

POLARIS INDUSTRIES INC/MN

Form DEF 14A

March 11, 2004

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SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

**Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)**

Filed by the registrant

Filed by a party other than the registrant

Check the appropriate box:

Preliminary proxy statement

Confidential, for Use of the Commission Only (as permitted by
Rule 14a-6(e)(2))

Definitive proxy statement

Definitive additional materials

Soliciting material pursuant to Rule 14a-12

POLARIS INDUSTRIES INC.

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of filing fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

(1) Amount previously paid:

(2) Form, schedule or registration statement no.:

(3) Filing party:

(4) Date filed:

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Polaris Industries Inc.

2100 Highway 55
Medina, Minnesota 55340
763-542-0500
Fax: 763-542-0599

March 11, 2004

Dear Fellow Shareholder:

The Board of Directors of Polaris Industries Inc. joins me in extending a cordial invitation to attend our 2004 Annual Meeting of Shareholders which will be held at our corporate headquarters, 2100 Highway 55, Medina, Minnesota 55340, on Thursday, April 22, 2004 at 9:00 a.m. local time.

In addition to voting on the matters described in the accompanying Notice of Annual Meeting and Proxy Statement, we will review Polaris 2003 business and discuss our direction for the coming years. There will also be an opportunity, after conclusion of the formal business of the meeting, to discuss other matters of interest to you as a shareholder.

It is important that your shares be represented at the meeting whether or not you plan to attend in person. Please vote by returning your signed proxy card in the envelope provided or by using the telephone or on-line voting options indicated on the proxy card. If you do attend the meeting and desire to vote in person, you may do so even though you have previously sent a proxy.

We hope that you will be able to attend the meeting and we look forward to seeing you.

Sincerely,

Gregory R. Palen
Chairman of the Board

Enclosures

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POLARIS INDUSTRIES INC.

**2100 Highway 55
Medina, Minnesota 55340
March 11, 2004**

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

Polaris Industries Inc. will hold its 2004 Annual Meeting of Shareholders at its corporate headquarters located at 2100 Highway 55, Medina, Minnesota 55340, on Thursday, April 22, 2004. The meeting will begin at 9:00 a.m. local time. At the meeting, we will:

1. Elect two Class I directors for three year terms ending in 2007.
2. Approve the Polaris Industries Inc. Senior Executive Annual Incentive Compensation Plan.
3. Approve the Polaris Industries Inc. Long Term Incentive Plan.
4. Approve amendments to the Polaris Industries Inc. 1995 Stock Option Plan.
5. Act on any other matters that may properly come before the meeting.

The Board recommends that shareholders vote **FOR** the director nominees named in the accompanying Proxy Statement. The Board recommends that shareholders vote **FOR** the approval of the Senior Executive Annual Incentive Compensation Plan, the Long Term Incentive Plan, and the amendments to the 1995 Stock Option Plan, as each is described in the accompanying Proxy Statement.

Only shareholders of record at the close of business on March 1, 2004 may vote at the Annual Meeting or any adjournment thereof.

By Order of the Board of Directors

Michael W. Malone
*Vice President-Finance,
Chief Financial Officer and Secretary*
YOUR VOTE IS IMPORTANT

Whether or not you plan to attend the meeting, we urge you to vote as soon as possible by telephone, Internet or mail.

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POLARIS INDUSTRIES INC.

**2100 Highway 55
Medina, Minnesota 55340**

PROXY STATEMENT

QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING AND VOTING

Q: Who can vote?

A: You can vote if you were a shareholder at the close of business on the record date of March 1, 2004. There were a total of 21,546,956 shares, on a pre-split basis, of the Company's common stock outstanding on March 1, 2004. This Proxy Statement and proxy card, along with the Annual Report for 2003, are being mailed to shareholders beginning March 11, 2004. The Proxy Statement summarizes the information you need to vote at the Annual Meeting.

Q: What am I voting on?

A: You are voting on:

Election of two nominees as Class I directors for three year terms ending in 2007. The Board of Directors' nominees are Andris A. Baltins and Thomas C. Tiller.

Approving the Senior Executive Annual Incentive Compensation Plan

Approving the Long Term Incentive Plan.

Approving amendments to the 1995 Stock Option Plan.

Q: How does the Board recommend I vote on the proposals?

A: The Board recommends you vote *FOR* the election of each nominee. The Board recommends you vote *FOR* the approval of the Senior Executive Annual Incentive Compensation Plan, the Long Term Incentive Plan, and the amendments to the 1995 Stock Option Plan.

Q: How many votes are required to approve each proposal?

A. *Election of Directors:* In the election of directors, the nominees who receive the affirmative vote of a majority of the outstanding shares of Polaris common stock present and entitled to vote will be elected. For this purpose, a properly executed proxy marked **WITHHOLD** with respect to the election of directors nominees will be counted for purposes of determining whether there is a quorum, but will not be considered present in person or by proxy and entitled to vote on the election of directors.

Other Items: For approval of the Senior Executive Annual Incentive Compensation Plan, the Long Term Incentive Plan, and the amendments to the 1995 Stock Option Plan, and any other proposals that properly come before the Annual Meeting, the affirmative vote of a majority of the outstanding shares of Polaris common stock present and entitled to vote must be cast in favor of the proposal. A properly executed proxy marked **ABSTAIN** with respect to any such matter will be counted for purposes of determining whether there is a quorum and will be considered present in person or by proxy and entitled to vote, but will not be deemed to have been voted in favor of such matter. Accordingly, an abstention will have the effect of a negative vote.

Q: What is a quorum ?

A: A quorum is the number of shares that must be present to conduct business at the Annual Meeting. As of the record date, 21,546,956 shares, on a pre-split basis, of Polaris common stock were issued and

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outstanding. A majority of the shares of our common stock outstanding on the record date, present or represented by proxy, constitutes a quorum for the purpose of electing directors or adopting proposals at the Annual Meeting. If you submit a valid proxy card or attend the Annual Meeting, your shares will be counted to determine whether there is a quorum. Abstentions and broker non-votes count toward the quorum.

Q: How will shares referred to as broker non-votes be treated?

A: A broker non-vote occurs when nominees (such as banks and brokers) that hold shares on behalf of beneficial owners do not receive voting instructions from the beneficial owners at least ten days before the meeting and do not have discretionary voting authority to vote those shares on a particular matter. In that case, the shares covered by such a non-vote proxy will be considered present at the meeting for purposes of determining a quorum but will not be considered to be represented at the Annual Meeting for purposes of calculating the vote required for approval of such matter.

Q: How will the proxies vote on any other business brought up at the meeting?

A: By submitting your proxy card, you authorize the proxies to use their judgment to determine how to vote on any other matter brought before the Annual Meeting. The Company does not know of any other business to be considered at the Annual Meeting.

The proxies' authority to vote according to their judgment applies only to shares you own as the shareholder of record.

Q: How do I cast my vote?

A: If you are a shareholder whose shares are registered in your name, you may vote your shares in person at the Annual Meeting or by using one of the three following methods:

Vote by phone, by dialing 1-800-560-1965 and following the instructions for telephone voting shown on the enclosed proxy card.

Vote by Internet, by going to the web address <http://www.eproxy.com/pii/> and following the instructions for Internet voting shown on the enclosed proxy card.

Vote by proxy card, by completing, signing, dating and mailing the enclosed proxy card in the envelope provided. If you vote by phone or Internet, please do not mail your proxy card.

If you are a street-name shareholder (meaning that your shares are registered in the name of your bank or broker), you will receive instructions from your bank, broker or other nominee describing how to vote your shares.

Whichever method you use, the proxies identified on the back of the proxy card will vote the shares of which you are the shareholder of record in accordance with your instructions. If you submit a proxy card without giving specific voting instructions, the proxies will vote those shares as recommended by the Board of Directors.

Q: Can I revoke or change my vote?

A: You can revoke your proxy at any time before it is voted by:

Submitting a new proxy with a more recent date than that of the first proxy given by (1) following the telephone voting instructions or (2) following the Internet voting instructions or (3) completing, signing, dating and returning a new proxy card to the Company;

Giving written notice before the meeting to the Secretary of the Company, stating that you are revoking your proxy; or

Attending the meeting and voting your shares in person.

Unless you decide to vote your shares in person, you should revoke your prior proxy in the same way you initially submitted it—that is, by telephone, Internet or mail.

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Q: Who will count the votes?

A: Wells Fargo Bank Minnesota, N.A., the independent proxy tabulator used by the Company, will count the votes. A representative of Wells Fargo Bank Minnesota, N.A. and Mark McCormick, the corporate controller of the Company, will act as inspectors of election for the meeting.

Q: Is my vote confidential?

A: All proxy cards and all vote tabulations that identify an individual shareholder are confidential. Your vote will not be disclosed except:

To allow Wells Fargo Bank Minnesota, N.A. to tabulate the vote;

To allow Mark McCormick, the corporate controller of the Company, and a representative of Wells Fargo Bank Minnesota, N.A. to certify the results of the vote; and

To meet applicable legal requirements.

Q: What shares are included on my proxy card?

A: Your proxy card represents all shares registered to your account in the same social security number and address, including any full and fractional shares you own under the Polaris Restricted Stock Plan, the Polaris Employee Stock Ownership Plan, the Polaris Employee Stock Purchase Plan and the Polaris 401(k) Retirement Saving Plan.

Q: How are Polaris common shares in the Polaris Employee Stock Ownership Plan voted?

A: If you hold shares of Polaris common stock through the Polaris Employee Stock Ownership Plan, your proxy card will instruct the trustee of the plan how to vote the shares allocated to your plan account. If you do not return your proxy card (or you submit it with an unclear voting designation or with no voting designation at all), then the plan trustee will vote the shares in your account as directed by the committee that administers the plan. Votes under the Polaris Employee Stock Ownership Plan receive the same confidentiality as all other votes.

Q: How are Polaris common shares in the Polaris 401(k) Retirement Savings Plan voted?

A: If you hold shares of Polaris common stock through the Polaris 401(k) Retirement Savings Plan, your proxy card will instruct the trustee of the plan how to vote the shares allocated to your plan account. If you do not return your proxy card (or you submit it with an unclear voting designation or with no voting designation at all), then the plan trustee will vote the shares in your account in proportion to the way the other 401(k) Retirement Savings Plan participants vote their shares. Votes under the Polaris 401(k) Retirement Savings Plan receive the same confidentiality as all other votes.

Q: What does it mean if I get more than one proxy card?

A: Your shares are probably registered in more than one account. You should vote each proxy card you receive.

Q: How many votes can I cast?

A: You are entitled to one vote per share on all matters presented at the meeting.

Q: When are shareholder proposals due for the 2005 Annual Meeting of the Shareholders?

A: If you want to present a proposal from the floor at the 2005 annual meeting, you must give the Company written notice of your proposal no later than January 31, 2005. Your notice should be sent to the Secretary, Polaris Industries Inc., 2100 Highway 55, Medina, Minnesota 55340.

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If instead of presenting your proposal at the meeting you want your proposal to be considered for inclusion in next year's proxy statement, you must submit the proposal in writing to the Secretary so it is received at the above address by November 17, 2004.

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Q: How is this proxy solicitation being conducted?

A: Polaris hired D.F. King & Co., Inc. to assist in the distribution of proxy materials and the solicitation of votes for a fee of \$8,500, plus out-of-pocket expenses. Polaris will reimburse brokerage houses and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy and solicitation materials to shareholders. In addition, some employees of the Company and its subsidiaries may solicit proxies. D.F. King & Co., Inc. and employees of the Company may solicit proxies in person, by telephone and by mail. No employee of the Company will receive special compensation for these services, which the employees will perform as part of their regular duties.

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The following table sets forth certain information with respect to the beneficial ownership of the Company's common stock as of March 1, 2004 by each person known to the Company who then beneficially owned more than 5% of the outstanding shares of common stock, each director of the Company, each nominee for director, each executive officer named in the Summary Compensation Table on page 29 and all executive officers and directors as a group. As of March 1, 2004, there were 21,546,956 shares, on a pre-split basis, of common stock outstanding (representing 43,093,912 shares on a post-split basis). Except as otherwise indicated, the named beneficial owner has sole voting and investment powers with respect to the shares held by such beneficial owner. The table also includes information with respect to common stock equivalents credited as of March 1, 2004 to the accounts of each director under the Company's Deferred Compensation Plan for Directors that is described in this Proxy Statement under the heading Corporate Governance Director Compensation. The number of securities appearing in the following table have been adjusted to reflect the two-for-one split of the Company's common stock paid in the form of a stock dividend on March 8, 2004 to shareholders of record on March 1, 2004.

Name and Address of Beneficial Owner	Shares Beneficially Owned(6)	Percent of Class	Common Stock Equivalents(7)
Kayne Anderson Rudnick Investment Management, LLC(1)	2,449,910	5.7%	
Thomas C. Tiller(2)(3) Chief Executive Officer, President and Director	1,772,850	4.0%	
Jeffrey A. Bjorkman(2)(3) Vice President Operations	98,452	*	
John B. Corness(2)(3) Vice President Human Resources	72,360	*	
Michael W. Malone(2)(3) Vice President Finance, Chief Financial Officer and Secretary	96,826	*	
Kenneth J. Sobaski(2)(3) Vice President Sales, Marketing and Business Development	35,400	*	
Andris A. Baltins(4)(5) Director	34,150	*	16,316
Annette K. Clayton(5) Director	4,000	*	1,144
William E. Fruhan, Jr.(5) Director	12,000	*	2,484
John R. Menard, Jr.(5) Director	4,000	*	3,653
Gregory R. Palen(5) Non-executive Chairman of the Board of Directors	21,400	*	20,511
R. M. (Mark) Schreck(5) Director	7,890	*	5,366
J. Richard Stonesifer(5) Director	30,000	*	5,366
Richard A. Zona(5) Director	10,500	*	5,007
All directors and executive officers as a group (14 persons)(2)(3)(5)	2,209,828	4.9%	59,847

* Indicates ownership of less than 1%.

- (1) The address for Kayne Anderson Rudnick Investment Management, LLC (Kayne) is 1800 Avenue of the Stars, Second Floor, Los Angeles, CA 90067. Kayne, an investment adviser, has sole voting power and sole dispositive power with respect to 2,449,910 shares, as adjusted to reflect the two-for-one split of

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the Company's common stock. The information set forth herein is based on the Schedule 13G dated February 9, 2004 filed by Kayne with the Securities and Exchange Commission.

- (2) Includes 190,000, 12,950, 12,020, 9,250 and 35,400 restricted shares of common stock awarded to Messrs. Tiller, Bjorkman, Corness, Malone and Sobaski, respectively, and 269,620 aggregate restricted shares of common stock awarded to all executive officers as a group under the Polaris Industries Inc. 1996 Restricted Stock Plan. An aggregate of 100,000 restricted shares become freely tradeable only upon the Company achieving certain compounded earnings growth targets within a four year period and an aggregate of 169,620 restricted shares become freely tradeable three years after the date of issuance provided that the holder continues to be an employee of the Company. The number of shares of restricted stock have been adjusted to reflect the two-for-one split of the Company's common stock.
- (3) Includes 1,550,000, 52,800, 46,000, and 26,054 shares subject to stock options that were granted to Messrs. Tiller, Bjorkman, Corness and Malone, respectively, and 1,674,854 aggregate shares subject to stock options that were granted to all executive officers as a group under the Polaris Industries Inc. 1995 Stock Option Plan which are or will become vested and exercisable on or before May 11, 2004. The number of shares subject to stock options has been adjusted to reflect the two-for-one stock split of the Company's common stock.
- (4) Other members of the law firm of Kaplan, Strangis and Kaplan, P.A., of which Mr. Baltins is a member and which serves of counsel to the Company, beneficially own 9,580 shares, as adjusted for the two-for-one split of the Company's common stock.
- (5) Includes 4,000 shares, on a post-split basis, subject to stock options that were granted to each of the non-employee directors with respect to the initial annual grant under the Polaris Industries Inc. 2003 Non-Employee Director Stock Option Plan, which will become vested and exercisable on or before May 11, 2004.
- (6) Number of shares have been adjusted to reflect the two-for-one split of the Company's common stock. Does not include common stock equivalents credited to the accounts of the Company's non-employee directors. The number of common stock equivalents credited to such accounts is listed in the last column of this table.
- (7) Represents the number of common stock equivalents credited as of March 1, 2004 to the accounts of each non-employee director as maintained by the Company under the Polaris Industries Inc. Deferred Compensation Plan for Directors. A director will receive one share of common stock for every common stock equivalent held by that director upon his or her termination of service as a member of the Board of Directors. The plan is described in this Proxy Statement under the heading Corporate Governance Director Compensation. Number of common stock equivalents has been adjusted to reflect the two-for-one stock split of the Company's common stock.

Stock Ownership Guidelines

Our Board of Directors has adopted stock ownership guidelines, which provide that each non-employee director is expected to own, directly or indirectly, on January 22, 2007, shares of Polaris common stock or common stock equivalents having a value of at least three times the amount of the annual retainer fee paid to such director. Each non-employee director who is elected for the first time after January 23, 2003 will be expected to satisfy such guidelines at the end of a period of four years commencing on the date such director is elected. The stock ownership guidelines also provide that the Chief Executive Officer and other executive officers of the Company are expected to own, directly or indirectly, shares of common stock or restricted share awards having a value of at least five and three times, respectively, their annual base salaries. The Chief Executive Officer and other executive officers of the Company that held office as of January 23, 2003 currently satisfy these guidelines and any person becoming an executive officer of the Company after January 23, 2003 will be expected to satisfy the guidelines at the end of a period of four years commencing on the date of becoming an executive officer of the Company.

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CORPORATE GOVERNANCE

Corporate Governance Guidelines and Independence

Our Board of Directors has adopted Corporate Governance Guidelines, which may be viewed online on our website at www.polarisindustries.com. Under our Corporate Governance Guidelines, which adopt the current standards for independence established by the NYSE, a majority of the members of the Board of Directors must be independent as determined by the Board of Directors. In making its determination of independence, among other things, the Board of Directors must have determined that the director has no material relationship with Polaris either directly or indirectly as a partner, shareholder or officer of an organization that has a relationship with Polaris. The Board of Directors has determined that Ms. Clayton and Messrs. Fruhan, Menard, Schreck, Stonesifer and Zona are independent. The Board of Directors has also determined that Mr. Baltins is independent for all purposes other than service on the Company's Audit Committee because he is a member of one of the law firms that provides legal services to the Company. Mr. Palen, our non-Executive Chairman of the Board, is the Chairman and Chief Executive Officer of Spectro Alloys, an aluminum manufacturing company that served as a supplier to the Company until June 2003. Under our Corporate Governance Guidelines, Mr. Palen will be regarded as non-independent until June 2006, three years following the termination of the Spectro Alloys relationship with Polaris. Mr. Tiller, our President and Chief Executive Officer is not considered to be independent by the Board of Directors. Accordingly, a substantial majority of our Board of Directors is considered to be independent. Additionally, all current members of our Audit, Compensation and Corporate Governance and Nominating Committees are considered to be independent.

We have also adopted a Code of Business Conduct and Ethics applicable to all employees, including our Chief Executive Officer, our Chief Financial Officer and all other senior executives, and the directors. A copy of the Polaris Code of Business Conduct and Ethics is available on our website at www.polarisindustries.com.

Communications with the Board

Under our Corporate Governance Guidelines, a process has been established by which shareholders may communicate with members of the Board of Directors. Any shareholder who desires to communicate with the Board of Directors, individually or as a group, may do so by writing to the intended member or members of the Board of Directors, c/o Corporate Secretary, Polaris Industries Inc., 2100 Highway 55, Medina, Minnesota 55340.

All communications received in accordance with these procedures will be reviewed initially by the office of our Corporate Secretary to determine that the communication is a message to our directors and will be relayed to the appropriate director or directors unless the Corporate Secretary determines that the communication is an advertisement or other promotional material. The director or directors who receive any such communication will have discretion to determine whether the subject matter of the communication should be brought to the attention of the full Board of Directors or one or more of its committees and whether any response to the person sending the communication is appropriate.

Director Compensation

Directors who are employees of the Company receive no compensation for their services as directors or as members of committees. Compensation for non-employee directors is divided into cash and stock components. The Company presently pays each non-employee director other than our Chairman, Mr. Palen, an annual director's fee of \$40,000, at least \$5,000 of which will be payable in common stock equivalents (as described below). Mr. Palen, our non-executive Chairman of the Board of Directors, currently receives an annual fee of \$100,000 in lieu of the annual director's fee received by other non-employee directors. The Chairs of the Audit Committee, Compensation Committee, Corporate Governance and Nominating Committee and Technology Committee currently receive an annual committee chairman's fee of \$10,000.

The Company maintains a deferred compensation plan for directors, the Polaris Industries Inc. Deferred Compensation Plan for Directors (the "Deferred Compensation Plan") for directors who are not officers or

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employees of the Company (Outside Directors). As of each quarterly date on which retainer fees are payable to Outside Directors, each Outside Director will automatically receive an award of common stock equivalents having a fair market value of \$1,250. An Outside Director can also defer all or a portion of the director and/or chair fees that would otherwise be paid to him or her in cash. Such deferred amounts will be converted into additional common stock equivalents based on the then fair market value of the common stock. These common stock equivalents are phantom stock units, i.e., each common stock equivalent represents the economic equivalent of one share of common stock. Dividends will be credited to Outside Directors as if the common stock equivalents were outstanding shares of common stock. Such dividends will be converted into additional common stock equivalents.

As soon as practicable after an Outside Directors service on the Board terminates, he or she will receive a distribution of a number of shares of common stock equal to the number of common stock equivalents then credited to him or her under the Deferred Compensation Plan. Upon the death of an Outside Director, the shares will be issued to his or her beneficiary. Upon a change in control of the Company (as defined in the Deferred Compensation Plan), however, each Outside Director will receive a cash payment equal to the value of his or her accumulated common stock equivalents.

A maximum of 150,000 shares of common stock (on a post-split basis) are reserved for issuance under the Deferred Compensation Plan. Of that total, 39,941 shares of common stock (on a post-split basis) remain available for future grants. The Deferred Compensation Plan will remain effective until May 10, 2005, unless terminated earlier by the Board of Directors. The Deferred Compensation Plan may be terminated or amended at any time.

Under the 2003 Non-Employee Director Stock Option Plan, each non-employee director elected at an annual meeting of shareholders or who continues to serve as a director after such annual meeting will receive an automatic annual grant of stock options to purchase 4,000 shares (on a post-split basis) of the Company s common stock at an exercise price equal to fair market value on the date of grant. The initial grant of options under the 2003 Non-Employee Director Stock Option Plan was made following the 2003 Annual Meeting at which the plan was approved by shareholders.

Additionally, the Company makes Polaris products available to its Outside Directors at no charge to encourage a first-hand understanding of the riding experience of Polaris customers.

Board Meetings

During 2003, the full Board of Directors met five times. Each of those meetings was preceded and/or followed by an executive session of the Board of Directors without management in attendance, chaired by either Mr. Palen or the chair of the Corporate Governance and Nominating Committee. Each of our directors attended 75% percent or more of the meetings of the Board of Directors and any committee on which they served in 2003. The Board also acted through one written action in 2003. The Company does not maintain a formal policy regarding the Board s attendance at annual shareholder meetings; however, Board members are expected to regularly attend all Board meetings and meetings of the committees on which they serve. All members of the Board of Directors attended our 2003 Annual Meeting.

Committees of the Board and Meetings

The Board of Directors has designated five standing committees. The Audit Committee, the Compensation Committee, the Corporate Governance and Nominating Committee and the Technology Committee each operate under a written charter which is available for review on our website at <http://www.polarisindustries.com>. The current membership of each committee and its principal functions, as well as the number of times it met during fiscal 2003, are described below.

Executive Committee

Members: Gregory R. Palen
Thomas C. Tiller, Chair

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Purpose: Reviews and makes recommendations to the Board of Directors regarding the strategic plans and allocation of resources of the Company and exercises the authority of the Board of Directors on specific matters as delegated to it from time to time. This committee acted through one written action during 2003.

Audit Committee

Members: Annette K. Clayton
William E. Fruhan, Jr.
Richard A. Zona, Chair

All members of the Audit Committee have been determined to be independent and financially literate by the Board of Directors in accordance with our Corporate Governance Guidelines and the applicable listing requirements of the New York Stock Exchange. Additionally, Mr. Zona and Mr. Fruhan have each been determined by the Board of Directors to be an Audit Committee Financial Expert as that term has been defined by the Securities and Exchange Commission (the SEC). The Board of Directors has determined that Mr. Zona's service on the audit committee of three other public companies does not impair his ability to effectively serve on the Company's Audit Committee.

Purpose: A copy of the current Audit Committee Charter, as amended by the Board of Directors on January 22, 2004 is attached as Annex A to this Proxy Statement. The Audit Committee assists the Board of Directors in fulfilling its fiduciary responsibilities by overseeing the Company's financial reporting and public disclosure activities. The Audit Committee's primary purposes are to:

assist the Board of Directors in its oversight of (a) the integrity of the Company's financial statements, (b) the Company's compliance with legal and regulatory requirements, (c) the independent auditor's qualifications and independence, (d) the responsibilities, performance, budget and staffing of the Company's internal audit function and (e) the performance of the Company's independent auditor;

prepare the Audit Committee Report that appears later in this Proxy Statement;

serve as an independent and objective party to oversee the Company's financial reporting process and internal control system; and

provide an open avenue of communication among the independent auditor, financial and senior management, the internal auditors and the Board of Directors.

The Audit Committee, in its capacity as a committee of the Board of Directors, is directly responsible for the appointment, compensation, and oversight of the work of any independent auditor employed by the Company (including resolution of disagreements between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work or performing other audit, review or attest services for the Company, and each such independent auditor reports directly to the Audit Committee. This committee met eleven times during 2003.

Compensation Committee

Members: William E. Fruhan, Jr.
J. Richard Stonesifer, Chair
Richard A. Zona

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All members of the Compensation Committee have been determined to be independent by the Board of Directors in accordance with our Corporate Governance Guidelines and the applicable listing requirements of the New York Stock Exchange.

Purpose: The Compensation Committee assists the Board of Directors in establishing a philosophy and policies regarding executive and director compensation, provides oversight to the administration of the Company's director and executive compensation programs and administers the Company's stock option, restricted share and other equity based plans, reviews the compensation of directors, executive officers and senior management, and prepares any report on executive compensation required by the rules and regulations of the SEC or other regulatory body, including the Compensation Committee Report on Executive Compensation that appears later in this Proxy Statement. In addition, the Compensation Committee periodically reviews with the Chief Executive Officer a written procedure for the efficient transfer of his responsibilities in the event of his sudden incapacitation or departure, including recommendations for longer-term succession planning. This committee met seven times during 2003 and acted through three written actions.

Corporate Governance and Nominating Committee

Members: Andris A. Baltins, Chair
William E. Fruhan, Jr.
R. M. (Mark) Schreck

All members of the Corporate Governance and Nominating Committee have been determined to be independent by the Board of Directors in accordance with our Corporate Governance Guidelines and the applicable listing requirements of the New York Stock Exchange.

Purpose: The Corporate Governance and Nominating Committee provides oversight and guidance to the Board of Directors to ensure that the membership, structure, policies and processes of the Board and its committees facilitate the effective exercise of the Board's role in the governance of the Company. The committee reviews and evaluates the policies and practices with respect to the size, composition and functioning of the Board, evaluates the qualifications of possible candidates for the Board of Directors and recommends the nominees for directors to the Board of Directors for approval. The committee will consider individuals recommended by shareholders for nomination as a director in accordance with the procedures described under Submission of Shareholder Proposals and Nominations that appears later in this Proxy Statement. The committee also is responsible for recommending to the Board of Directors any revisions to the Company's Corporate Governance Guidelines. This committee met three times and acted through one written action during 2003.

Technology Committee

Members: Annette K. Clayton
John R. Menard, Jr.
Gregory R. Palen
R. M. (Mark) Schreck, Chair
Thomas C. Tiller

Purpose: Provides oversight of the product and technology plans at the Company to ensure that the Polaris management team: (1) continues to provide leadership products across all product lines; (2) addresses regulatory and competitive challenges in a

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timely and appropriate manner; (3) provides adequate investment funds across product lines; (4) addresses major facility opportunities and issues, such as expansions, and in-source/out source opportunities; and (5) properly assesses the risk and benefits associated with major product and facility changes. This committee met three times during 2003.

Certain Relationships and Related Transactions

The law firm of Kaplan, Strangis and Kaplan, P.A. (KSK) provides ongoing legal services to the Company and certain subsidiaries in connection with various matters. Andris A. Baltins, a member of the Board of Directors, is a member of that firm. During 2003, KSK received \$522,500 in legal fees from the Company.

Gregory R. Palen, the non-Executive Chairman of the Board of Directors, is the Chairman and Chief Executive Officer of Spectro Alloys, an aluminum manufacturing company that served as a supplier to the Company until June 2003. Under our Corporate Governance Guidelines, Mr. Palen will be regarded as non-independent until June 2006, three years following the termination of the Spectro Alloys relationship with Polaris. Mr. Palen voluntarily resigned from the Audit Committee and the Corporate Governance and Nominating Committee in January 2004 in order that such committees be comprised of independent directors as required under the current NYSE rules. The Audit Committee is currently comprised of Messrs. Fruhan and Zona and Ms. Clayton, each of whom are independent directors. The Corporate Governance and Nominating Committee is currently comprised of Messrs. Baltins, Fruhan, and Schreck, all of whom are independent directors.

Compensation Committee Interlocks and Insider Participation

All current members of the Compensation Committee are considered independent under our Corporate Governance Guidelines. No interlocking relationships exist between the Board of Directors or the Compensation Committee and the Board of Directors or compensation committee of any other company.

Section 16 Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors and executive officers to file initial reports of ownership and reports of changes of ownership of the Company's common stock with the SEC. Executive officers and directors are required to furnish the Company with copies of all Section 16(a) reports that they file. To the Company's knowledge, based solely upon a review of the copies of those reports furnished to the Company during 2003 and written representations that no other reports were required, the Company believes that, during the year ended December 31, 2003, all filing requirements applicable to its directors, executive officers and 10% beneficial owners, if any, were complied with, except that the Company inadvertently failed to report credits to all directors of the Company other than Mr. Tiller of an aggregate of 12,231 common stock equivalents (on a post-split basis) under the Deferred Compensation Plan for Directors that were made on April 1, 2003, July 1, 2003, October 1, 2003 and January 1, 2004. In addition, due to an administrative oversight, the Company failed to timely report an aggregate of 176,000 stock options (on a post-split basis) granted under the 1995 Stock Option Plan to the Company's senior executive officers on November 3, 2003 and a grant of 50,000 shares of restricted stock (on a post-split basis) under the 1996 Restricted Stock Plan to Mr. Tiller on November 3, 2003. Form 4s have been filed reporting the common stock equivalent credits, stock options and restricted stock award.

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AUDIT COMMITTEE REPORT

The Audit Committee reports to and acts on behalf of the Board of Directors by providing oversight of (1) the integrity of the Company's financial statements, (2) the Company's compliance with legal and regulatory requirements, (3) the independent auditor's qualifications and independence, (4) the responsibilities, performance, budget and staffing of the Company's internal audit function, and (5) the performance of the Company's independent auditor, which reports directly to the Audit Committee. The Audit Committee is comprised of three directors, all of whom meet the standards of independence adopted by the SEC and the New York Stock Exchange.

In performing our oversight responsibilities, we have reviewed and discussed the audited financial statements of the Company for the year ended December 31, 2003 with management and with representatives of Ernst & Young LLP, the Company's independent auditors.

We also discussed with the independent auditors matters required to be discussed by Statement on Auditing Standards No. 61, *Communications with Audit Committees*, as amended by Statement on Auditing Standards No. 90. We have received from the Company's independent auditors the written disclosures and the letter required by Independence Standards Board No. 1, *Independence Discussions with Audit Committees*, and discussed the independence of Ernst & Young LLP with representatives of such firm. We are satisfied that the non-audit services provided to the Company by the independent auditors are compatible with maintaining their independence.

Management is responsible for Polaris's system of internal controls and the financial reporting process. Ernst & Young LLP is responsible for performing an independent audit of the consolidated financial statements in accordance with generally accepted auditing standards and issuing a report thereon. Our committee's responsibility is to monitor and oversee these processes.

In reliance on the reviews and discussions referred to in this Report, and subject to the limitations of our role, we recommended to the Board of Directors, and the Board has approved, that the audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2003.

AUDIT COMMITTEE

Richard A. Zona, Chair
Annette K. Clayton
William E. Fruhan, Jr.

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INDEPENDENT AUDITORS

On March 15, 2002, the Board of Directors of the Company and its Audit Committee dismissed Arthur Andersen LLP (Arthur Andersen) as the Company s independent auditors and engaged Ernst & Young LLP (E&Y) to serve as the Company s independent auditors for the fiscal year ending December 31, 2002.

Arthur Andersen s report on the Company s consolidated financial statements for the year ended December 31, 2001 did not contain an adverse opinion or disclaimer of opinion, nor was it qualified or modified as to uncertainty, audit scope or accounting principles.

During the year ended December 31, 2001 and through March 15, 2002, there were no disagreements with Arthur Andersen on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure which, if not resolved to Arthur Andersen s satisfaction, would have caused them to make reference to the subject matter of the disagreements in connection with their report on the Company s financial statements for such year; and there were no reportable events as defined in Item 304(a)(1)(v) of Regulation S-K of the SEC.

During the year ended December 31, 2001 and through March 15, 2002, the Company did not consult E&Y with respect to the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company s consolidated financial statements, or any other matters or reportable events as set forth in Items 304(a)(2)(i) and (ii) of Regulation S-K of the SEC.

The Audit Committee of the Board of Directors has engaged E&Y as independent auditors to examine the Company s accounts for the fiscal year ending December 31, 2003. Representatives of E&Y will be present at the Annual Meeting, will have an opportunity to make a statement if they so desire, and will be available to respond to appropriate questions.

Audit Fees. The aggregate audit fees paid to E&Y for the fiscal years ended December 31, 2003 and December 31, 2002, were \$300,000 and \$210,000, respectively. These fees include amounts for the audit of the Company s consolidated annual financial statements, statutory audits at certain foreign subsidiaries, and the reviews of the consolidated financial statements included in the Company s Quarterly Reports on Form 10-Q, including services related thereto such as attest services and consents.

Audit-Related Fees. The aggregate audit-related fees paid to E&Y for the fiscal years 2003 and 2002 were \$114,000 and \$60,000, respectively. These fees related to the audit of Polaris Acceptance, the audit of employee benefit plans and the issuance of certain industry reports. The 2003 amount includes general assistance with the implementation of the SEC rules pursuant to the Sarbanes-Oxley Act of 2002.

Tax Fees. The aggregate fees billed by E&Y for tax services rendered for the fiscal years 2003 and 2002 were \$319,000 and \$890,000, respectively. Of the amounts paid in 2003 and 2002, \$75,000 and \$500,000, respectively, were paid under a deferred billing arrangement entered into by the Company with E&Y prior to its engagement as the Company s auditors in March 2002 with respect to tax planning services rendered in 2001. The remaining fees paid in each of those years primarily related to tax planning and compliance services and assistance related to the establishment of foreign subsidiaries.

All Other Fees. There were no other fees paid to E&Y for the years ended December 31, 2003 and December 31, 2002.

Audit Committee Pre-Approval Requirements. The Audit Committee s charter provides that it has the sole authority to review in advance and grant any pre-approvals of (i) all auditing services to be provided by the independent auditor, (ii) all significant non-audit services to be provided by the independent auditors as permitted by Section 10A of the Securities Exchange Act of 1934, and (iii) all fees and the terms of engagement with respect to such services. All audit and non-audit services performed by Ernst & Young during fiscal 2003 were pre-approved pursuant to the procedures outlined above.

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PROPOSAL 1 ELECTION OF DIRECTORS

General Information

The Board of Directors of the Company is divided into three classes. The members of one class are elected at each annual meeting of shareholders to serve three-year terms. The Class I directors currently serving on the Board, whose terms expire at the 2004 Annual Meeting, are Messrs. Andris A. Baltins, J. Richard Stonesifer and Thomas C. Tiller. Mr. Stonesifer, currently a Class I director, is not standing for reelection. The Board of Directors has not presently identified a no