBOR rate plus a basis point spread defined in the credit agreements. In addition, our non-U.S. operations and a domestic subsidiary also maintain unsecured short-term lines of credit of approximately $17 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 agreements. Average short-term debt was $61.1 million in the first quarter of fiscal 2007 compared to $37.0 million in the first quarter of fiscal 2006, an increase of 65.0 percent. This increase was due to funding a majority of our deferred compensation plans and additional working capital requirements as a result of higher receivable and inventory levels in the first quarter of fiscal 2007 compared to the first quarter of fiscal 2006. As of February 2, 2007, we had $65.1 million of unutilized availability under our credit agreements.

Significant financial covenants in our credit agreements are interest coverage and debt-to-capitalization ratios. We were in compliance with all covenants related to our credit agreements as of February 2, 2007, and expect to be in compliance with all covenants during fiscal 2007. If we were out of compliance with any covenant required by our credit agreements, the banks could terminate their commitments unless we could negotiate a covenant waiver from the banks. In addition, our long-term public notes and debentures could become due and payable if we were unable to obtain a covenant waiver or refinance our medium-term debt under our credit agreements. If our credit rating falls below investment grade, the interest rate we currently pay on outstanding debt under the credit agreements would increase, but the credit commitments could not be cancelled by the banks based only on a ratings downgrade. Our debt rating for long-term unsecured senior, non-credit enhanced debt has been unchanged for the first quarter of fiscal 2007 by Standard and Poor's Ratings Group at BBB- and by Moody's Investors Service at Baa3.

Off-Balance Sheet Arrangements and Contractual Obligations

Our off-balance sheet arrangements generally relate to customer financing activities, inventory purchase commitments, operating lease commitments, and currency contracts. See our most recently filed Annual Report on Form 10-K for further details regarding our off-balance sheet arrangements and contractual obligations. There has been no material change in this information.

Inflation

We are subject to the effects of inflation and changing prices. In the first quarter of fiscal 2007, average prices paid for most commodities were slightly higher compared to the first quarter of fiscal 2006, which resulted in a slight negative impact on our gross profit and net earnings. We expect average commodity prices to remain relatively stable for the remainder of fiscal 2007. We will continue to attempt to mitigate the impact of commodity prices and other inflationary pressures by actively pursuing internal cost reduction efforts, introduce moderate price increases on some products, and vendor negotiations.

Critical Accounting Policies and Estimates

In preparing our consolidated financial statements in conformity with U.S. generally accepted accounting principles, we must make decisions that impact the reported amounts of assets, liabilities, revenues and expenses, and related disclosures. Such decisions include the selection of the appropriate accounting principles to be applied and the assumptions on which to base accounting estimates. In reaching such decisions, we apply judgments based on our understanding and analysis of the relevant circumstances, historical experience, and actuarial valuations. Actual amounts could differ from those estimated at the time the consolidated financial statements are prepared.

Our significant accounting policies are described in Note 1 to the notes to our consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended October 31, 2006. Some of those significant accounting policies require us to make difficult subjective or complex judgments or estimates. An accounting estimate is considered to be critical if it meets both of the following criteria: (i) the estimate requires assumptions about matters that are highly uncertain at the time the accounting estimate is made, and (ii) different estimates reasonably could have been used, or changes in the estimate that are reasonably likely to occur from period to period, would have a material impact on the presentation of our financial condition, changes in financial condition or results of operations. Our critical accounting estimates include the following:

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

Sales Promotions and Incentives. At the time of sale to a customer, we record an estimate for sales promotion and incentive costs, which are classified as a reduction from gross sales or as a component of selling, general, and administrative expense. Examples of sales promotion and incentive programs include rebate programs on certain professional products sold to distributors, volume discounts, retail financing support, floor planning, cooperative advertising, commissions, and other sales discounts and promotional programs. The estimates for sales promotion and incentive costs are based on the terms of the arrangements with customers, historical payment experience, field inventory levels, volume purchases, and expectations for changes in relevant trends in the future. Actual results may differ from these estimates if competitive factors dictate the need to enhance or reduce sales promotion and incentive accruals or if the customer usage and field inventory levels vary from historical trends. Adjustments to sales promotions and incentive accruals are made from time to time as actual usage becomes known in order to properly estimate the amounts necessary to generate consumer demand based on market conditions as of the balance sheet date.

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

We also record a reserve for inventory shrinkage. Our inventory shrinkage reserve represents anticipated physical inventory losses that are recorded based on historical loss trends, ongoing cycle-count and periodic testing adjustments, and inventory levels. Though management considers reserve balances adequate and proper, changes in economic conditions in specific markets in which we operate could have an effect on the reserve balances required.

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

New Accounting Pronouncements to be Adopted

In October 2006, the Financial Accounting Standards Board (FASB) issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans." SFAS No. 158 requires employers to recognize on their balance sheets the funded status of pension and other postretirement benefit plans. In addition, employers will recognize, as a component of other comprehensive income, changes in the funded status of pension and other postretirement benefit plans, such as actuarial gains and losses and prior service costs that arise during the year but are not recognized as components of net periodic benefit cost. SFAS No. 158 will require the measurement date of plan assets and benefit obligations to be as of the end of the employer's fiscal year. We will adopt the provisions of SFAS No. 158, which requires the funded status of pension and other postretirement benefit plans to be recorded on the balance sheet as of October 31, 2007, as required, and we will adopt the provisions that require the measurement date of plan assets and benefit obligations to be the same as our fiscal year end as of October 31, 2009, as required. This new pronouncement is not expected to have a material impact on our financial condition, and will have no impact on our consolidated results of operations.

In August 2006, the FASB issued Staff Position No. AUG AIR-1, "Accounting for Planned Major Maintenance Activities." This Staff Position prohibits the use of the accrue-in-advance method of accounting for planned major maintenance activities in annual and interim financial reporting periods. We will adopt the provisions of this Staff Position as of November 1, 2007, as required. We are currently evaluating the requirements of Staff Position No. AUG AIR-1 and do not expect that the adoption of this Staff Position will have a material impact on our consolidated results of operations or financial condition.

In July 2006, the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" (FIN No. 48). This interpretation clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements in accordance with SFAS No. 109, "Accounting for Income Taxes." It prescribes a recognition threshold and measurement attributes for financial statement disclosure of tax positions taken or expected to be taken on a tax return. We will adopt the provisions of this interpretation in the first quarter of fiscal 2008, as required. We are currently evaluating the requirements of FIN No. 48 and we do not expect this new pronouncement will have a material impact on our consolidated financial condition or results of operations.

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 Internet web sites, or otherwise. Statements that are not historical are forward-looking and reflect expectations and assumptions. We try to identify forward-looking statements in this report and elsewhere by using words such as "expect", "looking ahead", "plan", "anticipate", "estimate", "believe", "should", "may", "intend", and similar expressions. Our forward-looking statements generally relate to our future performance, including our anticipated operating results and liquidity requirements, our business strategies and goals, and the effect of laws, rules, regulations, and new accounting pronouncements and outstanding litigation on our business, operating results, and financial condition.

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

- Changes in economic conditions in the United States and around the world, including but not limited to worldwide economic growth rates; slow downs or reductions in home ownership, construction, and home sales; consumer spending levels; employment rates; interest rates; inflation; and consumer confidence in the United States and the foreign countries in which we conduct business.

- Weather conditions may reduce demand for some of our products and adversely affect our net sales.

- Increases in the cost and availability of raw materials and components that we purchase and increases in our other costs of doing business, such as transportation costs, may adversely affect our profit margins and business.

- Our professional segment net sales are dependent upon the level of growth in the residential and commercial construction markets, growth of homeowners who outsource lawn care, the amount of investment in golf course renovations and improvements, new golf course development, and the amount of government spending.

- Our residential segment net sales are dependent upon the amount of product placement at retailers, changing buying patterns of customers, and The Home Depot, Inc. as a major customer.

- If we are unable to continue to enhance existing products and develop and market new products that respond to customer needs and achieve market acceptance, 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, including some competitors that have greater 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 is generated outside of the United States, and we intend to continue to expand our international business. 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 and purchase 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 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, and joint venture arrangements, which are risky and could harm our business.

- 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 business, properties, and products are subject to governmental regulation with which compliance may require us to incur expenses or modify our products or operations and may expose us to penalties for non-compliance. Governmental regulation may also adversely affect the demand for some of our products and our operating results.

- We are subject to product liability claims, product quality issues, and other litigation from time to time that could adversely affect our operating results or financial condition, including without limitation the pending litigation against the company and other defendants that challenges the horsepower ratings of lawnmowers, of which the company is currently unable to assess whether the litigation would have a material adverse effect on the company's consolidated operating results or financial condition, although an adverse result might be material to 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.

- Our business is subject to a number of other factors that may adversely affect our operating results, financial condition, or business, such as natural disasters that may result in shortages of raw materials, higher fuel costs, and an increase in insurance premiums; financial viability of some distributors and dealers, changes in distributor ownership, our success in partnering with new dealers, and our customers' ability to pay amounts owed to us; and continued threat of terrorist acts and war that may result in heightened security and higher costs for import and export shipments of components or finished goods, reduced leisure travel, and contraction of the U.S. and world economies.

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

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

Item 3. QUANTITATIVE AND QUALITIATIVE DISCLOSURES ABOUT MARKET RISK

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

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

We enter into various contracts, principally forward contracts that change in value as foreign 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 months ended February 2, 2007, the amount of losses reclassified to earnings for such cash flow hedges was $0.2 million. For the three months ended February 2, 2007, the losses treated as a reduction to net sales for contracts to hedge trade sales were $0.4 million and the gains treated as a reduction of cost of sales for contracts to hedge inventory purchases were $0.2 million.

The following foreign currency exchange contracts held by us have maturity dates in fiscal 2007. 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 (AOCL), and fair value impact of derivative instruments in other income, net for the three months ended February 2, 2007 were as follows:

	Average		Value in	Fair Value
Dollars in thousands	**Contracted**	**Notional**	**AOCL**	**Impact**
(except average contracted rate)	**Rate**	**Amount**	**Income (Loss)**	**Gain (Loss)**
Buy US dollar/Sell Canadian dollar	0.9007	$ 5,133.9	$ 282.4	$ 26.2
Buy US dollar/Sell Australian dollar	0.7694	41,834.4	(298.7)	(161.7)
Buy US dollar/Sell Euro	1.3067	81,671.3	(91.0)	17.1
Buy US dollar/Sell British pound	1.9645	25,734.3	—	31.2
Buy Mexican peso/Sell U.S. dollar	11.7439	11,325.1	615.6	181.7

Interest Rate Risk. We are exposed to interest rate risk arising from transactions that are entered into during the normal course of business. Our short-term debt rates are dependent upon LIBOR plus a basis point spread defined in our credit agreements. See our most recently filed Annual Report on Form 10-K (Item 7A). There has been no material change in this information.

Commodity Price Risk. Some raw materials used in our products are exposed to commodity price changes. The primary commodity price exposures are with steel, aluminum, fuel, petroleum-based resin, and linerboard. Further information regarding rising prices for commodities is presented in Item 2, 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 first quarter ended February 2, 2007 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

On June 3, 2004, eight individuals who claim to have purchased lawnmowers in Illinois and Minnesota filed a lawsuit in Illinois state court against the company and eight other defendants alleging that the horsepower labels on the products the plaintiffs purchased were inaccurate. On May 17, 2006, the plaintiffs filed an amended complaint to add 84 additional plaintiffs and an engine manufacturer as an additional defendant. The amended complaint asserts violations of the federal Racketeer Influenced and Corrupt Organizations (RICO) Act and statutory and common law claims arising from the laws of 48 states. The plaintiffs seek 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 seeks an injunction, unspecified compensatory and punitive damages, treble damages under the RICO Act and attorneys' fees. In late May 2006, the case was removed to Federal court in the Southern District of Illinois. On August 1, 2006, all of the defendants, except MTD Products Inc., filed motions to dismiss claims in the amended complaint. On August 4, 2006, the plaintiffs filed a motion for preliminary approval of a settlement agreement with MTD Products Inc. and certification of a settlement class. All remaining non-settling defendants have filed counterclaims against MTD Products Inc. for potential contribution amounts, and MTD Products Inc. has filed cross claims against the non-settling defendants. A court hearing on the defendants' motions to dismiss and the plaintiffs' motion for preliminary approval of the settlement agreement and certification of a settlement class was held on August 29, 2006. As of March 12, 2007, the court has not yet ruled on these motions. On December 21, 2006, another defendant, American Honda Motor Company, notified us that it had reached an agreement of settlement with the plaintiffs. We continue to evaluate this lawsuit and are unable to reasonably estimate the likelihood of loss or the amount or range of potential loss that could result from this litigation. Therefore, no accrual has been established for potential loss in connection with this lawsuit. We are also unable to assess at this time whether the lawsuit will have a material adverse effect on our annual consolidated operating results or financial condition, although an unfavorable resolution could be material to our consolidated operating results for a particular period.

We are a party to litigation in the ordinary course of business. Litigation occasionally involves claims for punitive as well as compensatory damages arising out of use of our products. We are also subject to administrative proceedings with respect to claims involving the discharge of hazardous substances into the environment. Some of these claims assert damages and liability for remedial investigations and clean up costs. We are also typically involved in commercial disputes, employment disputes, and patent litigation cases in the ordinary course of business, both as a plaintiff and as a defendant. While the ultimate results of the current cases are unknown at this time, management believes that, except for the lawsuit discussed above, the outcomes of these cases are unlikely to have a material adverse effect on our consolidated operating results or financial position. Further, although we are self-insured to some extent, we maintain insurance against certain product liability losses.

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 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. CHANGES IN SECURITIES, USE OF PROCEEDS, AND ISSUER PURCHASES OF EQUITY SECURITIES

The following table shows our first quarter of fiscal 2007 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)
November 1, 2006 through December 1, 2006	402,700	$ 43.87	402,700	1,074,204
December 2, 2006 through December 29, 2006	80,795	48.88	80,795	993,409
December 30, 2006 through February 2, 2007	150,017(2)	50.10	147,912	845,497
Total	633,512	$ 45.98	631,407	

(1) On July 18, 2006, the company's Board of Directors authorized the repurchase of 3,000,000 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. The company purchased an aggregate of 631,407 shares during the periods indicated above under this program. There are 845,497 shares remaining for repurchase under this program.

(2) Includes 2,105 units (shares) of the company's common stock purchased in open-market transactions at an average price of $49.08 per share on behalf of a rabbi trust formed to pay benefit obligations of the company to participants in deferred compensation plans. These 2,105 shares were not repurchased under the company's repurchase program described in footnote (1) above.

Item 6. EXHIBITS

(a) Exhibits

3(i) and 4(a)	The Toro Company Amended and Restated Certificate of Incorporation of Registrant (incorporated by reference to Exhibit 3(i) and 4(a) to Registrant's Current Report on Form 8-K dated March 15, 2005, Commission File No. 1-8649).
3(ii) and 4(b)	Bylaws of Registrant (incorporated by reference to Exhibit 3 to Registrant's Current Report on Form 8-K dated November 30, 2005, Commission File No. 1-8649).

4(c)	Specimen Form of Common Stock Certificate (incorporated by reference to Exhibit 4(c) to Registrant's Annual Report on Form 10-K dated October 31, 2006).
4(d)	Rights Agreement dated as of May 20, 1998, between Registrant and Wells Fargo Bank Minnesota, National Association relating to rights to purchase Series B Junior Participating Voting Preferred Stock, as amended (incorporated by reference to Registrant's Current Report on Form 8-K dated May 27, 1998, Commission File No. 1-8649).
4(e)	Certificate of Adjusted Purchase Price or Number of Shares dated April 14, 2003 filed by Registrant with Wells Fargo Bank Minnesota, N.A., as Rights Agent, in connection with Rights Agreement dated as of May 20, 1998 (incorporated by reference to

	Exhibit 2 to Registrant’s Amendment No. 1 to Registration Statement on Form 8-A/A dated April 14, 2003, Commission File No. 1-8649).
4(f)	Certificate of Adjusted Purchase Price or Number of Shares dated April 12, 2005 filed by Registrant with Wells Fargo Bank Minnesota, N.A., as Rights Agent, in connection with Rights Agreement dated as of May 20, 1998 (incorporated by reference to Exhibit 2 to Registrant’s Amendment No. 2 to Registration Statement on Form 8-A/A dated March 21, 2005, Commission File No. 1-8649).
4(g)	Indenture dated as of January 31, 1997, between Registrant and First National Trust Association, as Trustee, relating to the Registrant’s 7.125% Notes due June 15, 2007 and its 7.80% Debentures due June 15, 2027 (incorporated by reference to Exhibit 4(a) to Registrant’s Current Report on Form 8-K for June 24, 1997, Commission File No. 1-8649).
10(a)	Amendment No. 2 to Credit Agreement dated as of January 10, 2007, among The Toro Company, Toro Credit Company, Toro Manufacturing LLC, Exmark Manufacturing Company Incorporated, and certain subsidiaries, as Borrowers, the lenders from time to time party thereto, Bank of America, N.A., as Administrative Agent, Swingline Lender and Letter of Credit Issuer (incorporated by reference to Exhibit 10(a) to Registrant’s Current Report on Form 8-K dated January 10, 2007, Commission File No. 1-8649).
10(b)	Revolving Credit Facility Letter Loan Agreement, dated as of March 5, 2007, entered into by and between The Toro Company, as borrower, and Bank of America, N.A., as lender (incorporated by reference to Exhibit 10(a) to Registrant’s Current Report on Form 8-K dated March 5, 2007, Commission File No. 1-8649).
10(c)	Summary of Employment Inducement Award — Timothy P. Dordell.
10(d)	Summary of Employment Inducement Award — Peter M. Ramstad.
10(e)	The Toro Company Performance Share Plan.
10(f)	The Toro Company Performance Share Award Agreement.
10(g)	Amendment No. 2 to The Toro Company Supplemental Benefit Plan.
10(h)	Amendment No. 1 to The Toro Company Deferred Compensation Plan.
10(i)	Amendment No. 1 to The Toro Company Deferred Compensation Plan for Officers.
10(j)	Amendment No. 1 to The Toro Company Deferred Compensation Plan for Non-Employee Directors.
31(a)	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) (Section 302 of the Sarbanes-Oxley Act of 2002) (filed herewith).
31(b)	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) (Section 302 of the Sarbanes-Oxley Act of 2002) (filed herewith).
32	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).

SIGNATURES

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

THE TORO COMPANY
(Registrant)

Date: March 13, 2007

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

EXHIBIT 10(c)

SUMMARY OF EMPLOYMENT INDUCEMENT AWARD
TO TIMOTHY P. DORDELL

As of November 7, 2006, the Compensation and Human Resources Committee of The Toro Company awarded 2,620 restricted shares of common stock to Timothy P. Dordell, Toro's Vice President and Deputy General Counsel. The award terms were approved by committee resolutions, and were not set forth in a written agreement.

The award shares will be fully vested on the second anniversary of Dordell's first day of employment with Toro. In the event Dordell voluntarily terminates his employment with Toro prior to his second anniversary with Toro for any reason, the entire stock grant will be forfeited and the shares will be returned to Toro's treasury account.

EXHIBIT 10(d)

SUMMARY OF EMPLOYMENT INDUCEMENT AWARD TO PETER M. RAMSTAD

On November 30, 2006, the Compensation and Human Resources Committee of The Toro Company awarded 2,300 restricted shares of common stock to Peter M. Ramstad, Toro’s Vice President, Business and Strategic Development. The award terms were approved by committee resolutions, and were not set forth in a written agreement.

The award shares will be fully vested on the second anniversary of Ramstad’s first day of employment with Toro. In the event Ramstad voluntarily terminates his employment with Toro prior to his second anniversary with Toro for any reason, the entire stock grant will be forfeited and the shares will be returned to Toro’s treasury account.

Exhibit 10(e)

The Toro Company
Performance Share Plan

1. **Purpose.** The purpose of The Toro Company Performance Share Plan (the "Plan") is to enhance long-term stockholder value of The Toro Company (the "Company"), by reinforcing the incentives of key executives to achieve long-term performance goals of the Company; to link a significant portion of a participant's compensation to the achievement by the Company of performance goals and to the value of the Company's Common Stock, par value $1.00 per share, and related Preferred Share Purchase Rights ("Common Stock"); and to attract and motivate executives and to encourage their continued employment on a competitive basis. The purposes of the Plan are to be achieved by the grant of Performance Share Awards.

2. **Eligibility and Participation.** Key employees of the Company, who, through their position or performance, can have a significant, positive impact on the Company's financial results, shall be eligible to participate in the Plan. The Compensation Committee (the "Committee") shall select recipients of Performance Shares ("Plan Participants"). Newly-hired and newly-promoted executives may be selected as Plan Participants subject to the provisions of paragraph 3.c.(ii), if applicable.

3. **Performance Share Awards.**

a. **Performance Share Defined.** A Performance Share is a right to receive shares of Common Stock or Common Stock units, contingent on the achievement of performance goals of the Company during a three-year period, except that a shorter period may be established for new participants (the "Award Term"). A Performance Share Award shall be subject to such conditions, restrictions and contingencies as the Committee shall determine.

b. **Vesting.** Performance Shares shall be subject to forfeiture until they vest and shall vest only after the conclusion of the Award Term, and only if the Committee makes the certification required by paragraph 3.c.(iv), except as may otherwise be provided in paragraphs 3.e.(i), 3.e.(ii) and 3.e.(iv).

c. **Section 162(m) Conditions.** Performance Share Awards may be designated as "performance-based compensation" as that term is used in Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code").

(i) ***Performance Goals.*** The performance goal criteria ("Performance Goals") that may be used by the Committee for Performance Shares shall include one or more of the following, as selected by the Committee: cumulative earnings, cumulative earnings per share, profit after tax, net income, return on invested capital, invested capital dollars, earnings per share, average net assets, after-tax interest expense, return on average net assets, average net asset turns, cumulative average net asset turns, return on equity, return on beginning equity, revenue growth, earnings growth, economic value added, fill rate, customer care and customer satisfaction scores.

(ii) ***Establishment of Performance Goals.*** Performance Share Awards designated "performance-based compensation" shall be granted, and Performance Goals shall be established, by the Committee in writing not later than 90 days after the commencement of the period of service to which the Performance Goal relates, or such other period required under Section 162(m) of the Code, provided that the outcome is substantially uncertain at the time the Committee establishes the Performance Goal; and provided further that in no event will a Performance Goal be considered to be preestablished if it is established after 25% of the period of service (as scheduled in good faith at the time the Performance Goal is established) has elapsed.

(iii) ***Section 162(m) Maximum Award Payment.*** With respect to a Performance Share Award that is designated "performance-based compensation" for purposes of Section 162(m), the maximum number of shares that may be issued under the award shall be set at the time the Committee grants the award and establishes Performance Goals under the award. Notwithstanding any other provision of this Plan, the maximum number of Performance Shares that may be granted to a Plan Participant with respect to any Award Term is 100,000, subject to adjustment as provided in paragraph 4.

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

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

e. **Vesting and Cancellation Under Special Circumstances.**

(i) ***Retirement, Death or Disability***. If a Plan Participant retires, dies or becomes permanently disabled and unable to work prior to the end of an Award Term, but after the conclusion of not less than 33% of the Award Term, the Committee may, in its sole discretion, cause shares of Common Stock to be delivered with respect to the participant's Performance Share Award, but only if otherwise earned and only with respect to the portion of the applicable Award Term completed at the date of such event, with proration based on full fiscal years only and no shares to be delivered for partial fiscal years. “Retirement” means termination of employment with the Company at age 55 or older and with a number of years of service to the Company that, when added together with the participant’s age, equals at least 65. The Committee shall consider the requirements of paragraph (A) under this paragraph 3.e.(i) and shall have the discretion to consider any other fact or circumstance in making its decision as to whether to deliver shares, including whether the participant again becomes employed. Shares shall be delivered only after the conclusion of the applicable Award Term in accordance with paragraphs 3.b., 3.c. and 3.d. of the Plan.

(A) *Non-compete*. Notwithstanding the foregoing, if a Plan Participant retires prior to age 65, and within one year after the later of the date of that retirement or the date shares are delivered pursuant to paragraph 3.e.(i), the Plan Participant (a) is employed or retained by or renders service to any organization that, directly or indirectly, competes with or becomes competitive with the Company, or if the rendering of such services is prejudicial or in conflict with the interests of the Company; or (b) violates any confidentiality agreement or agreement governing the ownership or assignment of intellectual property rights with the Company, or (c) engages in any other conduct or act determined to be injurious, detrimental or prejudicial to any interest of the Company, the Company may rescind or restrict the special vesting under this paragraph 3.e.(i) or withhold or have the right to the return of the economic value of the Performance Shares that vested under this paragraph; provided, however, that this provision shall not be applicable in the event of a Change of Control.

(ii) ***Reassignment***. If prior to the end of an Award Term, a Plan Participant is reassigned to a position with the Company (including a subsidiary or parent of the Company), and that position is not eligible to participate in the Plan, but the Plan Participant does not terminate employment with the Company, the Committee may, in its sole discretion, cause shares of Common Stock to be delivered with respect to the participant’s Performance Share Award, but only if otherwise earned and only with respect to the portion of the applicable Award Term completed at the date of such reassignment, based on full fiscal years only, with no shares to be delivered for partial fiscal years.

(iii) ***Other Termination***. In the event that a Plan Participant terminates employment with the Company other than by reason of retirement, death or disability as

provided in paragraph 3.e.(i), Performance Shares in such participant’s name that have not yet vested shall not vest and shall be canceled.

(iv) ***Change of Control***. Notwithstanding the provisions of paragraphs 3.b. and 3.c., all Performance Shares that have not yet vested shall vest and become immediately payable if there is a change of control of the Company.

Change of Control means:

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

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

(C) Consummation of a reorganization, merger or consolidation of the Company or sale or other disposition of all or substantially all of the assets of the Company or the acquisition by the Company of assets or stock of another entity (a “Business Combination”), in each case, unless, following such Business Combination, (a) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of, respectively, the then-outstanding shares of common stock and the combined voting power of the then-outstanding voting securities

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

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

(v) ***Committee Discretion to Scale Back Awards***. At any time during an Award Term of more than one fiscal year, the Committee may, in its discretion, cancel a portion of the Performance Shares in any Performance Share Award prior to the conclusion of the Award Term (a "Scale Back"), provided that:

(A) the Performance Share Award has not yet vested;

(B) based on financial information contained in the Company's financial statements or similar internal reports, the Committee determines that the Performance Goals for the Award Term cannot be achieved at the maximum levels established at the time of grant;

(C) Performance Share Awards shall be Scaled Back in proportion to the estimated short fall in achievement of Performance Goals from maximum levels;

(D) all Performance Share Awards for the same Award Term are Scaled Back by the same percentage;

(E) once an award is Scaled Back, it may not again be increased to add or recover Performance Shares that were canceled; and

(F) Performance Shares canceled in a Scale Back shall again be available to the Committee for grant of new Performance Share Awards for any future Award Term. This provision shall not be used in any manner that could have the effect of repricing a previous Performance Share Award grant.

f. **Dividends and Voting.** A Plan Participant shall have no rights as a stockholder with respect to Performance Shares unless and until Common Stock or Common Stock units are issued in settlement of the award.

g. **Non-transferability.** Neither Performance Shares nor Performance Share Awards nor any interest in any one of such awards or shares may be anticipated, alienated, encumbered, sold, pledged, assigned, transferred or subjected to any charge or legal process, other than by will or the laws of descent and distribution, so long as the Performance Shares have not vested and shares of Common Stock have not been distributed in accordance with the Plan, and any sale, pledge, assignment or other attempted transfer shall be null and void. A Plan Participant may receive payment under a Performance Share Award only while an employee of the Company and only if continuously employed from the date the award was granted, except as may otherwise be provided in paragraphs 3.e.(i) and 3.e.(ii).

4. Maximum Shares Subject to Performance Share Awards. Subject to the provisions of paragraph 4.a., the total number of shares of Common Stock that may be issued pursuant to Performance Share Awards under the Plan is 3,000,000. Shares of Common Stock that may be issued hereunder may be authorized but unissued shares, reacquired or treasury shares or outstanding shares acquired in the market or from private sources or a combination thereof.

a. **Adjustments**. In the event of a corporate transaction involving the Company, the Common Stock or the Company's corporate or capital structure, including but not limited to any stock dividend, stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, reclassification, split-up, spin-off, combination or exchange of shares, or a sale of the Company or of all or part of its assets or any distribution to stockholders other than a normal cash dividend, the Committee shall make such proportional adjustments as are necessary to preserve the benefits or potential benefits of the Performance Share Awards. Action by the Committee may include all or any of adjustment in (i) the maximum number and kind of securities subject to the Plan as set forth in this paragraph; (ii) the maximum number and kind of securities that may be made subject to Performance Share Awards for any individual as set forth in paragraph 3.c. (iii); (iii) the number and kind of securities subject to any outstanding Award; and (iv) any other adjustments that the Committee determines to be equitable.

5. Administration. The Plan shall be administered by the Committee. The Committee shall have the authority to administer the Plan; establish policies under the Plan; amend the Plan, subject to the provisions of paragraph 8; interpret provisions of the Plan; select Plan Participants; establish Performance Goals; make Performance Share Awards; or terminate the Plan, in its sole discretion. The Committee may delegate administrative duties and all decisions not required to be exercised by it under Section 162(m) or Section 16 of the Exchange Act, as it solely determines, including to Company officers. All decisions of the Committee shall be final and binding upon all parties including the Company, its stockholders and Plan Participants.

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

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

8. Plan Amendment and Termination. The Committee may, in its sole discretion, amend, suspend or terminate the Plan at any time, with or without advance notice to Plan Participants, provided that no amendment to the Plan shall be effective that would increase the maximum number of Performance Shares that may be granted under paragraph 3.c.(iii) to a participant who is a person referred to in Section 162(m); that would change the Performance Goal criteria applicable to a participant who is a person referred to in Section 162(m) for payment of awards as set forth in paragraph 3.c.(i); or that would modify the requirements as to eligibility for participation under paragraph 2, unless the stockholders of the Company shall have approved such change in accordance with the requirements of Section 162(m). No amendment, modification or termination of the Plan may adversely affect in a material manner any right of any Plan Participant with respect to any Performance Share Award theretofore granted without such participant's written consent.

9. **Effective Date of the Plan and Amendments.** The Plan first became effective on November 18, 1998. Any amendment to the Plan shall be effective on the date established by the Committee, subject to stockholder approval, if required under the provisions of paragraph 8.

Exhibit 10(f)

THE TORO COMPANY
PERFORMANCE SHARE AWARD AGREEMENT

This Agreement is entered into as of November 30, 2006, by and between < Name> ("Employee" or "you") and The Toro Company, a Delaware corporation ("Toro" or "we"), to set forth the terms and conditions of a Performance Share Award granted to you by the Compensation and Human Resources Committee of the Board of Directors of Toro (the "Committee") pursuant to The Toro Company Performance Share Plan (the "Plan").

1. **Performance Share Award.** Toro hereby grants you <shareawards> Performance Shares (your "Maximum Potential Payout") for Fiscal Years 2007 to 2009 (the "Award Term"), subject to the terms and conditions of this Agreement and of the Plan and to your consent to those terms and conditions.

a. ***Performance Share Definition.*** A Performance Share is a right to receive one share of Toro Common Stock, par value $1.00 per share, and Preferred Share Purchase Rights attached thereto, (the "Common Stock"), contingent on the achievement of Performance Goals.

b. ***Performance Goal Achievement Required***. You will receive shares of Common Stock for Performance Shares under this Performance Share Award only if Toro achieves Performance Goals for the Award Term established by the Committee and the Committee certifies in writing that the Performance Goals have been achieved. If the Performance Goals are not achieved, a portion or all of your Performance Shares will be canceled and you will receive no Common Stock for canceled shares.

c. ***Performance Goals***. The Performance Goals to be achieved with respect to the Award Term are cumulative net income plus after-tax interest of $ and cumulative average net assets turns of (the "Target Levels").

2. **Number of Shares Delivered**. If the Performance Goals are achieved at the Target Levels, you will receive «target» shares of Common Stock (your "Target Payout"). If the Performance Goals are achieved at levels above or below the Target Levels, the number of shares of Common Stock you will receive will be increased or reduced, including to zero, in accordance with the matrix set forth in Exhibit A, which is attached to and forms a part of this Agreement, subject further to adjustment and proration as provided in the Plan and the Committee's resolutions of November 30, 2006. You may not receive a greater number of shares of Common Stock than your Maximum Potential Payout.

3. **Payment of Awards**. Performance Shares payable to you will be paid solely in shares of Common Stock.

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4. **Vesting and Cancellation Under Special Circumstances**.

a. ***Retirement, Death or Disability***. If a Plan Participant retires, dies or becomes permanently disabled and unable to work prior to the end of an Award Term, but after the conclusion of not less than 33% of the Award Term, the Committee may, in its sole discretion, cause shares of Common Stock to be delivered with respect to the participant's Performance Share Award, but only if otherwise earned and only with respect to the portion of the applicable Award Term completed at the date of such event, with proration based on full fiscal years only and no shares to be delivered for partial fiscal years. "Retirement" means termination of employment with the Company at age 55 or older and with a number of years of service to the Company that, when added together with the participant's age, equals at least 65. The Committee shall consider the requirements of paragraph 3.e.(i).(A) of the Plan and shall have the discretion to consider any other fact or circumstance in making its decision as to whether to deliver shares, including whether the participant again becomes employed. Shares shall be delivered only after the conclusion of the applicable Award Term in accordance with paragraphs 3.b., 3.c. and 3.d. of the Plan.

(i) *Non-compete*. Notwithstanding the foregoing, if a Plan Participant retires prior to age 65, and within one year after the later of the date of that retirement or the date shares are delivered pursuant to paragraph 3.e.(i) of the Plan, the Plan Participant (a) is employed or retained by or renders service to any organization that, directly or indirectly, competes with or becomes competitive with the Company, or if the rendering of such services is prejudicial or in conflict with the interests of the Company; or (b) violates any confidentiality agreement or agreement governing the ownership or assignment of intellectual property rights with the Company, or (c) engages in any other conduct or act determined to be injurious, detrimental or prejudicial to any interest of the Company, the Company may rescind or restrict the special vesting under paragraph 3.e.(i) of the Plan or withhold or have the right to the return of the economic value of the Performance Shares that vested under that paragraph; provided, however, that this provision shall not be applicable in the event of a Change of Control.

b. ***Reassignment***. If prior to the end of an Award Term, a Plan Participant is reassigned to a position with the Company (including a subsidiary or parent of the Company), and that position is not eligible to participate in the Plan, but the Plan Participant does not terminate employment with the Company, the Committee may, in its sole discretion, cause shares of Common Stock to be delivered with respect to the participant's Performance Share Award, but only if otherwise earned and only with respect to the portion of the applicable Award Term completed at the date of such reassignment, based on full fiscal years only, with no shares to be delivered for partial fiscal years.

c. ***Other Termination***. In the event that a Plan Participant terminates employment with the Company other than by reason of retirement, death or disability as provided in paragraph 3.e.(i) of the Plan, Performance Shares in such participant's name that have not yet vested shall not vest and shall be canceled.

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d. ***Change of Control***. Notwithstanding any other provision of this Agreement, all Performance Shares that have not yet vested shall vest and become immediately payable if there is a Change of Control of Toro, as defined in the Plan.

e. ***Scale Back.*** The Committee may, in its discretion, cancel a portion of the Performance Shares covered by this Agreement prior to the conclusion of the Award Term, if the Committee determines that the Performance Goals for the Award Term cannot be achieved at the maximum levels established, in accordance with paragraph 3.e.(v) of the Plan.

5. **Dividends and Voting**. You will have no rights as a stockholder with respect to Performance Shares unless and until Common Stock is issued in settlement of the Performance Share Award. Except as expressly provided in the Plan, no adjustments will be made for dividends or other rights for which the record date is prior to issuance of the Common Stock.

6. **Non-transferability**. Neither your Performance Shares nor this Performance Share Award nor any interest in the shares or award may be anticipated, alienated, encumbered, sold, pledged, assigned, transferred or subjected to any charge or legal process, other than by will or the laws of descent and distribution, so long as the Performance Shares have not vested and shares of Common Stock have not been distributed in accordance with the Plan, and any sale, pledge, assignment or other attempted transfer shall be null and void.

7. **Successors and Heirs**. This Agreement shall be binding upon and inure to the benefit of Toro and its successors and assigns, and upon any person acquiring, whether by merger, consolidation, purchase of assets or otherwise, all or substantially all of Toro's assets and business. In the event of your death, any shares of Common Stock to which you may become entitled will be delivered to your heirs or personal representative in accordance with the terms of the Plan.

8. **Governing Law.** This Agreement will 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 this Agreement, the Plan, the award or the Performance Shares to the substantive law of another jurisdiction.

9. **Tax Withholding**. Toro has the right to deduct from any award payment made under this Agreement or to require you to pay the amount of any federal, state or local taxes of any kind required by law to be withheld with respect to the grant, vesting, payment or settlement of an award under this Agreement, or to take such other action as may be necessary in the opinion of Toro to satisfy all obligations for the payment of such taxes. If Common Stock is withheld or surrendered to satisfy tax withholding, such stock will be valued at fair market value as of the date such Common Stock is withheld or surrendered. Toro may also deduct from any award payment any other amounts due by you to Toro.

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10. **Miscellaneous**. Notwithstanding anything in this Agreement to the contrary, the terms of this Agreement shall be subject to the terms of the Plan. In accordance with the Plan, all decisions of the Committee shall be final and binding upon you and Toro.

IN WITNESS WHEREOF, this Performance Share Award Agreement has been executed and delivered by Toro on the terms and conditions set forth above.

THE TORO COMPANY

By: ______________________________
Its: Chairman, President and CEO

I hereby agree to the terms and conditions of this Performance Share Award Agreement as a condition to the grant made to me.

____
<Name>

Exhibit 10(g)

AMENDMENT NO. 2
TO
THE TORO COMPANY
SUPPLEMENTAL BENEFIT PLAN
(FORMERLY KNOWN AS
THE TORO COMPANY
SUPPLEMENTAL MANAGEMENT RETIREMENT PLAN)

This revised and renamed Amendment No. 2 is made to The Toro Company Supplemental Management Retirement Plan (herein renamed The Toro Company Supplemental Benefit Plan), as previously amended and restated effective July 27, 1998 (the “Plan”). All defined terms shall have the meanings set forth in the Plan. This Amendment is effective October 16, 2006, unless otherwise stated herein. In no event will this Amendment apply to any amounts earned and vested as of December 31, 2004. All provisions of the Plan not amended by this Amendment shall remain in full force and effect.

1. Section 3.3 shall be amended to read as follows:

3.3 Earnings on Amounts Credited

(a) Amounts credited to a Participant’s Article III account shall be credited with earnings at a rate and in a manner authorized by the Committee from time to time, provided that beginning January 1, 2007, and until changed by subsequent action of the Committee, the earnings rate for all Participants (except as otherwise provided in (b) below) shall be based on a Participant’s selection from the following funds:

American Century Large Company Value
American Funds Growth Fund of America
Artisan Mid Cap
Fidelity Diversified International
ICM Small Company
JPMorgan Mid Cap Value
JPMorgan Prime Money Market Fund
Alger Small Cap Growth Institutional I
Vanguard Total Bond Index
Vanguard Institutional Index

Prior to a Change in Control, the method for determining the earnings rate may be changed at any time, at the discretion of the Company. After a Change in Control, the Trustee shall have authority to change the method for determining the earnings rate.

(b) Notwithstanding the foregoing provisions, all current Participants shall be given a one-time election, until October 31, 2006, either:

(i) To allocate all funds in all accounts, past and future, so that the earnings rate is based on the Wells Fargo Stable Return Fund measure; or

(ii) To allocate all funds in all accounts, past and future, so that the earnings rate is based on the rate of return from one or more of the funds provided for in (a) above.

If such a Participant does not make an election, the earnings rate applicable to all of such Participant’s accounts, past and future, shall be based on the Wells Fargo Stable Return Fund measure.

2. The third sentence of Section 6.2, the third sentence, second paragraph, of Section 6.4 and the third sentence of Section 6.5 shall be amended as follows:

A Participant may change his or her election at any time up to one year before the date of the Participant’s retirement from the Company.

3. A new Section 6.9 shall be added as follows:

6.9 Limitation on Election of Distribution Method

Effective January 1, 2008, a Participant may change his or her election of distribution method only one time after making an initial election with respect to distribution of any accounts under this Plan.

4. Effective as of January 1, 2005 a new Section 7.5 shall be added as follows:

7.5 Section 409A

The Plan is intended to comply with Section 409A of the Code and any official regulations or other guidance issued thereunder, to the extent Section 409A is applicable to the Plan. Notwithstanding any other provision of the Plan, the Plan shall be interpreted, operated and administered in a manner consistent with such intention, and shall be deemed to be amended (and any deferrals and distributions thereunder shall be deemed to be modified) to the extent the Company deems necessary to comply with Section 409A and any official regulations or other guidance issued thereunder and to avoid (a) the predistribution inclusion in income of amounts deferred under the Plan and (b) the imposition of any additional tax or interest with respect thereto.

5. Effective November 30, 2006, the name of the Plan is changed to “The Toro Company Supplemental Benefit Plan,” and all references to the Plan shall be modified accordingly.

* * *

The Company has caused this Amendment to be executed on the date indicated below.

THE TORO COMPANY

Dated: 3/12/2007

By: /s/ J. Lawrence McIntyre
Its: Vice President, Secretary and General Counsel

Exhibit 10(h)

AMENDMENT NO. 1
TO
THE TORO COMPANY DEFERRED COMPENSATION PLAN
(FORMERLY KNOWN AS
THE TORO COMPANY
SUPPLEMENTAL RETIREMENT PLAN

This revised and renamed Amendment No. 1 is made to The Toro Company Supplemental Retirement Plan, as previously amended and restated effective July 27, 1998 (the "Plan"). All defined terms shall have the meanings set forth in the Plan. This Amendment is effective as of January 1, 2005, unless otherwise indicated herein. In no event will this Amendment apply to any amounts earned and vested as of December 31, 2004. All provisions of the Plan not amended by this Amendment shall remain in full force and effect.

1. Effective October 16, 2006, Section 3.1 shall be amended to read as follows:

3.1 Deferral Election

A Participant may elect to defer Compensation for a calendar year by completing and submitting a deferral election on a form provided by the Company. Except as provided in the following sentence, such election must be submitted to the Director or the Assistant Corporate Secretary by December 31 to be effective for the following year. Notwithstanding the foregoing, an election to defer incentive compensation under a Company incentive compensation plan must be made on a fiscal year basis. A Participant may elect to defer incentive compensation by completing and submitting a deferral election by the last day of the Company's fiscal year immediately preceding the fiscal year in which the services to which the incentive compensation relate are performed. An election shall take effect as of January 1 of the year following the year in which it is received, or as of the first day of the Company's fiscal year following the fiscal year in which it is received.

A Participant shall not be eligible to defer Compensation for any calendar year or incentive compensation for any fiscal year following the year in which he or she no longer satisfies the eligibility requirements of this Plan, unless the Committee in its discretion permits such a deferral.

2. Effective October 16, 2006, Section 4.1 shall be amended to read as follows:

4.1 Earnings Rate

(a) Amounts held in an account maintained for a Participant shall be credited with earnings (which may include losses in principal value) at a rate and in a manner authorized by the Committee from time to time; provided that beginning January 1, 2007, and until changed by subsequent action of the Committee, the earnings rate for all Participants (except as otherwise provided in (b) below) shall be based on a Participant's selection from the following funds:

American Century Large Company Value
American Funds Growth Fund of America
Artisan Mid Cap
Fidelity Diversified International
ICM Small Company
JPMorgan Mid Cap Value
JPMorgan Prime Money Market Fund
Alger Small Cap Growth Institutional I
Vanguard Total Bond Index
Vanguard Institutional Index

Prior to a Change in Control, the method for determining the earnings rate may be changed at any time, at the discretion of the Committee. After a Change in Control, the Trustee shall have authority to change the method for determining the earnings rate.

(b) Notwithstanding the foregoing provisions in paragraph (a) above, all current Participants shall be given a one-time election, until October 31, 2006, either:

(i) To allocate all funds in all accounts, past and future, so that the earnings rate is based on the Wells Fargo Stable Return Fund measure; or

(ii) To allocate all funds in all accounts, past and future, so that the earnings rate is based on the rate of return from one or more of the funds provided for in (a) above.

If such a Participant does not make an election, the earnings rate applicable to all of such Participant's accounts, past and future, shall be based on the Wells Fargo Stable Return Fund measure.

3. Effective October 16, 2006, the first paragraph of Section 5.2 shall be amended to read as follows:

Except as provided in Sections 5.3, 5.4, 5.5, and 5.6 hereof, the amount of the Participant's deferred compensation account shall be distributed on the Participant's retirement, resignation or termination from employment with the Company, or on the disability or death of the Participant, whichever occurs first. Distributions shall be made in accordance with the Participant's distribution election most recently filed with the Director or Assistant Corporate Secretary; provided, that any election filed one year or less before the date of the

Participant’s retirement, resignation or termination of employment shall be disregarded.

4. Effective November 30, 2006, Section 5.3 shall be amended to read as follows:

5.3 Early Distributions

A Participant may irrevocably elect to receive a distribution of all or a portion of the Participant’s account prior to retirement, resignation or termination of employment with the Company by submitting a proper form of distribution election to the Company; provided, however, that such election shall be made not later than two years prior to the Plan Year in which the early distribution is to be made. Distributions under this Section shall be paid in a lump sum.

5. Effective October 16, 2006, a new Section 5.9 shall be added as follows:

5.9 Limitation on Election of Distribution Method

Effective January 1, 2008, a Participant may change his or her election only one time after making an initial election with respect to distributions under this Plan.

6. A new Section 6.5 shall be added as follows:

6.5 Section 409A

The Plan is intended to comply with Section 409A of the Code and any official regulations or other guidance issued thereunder, to the extent Section 409A is applicable to the Plan. Notwithstanding any other provision of the Plan, the Plan shall be interpreted, operated and administered in a manner consistent with such intention, and shall be deemed to be amended (and any deferrals and distributions thereunder shall be deemed to be modified) to the extent the Company deems necessary to comply with Section 409A and any official regulations or other guidance issued thereunder and to avoid (a) the predistribution inclusion in income of amounts deferred under the Plan and (b) the imposition of any additional tax or interest with respect thereto.

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7. Effective October 16, 2006, the name of the Plan is changed to “The Toro Company Deferred Compensation Plan,” and all references to the Plan shall be modified accordingly.

* * *

The Company has caused this Amendment to be executed on the date indicated below.

THE TORO COMPANY

Dated 3/12/2007

By /s/ J. Lawrence McIntyre
Its: Vice President, Secretary and General Counsel

Exhibit 10(i)

AMENDMENT NO. 1
TO
THE TORO COMPANY
DEFERRED COMPENSATION PLAN FOR OFFICERS

This revised and renamed Amendment No. 1 is made to The Toro Company Deferred Compensation Plan for Officers, as previously amended and restated effective September 19, 2002 (the “Plan”). All defined terms shall have the meanings set forth in the Plan. This Amendment is effective January 1, 2005. In no event will this Amendment apply to any amounts earned and vested as of December 31, 2004. All provisions of the Plan not amended by this Amendment shall remain in full force and effect.

1. Effective October 16, 2006, Section 5.2(c) shall be amended to read as follows:

(c) Change in Election of Method of Payment. An election of a method of payment will apply to all benefits payable to or on behalf of a Participant under the Plan, including amounts deferred in prior years and subject to a prior election. A Participant may change the method of payment by electing another method available under the Plan at any time up to one year before the date of the Participant’s retirement from the Company; provided, however, that effective January 1, 2008, a Participant may change his or her election only one time after making an initial election.

2. Effective November 30, 2006, Section 5.3(a) shall be amended to read as follows:

(a) Early Distributions. Notwithstanding Section 5.1, a Participant may irrevocably elect to receive a distribution of a portion or all of the Participant’s Performance Share Units Account, Retained Units Account and the vested portion of the Matching Units Account prior to the Participant’s death, Disability or termination of employment, provided that only benefits credited to an Account for at least two years may be paid. The election shall be made on a proper Deferral Election form not later than two years prior to the year in which the early distribution is to begin.

3. A new Section 10.8 shall be added as follows:

10.8 Section 409A

The Plan is intended to comply with Section 409A of the Code and any official regulations or other guidance issued thereunder, to the extent Section 409A is applicable to the Plan. Notwithstanding any other provision of the Plan, the Plan shall be interpreted, operated and administered in a manner consistent with such intention, and shall be deemed to be amended (and any deferrals and distributions thereunder shall be deemed to be modified) to the extent the Company deems necessary to comply with Section 409A and any official regulations or other guidance issued thereunder and to avoid (a) the predistribution inclusion in income of amounts deferred under the Plan and (b) the imposition of any additional tax or interest with respect thereto.

* * *

The Company has caused this Amendment to be executed on the date indicated below.

THE TORO COMPANY

Dated: 3/12/2007

By: /s/ J. Lawrence McIntyre
Its: Vice President, Secretary and General Counsel

Exhibit 10(j)

AMENDMENT NO. 1
TO
THE TORO COMPANY
DEFERRED COMPENSATION PLAN FOR NON-EMPLOYEE DIRECTORS

This revised and renamed Amendment No. 1 is made to The Toro Company Deferred Compensation Plan for Non-Employee Directors, as previously amended and restated effective July 20, 2000 (the "Plan"). All defined terms shall have the meanings set forth in the Plan. This Amendment is effective October 16, 2006, unless otherwise stated herein. In no event will this Amendment apply to any amounts earned and vested as of December 31, 2004. All provisions of the Plan not amended by this Amendment shall remain in full force and effect.

1. Section 3.1(a) shall be amended to read as follows:

(a) *Cash Account.*

(i) A Participant's Cash Account shall be credited with Directors Fees deferred pursuant to a valid Deferral Election and shall be further credited with earnings (which may include losses in principal value) at a rate and in a manner authorized by the Committee from time to time; provided that beginning January 1, 2007, and until changed by subsequent action of the Committee, the earnings rate for all Participants (except as otherwise provided in (ii) below) shall be based on a Participant's selection from the following funds:

American Century Large Company Value
American Funds Growth Fund of America
Artisan Mid Cap
Fidelity Diversified International
ICM Small Company
JPMorgan Mid Cap Value
JPMorgan Prime Money Market Fund
Alger Small Cap Growth Institutional I
Vanguard Total Bond Index
Vanguard Institutional Index

Prior to a Change in Control, the method for determining the earnings rate may be changed at any time, at the discretion of the Committee. After a Change in Control, the Trustee shall have authority to change the method for determining the earnings rate.

(ii) Notwithstanding the foregoing provisions in paragraph (i) above, all current Participants shall be given a one-time election, until October 31, 2006, to:

(A) Allocate all funds in all accounts, past and future, so that the earnings rate is based on the Wells Fargo Stable Return Fund measure; or

(B) Allocate all funds in all accounts, past and future, so that the earnings rate is based on the rate of return from one or more of the funds provided for in (a) above.

If such a Participant does not make an election, the earnings rate applicable to all of such Participant's accounts, past and future, shall be based on the Wells Fargo Stable Return Fund measure.

2. Section 4.2(b) shall be amended to read as follows:

(b) Subject to the following sentence, an election may be changed to an allowable alternative payment period by submitting a new election to the Committee, in a form approved by the Committee, provided that an election submitted less than one year before the distribution is to commence shall not be given effect. Effective January 1, 2008, a Participant may change his or her election only one time after making an initial election with respect to distributions under this Plan. Subject to the foregoing, the most recent effective election received by the Committee shall govern the payment. If a Participant does not make a valid election with respect to the payment of benefits, then such benefits shall be payable in a single distribution. The single distribution shall be made, or installment payments shall commence, on or around the 15th day of January immediately after the calendar year in which the Participant retires.

3. A new Section 6.5 shall be added as follows:

6.5 Section 409A

The Plan is intended to comply with Section 409A of the Code and any official regulations or other guidance issued thereunder, to the extent Section 409A is applicable to the Plan. Notwithstanding any other provision of the Plan, the Plan shall be interpreted, operated and administered in a manner consistent with such intention, and shall be deemed to be amended (and any deferrals and distributions thereunder shall be deemed to be modified) to the extent the Company deems necessary to comply with Section 409A and any official regulations or other guidance issued thereunder and to avoid (a) the predistribution inclusion in income of amounts deferred under the Plan and (b) the imposition of any additional tax or interest with respect thereto.

* * *

The Company has caused this Amendment to be executed on the date indicated below.

THE TORO COMPANY

Dated: 3/12/2007

By: /s/ J. Lawrence McIntyre
Its: Vice President, Secretary and General Counsel

Exhibit 31(a)

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 purposes in accordance with generally accepted accounting principles;

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

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

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

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

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

Date: March 13, 2007

/s/ Michael J. Hoffman
Michael J. Hoffman
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31(b)

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 the report;

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

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

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

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

d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter 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: March 13, 2007

/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 February 2, 2007 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), we, Michael J. Hoffman, 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
President and Chief Executive Officer
March 13, 2007

/s/ Stephen P. Wolfe
Stephen P. Wolfe
Vice President Finance and
Chief Financial Officer
March 13, 2007

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.