

POLARIS INDUSTRIES INC/MN  
Form 11-K  
June 19, 2009

As filed with the Securities and Exchange Commission on June 19, 2009

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 11-K**

þ **ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934**

**For the fiscal year ended  
December 31, 2008  
or**

o **TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934**

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission File  
No. 333 - 94451**

**A. Full title of the plan and the address of the plan, if different from that of the issuer named below:  
POLARIS 401(k) RETIREMENT SAVINGS PLAN**

**B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:  
POLARIS INDUSTRIES INC.  
2100 Highway 55  
Medina, Minnesota 55340**

Polaris 401(k) Retirement Savings Plan  
Financial Statements and Supplemental Schedule  
Years Ended December 31, 2008 and 2007

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Report of Independent Registered Public Accounting Firm

The Plan Administrator

Polaris 401(k) Retirement Savings Plan

We have audited the accompanying statements of net assets available for benefits of the Polaris 401(k) Retirement Savings Plan as of December 31, 2008 and 2007, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Plan's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan at December 31, 2008 and 2007, and the changes in its net assets available for benefits for the years then ended, in conformity with US generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedule of assets (held at end of year) as of December 31, 2008, is presented for purposes of additional analysis and is not a required part of the financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

/s/ Ernst & Young LLP

Minneapolis, MN

June 19, 2009

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Polaris 401(k) Retirement Savings Plan  
 Statements of Net Assets Available for Benefits

	<b>December 31</b>	
	<b>2008</b>	<b>2007</b>
<b>Assets</b>		
Investments, at fair value	<b>\$171,481,056</b>	\$231,477,464
Accrued income receivable	<b>160</b>	489
Total assets	<b>171,481,216</b>	231,477,953
<b>Liabilities</b>		
Total liabilities		5,722
Net assets reflecting all investments at fair value	<b>171,481,216</b>	231,472,231
Adjustment from fair value to contract value for interest in collective trust relating to fully benefit-responsive investment contracts	<b>2,171,828</b>	402,866
Net assets available for benefits	<b>\$173,653,044</b>	\$231,875,097

See accompanying notes.

Polaris 401(k) Retirement Savings Plan  
Statements of Changes in Net Assets Available for Benefits

	<b>Year Ended December 31</b>	
	<b>2008</b>	<b>2007</b>
Net assets available for benefits, beginning of year	<b>\$231,875,097</b>	\$213,547,824
Contributions:		
Employer	<b>7,320,685</b>	6,751,674
Employee	<b>10,801,763</b>	10,398,607
Rollover	<b>523,928</b>	388,484
Total contributions	<b>18,646,376</b>	17,538,765
Transfers in from ESOP ( <i>Note 7</i> )	<b>797,962</b>	3,868,909
Investment gain (loss):		
Interest and dividend income	<b>7,500,166</b>	16,958,384
Net realized and unrealized gain (loss) in fair value of investments:		
Polaris Industries common stock	<b>(1,410,666)</b>	219,387
Registered investment companies	<b>(71,208,789)</b>	1,673,649
Total investment gain (loss)	<b>(65,119,289)</b>	18,851,420
Distributions to participants	<b>(12,490,919)</b>	(21,889,244)
Administrative expenses	<b>(56,183)</b>	(42,577)
Net increase (decrease)	<b>(58,222,053)</b>	18,327,273
Net assets available for benefits, end of year	<b>\$173,653,044</b>	\$231,875,097

*See accompanying notes.*

Polaris 401(k) Retirement Savings Plan  
Notes to Financial Statements  
December 31, 2008

**1. Description of the Plan**

The following description of the Polaris 401(k) Retirement Savings Plan (the Plan) provides only general information. Participants should refer to the plan agreement for a more complete description of the Plan's provisions.

**General**

The Plan is a defined-contribution plan covering substantially all employees of the Plan's sponsor, Polaris Industries Inc. (the Company), and its U.S. subsidiaries. It is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

**Plan Operations**

Certain administrative costs totaling \$16,375 and \$16,325 for the plan years ended December 31, 2008 and 2007, respectively, were paid by the Company. Administrative costs paid by the Company include trustee/asset custodian fees, record-keeping fees, and investment management fees.

**Plan Administration**

The Plan's trustee, Fidelity Management Trust Company (the Trustee), holds and invests the assets of the Plan and also distributes the retirement benefits upon instruction from the plan administrator. The Plan is administered by an executive committee appointed by the Board of Directors of the Company.

**Contributions/Participant Accounts**

Employees that have not made a retirement savings election shall be automatically elected to participate in the Plan at the automatic enrollment percentage (currently 5%). Participants may elect to make contributions (limited to a maximum of 50% of the participant's compensation or \$16,500, as defined in the Plan) to their account balances. The Company will make a fully vested matching contribution to each participant's account in the Plan of 100% of each dollar of 401(k) contributions up to 5% of covered compensation. This contribution is intended to satisfy a safe harbor contribution formula permitted by Internal Revenue Service (IRS) regulations. By making the safe harbor matching contribution, the Plan will automatically satisfy the nondiscrimination requirements that otherwise would apply to 401(k) contributions made to the Plan.

Polaris 401(k) Retirement Savings Plan  
Notes to Financial Statements (continued)

**1. Description of the Plan (continued)**

Plan earnings, as defined, are allocated pro rata based on participants' account balances.

**Vesting**

Participants are immediately vested in their pretax and employer contributions, including actual investment earnings thereon.

**Participant Loans**

Participants may apply for loans from the Plan in amounts of the lesser of 50% of their vested account balances or \$50,000. Loans must be paid back within five years; however, this period may be extended to 10 years if the loan is utilized for the acquisition of a primary residence. The interest rate charged on loans outstanding ranged from 6% to 11.5% as of December 31, 2008.

**Distributions to Participants**

Employee account balances are distributable upon retirement, disability, death, termination from the Company, or hardship. Upon the occurrence of one of these events, a participant (or the participant's beneficiary in the case of death) may receive his or her account balance as a lump-sum payment or in monthly payments through an annuity as available per plan provisions.

Terminated participants with account balances of \$1,000 or less will receive a lump-sum cash payment as soon as administratively practicable upon the participant's employment termination.

**Plan Amendment and Termination**

The Company has the right to amend or terminate the Plan, subject to the provisions of ERISA. In the event of the Plan's termination, all assets of the Plan will be distributed to participants in accordance with plan provisions.

Polaris 401(k) Retirement Savings Plan  
Notes to Financial Statements (continued)

**2. Significant Accounting Policies and Procedures**

**Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting.

**Investment Valuation and Income Recognition**

Investments of the Plan are stated at fair value. Shares of registered investment companies and the Company's common stock are valued at quoted market prices, which represent the net asset value of shares held by the Plan at year-end. Participant loans are valued at their outstanding balances, which approximates fair value.

As described in Financial Accounting Standards Board (FASB) Staff Position (FSP) AAG INV-1 and SOP 94-4-1, *Reporting of Fully Benefit-Responsive Investment Contracts Held by Certain Investment Companies Subject to the AICPA Investment Company Guide and Defined-Contribution Health and Welfare and Pension Plans* (the FSP), investment contracts held by a defined-contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attributed for that portion of the net assets available for benefits of a defined-contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. The Plan invests in investment contracts through a common collective trust, the Fidelity Managed Income Portfolio. As required by the FSP, the statements of net assets available for benefits present the fair value of the investment in the common collective trust, as well as the adjustment from fair value to contract value for fully benefit-responsive investment contracts. The fair value of the Plan's interest in the Fidelity Managed Income Portfolio is based on information updated by the issuer of the common collective trust at year-end. The contract value of the Fidelity Managed Income Portfolio represents contribution plus earnings, less participant withdrawals and administrative expenses.

Purchases and sales of securities are reflected on a trade-date basis. Interest income is recognized when earned. Dividend income is recorded on the ex-dividend date.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Polaris 401(k) Retirement Savings Plan  
Notes to Financial Statements (continued)

**2. Significant Accounting Policies and Procedures (continued)**

**Fair Value Measurement**

In September 2006, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements*. SFAS No. 157 introduces a framework for measuring fair value and expands required disclosures about fair value measurements of assets and liabilities.

SFAS No. 157 is effective for financial assets and liabilities for fiscal years beginning after November 15, 2007. The Plan has adopted the standard for those assets and liabilities as of January 1, 2008, and the impact of adoption was not significant.

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

*Level 1* Quoted prices in active markets for identical assets or liabilities.

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

*Level 3* Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following is a description of the valuation methodologies used for assets measured at fair value:

*Common stock:* Valued at the closing price reported on the active market on which the individual securities are traded.

*Mutual funds:* Valued at the net asset value (NAV) of shares held by the plan at year-end.

*Participant loans:* Valued at amortized cost, which approximates fair value.

*Investment contracts through a collective trust:* Valued at fair value of the contractual terms of the underlying investment contracts (see Note 2).

Polaris 401(k) Retirement Savings Plan  
Notes to Financial Statements (continued)

**2. Significant Accounting Policies and Procedures (continued)**

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Assets measured at fair value on a recurring basis are summarized below:

	<b>Fair Value Measurement as of December 31, 2008</b>			
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Assets</b>				
Mutual funds	\$120,330,118	\$120,330,118	\$	\$
Investment in collective trust	40,262,287		40,262,287	
Participant loans	8,046,965			8,046,965
Common stock and cash	2,841,686	2,841,686		
<b>Total</b>	<b>\$171,481,056</b>	<b>\$123,171,804</b>	<b>\$40,262,287</b>	<b>\$8,046,965</b>

**Level 3 Gains and Losses**

The table below sets forth a summary of changes in the fair value of the Plan's Level 3 assets for the year ended December 31, 2008.

	<b>Level 3 Assets Year Ended December 31, 2008</b>
	<b>Participant Loans</b>
Balance, beginning of year	\$ 7,854,593
Purchases, sales, issuances, and settlements (net)	192,372
Balance, end of year	\$ 8,046,965

**3. Investments**

The investment options of the Plan at December 31, 2008 and 2007, consist of deposits with 19 funds for 2008 and 20 funds for 2007 managed by the Trustee, 6 externally managed funds for 2008 and 2007, and the Polaris stock fund. Participants elect to have their account balances invested in one or more of the funds and may change the fund investment mix daily via a voice response system or the Internet.

Polaris 401(k) Retirement Savings Plan  
Notes to Financial Statements (continued)

**3. Investments (continued)**

The following presents investments that represent 5% or more of the Plan's net assets at December 31:

	2008	2007
Fidelity Managed Income Portfolio:		
Contract Value	<b>\$42,434,115</b>	\$37,473,541
Fair Value	<b>40,262,287</b>	37,070,675
Neuberger Berman Genesis Trust	<b>26,552,971</b>	41,372,992
Spartan U.S. Equity Fund	<b>20,336,483</b>	33,544,237
Fidelity K Fund	<b>15,303,706</b>	
Fidelity Diversified International K Fund	<b>12,414,635</b>	23,677,459
Fidelity Puritan K Fund	<b>12,096,814</b>	18,251,016
Fidelity Dividend Growth Fund		25,251,286

**4. Tax Status**

The Plan has received a determination letter from the IRS dated August 3, 2004, stating that the Plan is qualified under Section 401(a) of the Internal Revenue Code (the Code) and, therefore, the related trust is exempt from taxation. Subsequent to this issuance of the determination letter, the Plan was amended. Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualification. The plan administrator believes the Plan is being operated in compliance with the applicable requirements of the Code and, therefore, believes that the Plan, as amended, is qualified and the related trust is tax-exempt.

**5. Party-in-Interest Transactions**

The Plan invests in Fidelity funds and the Company's stock. These transactions qualify as exempt party-in-interest transactions. The fair value of the Company's common stock was \$2,762,892 and \$3,693,863 at December 31, 2008 and 2007, respectively.

Polaris 401(k) Retirement Savings Plan  
Notes to Financial Statements (continued)

**6. Risks and Uncertainties**

The Plan invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the participants' account balances and amounts reported in the statements of net assets available for benefits.

**7. Transfers in From ESOP**

Effective January 1, 2007, the Polaris Industries Inc. Employee Stock Ownership Plan (ESOP) allowed participants to diversify part of their ESOP account via transfer into the Plan, if they had at least 10 years of service and met certain minimum age requirements. Those funds that are transferred into the Plan follow the same withdrawal provisions of the Plan. The total amount transferred into the Plan from the ESOP for the years ended December 31, 2008 and 2007, was \$797,962 and \$3,868,909, respectively.

**8. Differences Between Financial Statements and Form 5500**

The following is a reconciliation of net assets available for benefits per the financial statements to the Form 5500:

	<b>December 31, 2008</b>
Net assets available for benefits per the financial statements	\$ 173,653,044
Adjustment from contract value to fair value for fully benefit-responsive investment contracts	(2,171,828)
Amounts allocated to withdrawn participants	(4,871)
Net assets available for benefits per the Form 5500	\$ 171,476,345

Polaris 401(k) Retirement Savings Plan  
 Notes to Financial Statements (continued)

**8. Differences Between Financial Statements and Form 5500 (continued)**

The following is a reconciliation of benefits paid to participants per the financial statements to the Form 5500:

	<b>Year Ended December 31, 2008</b>
Benefits paid to participants per the financial statements	\$ 12,490,919
Add amounts allocated on Form 5500 to withdrawn participants at December 31, 2008	4,871
Less amounts allocated on Form 5500 to withdrawn participants at December 31, 2007 paid to participants per the Form 5500	(5,722)
	<b>\$ 12,490,068</b>

Amounts allocated to withdrawn participants are recorded on the Form 5500 for benefit claims that have been processed and approved for payment prior to year-end but not yet paid.

Supplemental Schedule  
Polaris 401(k) Retirement Savings Plan  
Schedule H, Line 4i Schedule of Assets  
(Held at End of Year)  
Employer Identification Number 41-1857431  
Plan Number: 001  
December 31, 2008

Description	Investment Type	Current Value
Fidelity Managed Income Portfolio*	Common/Collective Trust	\$ 40,262,287
Neuberger Berman Genesis Trust	Mutual Fund	26,552,971
Spartan U.S. Equity Fund	Mutual Fund	20,336,483
Fidelity K Fund*	Mutual Fund	15,303,706
Fidelity Diversified International K Fund*	Mutual Fund	12,414,635
Fidelity Puritan K Fund*	Mutual Fund	12,096,814
PIMCO Total Return Fund	Mutual Fund	8,019,822
Fidelity Growth Company K Fund*	Mutual Fund	5,198,674
Fidelity Freedom 2020 Fund*	Mutual Fund	2,901,669
Fidelity Freedom 2030 Fund*	Mutual Fund	2,776,444
Polaris Industries Inc. common stock*	Common Stock	2,762,892
Fidelity Freedom 2040 Fund*	Mutual Fund	2,213,233
Fidelity Equity Income K*	Mutual Fund	1,693,964
Fidelity Freedom 2010 Fund*	Mutual Fund	1,482,924
Fidelity Freedom 2015 Fund*	Mutual Fund	1,471,021
Franklin Small Cap Growth Fund	Mutual Fund	1,381,602
Fidelity Value K Fund*	Mutual Fund	1,027,782
Fidelity Freedom 2025 Fund*	Mutual Fund	993,150
Dreyfus Mid Cap Index	Mutual Fund	974,185
Dreyfus Small Cap Stock	Mutual Fund	744,783
Fidelity Freedom 2035 Fund*	Mutual Fund	729,079
Fidelity Freedom 2045 Fund*	Mutual Fund	576,155
Fidelity Freedom Income Fund*	Mutual Fund	575,075
Fidelity Freedom 2050 Fund*	Mutual Fund	396,016
Fidelity Freedom 2005 Fund*	Mutual Fund	295,772
Fidelity Freedom 2000 Fund*	Mutual Fund	174,159
Interest-bearing cash	Cash	78,794
		163,434,091
Participant loans, with interest rates ranging from 6% to 11.5%, maturing through August 20, 2018*		8,046,965
Total investments		\$ 171,481,056

\* Denotes party in interest.



SIGNATURES

*The Plan.* Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: June 19, 2009

POLARIS 401(k) RETIREMENT SAVINGS  
PLAN

By the Members of the 401(k) Retirement  
Committee as Plan Administrator

/s/ John B. Corness

John B. Corness

/s/ Shannon K. Knotts

Shannon K. Knotts

/s/ Michael W. Malone

Michael W. Malone

/s/ Mary P. McConnell

Mary P. McConnell

/s/ Michael J. Vanyo

Michael J. Vanyo

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POLARIS 401(k) RETIREMENT SAVINGS PLAN  
EXHIBIT INDEX

Number	Document	Method of Filing
23	Consent of Ernst & Young LLP	Filed herewith electronically