

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 June 30, 2008

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 001-15103

**INVACARE CORPORATION**

(Exact name of registrant as specified in its charter)

**Ohio**

(State or other jurisdiction of  
incorporation or organization)

**95-2680965**

(IRS Employer Identification No)

**One Invacare Way, P.O. Box 4028, Elyria, Ohio**

(Address of principal executive offices)

**44036**

(Zip Code)

**(440) 329-6000**

(Registrant's telephone number, including area code)

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(Former name, former address and former fiscal year, if changed since last report)

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 (the "Exchange Act") 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  No

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 (Check One). Large accelerated filer  Accelerated filer  Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of August 1, 2008, the registrant had 30,947,388 Common Shares and 1,109,685 Class B Common Shares outstanding.

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INVACARE CORPORATION

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**Part I.**                    **FINANCIAL INFORMATION**  
**Item 1.**                   **Financial Statements.**

**INVACARE CORPORATION AND SUBSIDIARIES**  
Condensed Consolidated Balance Sheets

	June 30, 2008	December 31,
	(unaudited)	2007
	(In thousands)	
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 39,961	\$ 62,200
Marketable securities	124	255
Trade receivables, net	308,375	264,143
Installment receivables, net	3,436	4,057
Inventories, net	213,140	195,604
Deferred income taxes	2,554	2,478
Other current assets	66,229	62,348
<b>TOTAL CURRENT ASSETS</b>	<b>633,819</b>	<b>591,085</b>
<b>OTHER ASSETS</b>	<b>72,894</b>	<b>91,662</b>
<b>OTHER INTANGIBLES</b>	<b>104,130</b>	<b>104,736</b>
<b>PROPERTY AND EQUIPMENT, NET</b>	<b>169,514</b>	<b>169,376</b>
<b>GOODWILL</b>	<b>571,374</b>	<b>543,183</b>
<b>TOTAL ASSETS</b>	<b>\$ 1,551,731</b>	<b>\$ 1,500,042</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 164,112	\$ 150,170
Accrued expenses	147,157	145,958
Accrued income taxes	3,859	5,973
Short-term debt and current maturities of long-term obligations	39,893	24,510
<b>TOTAL CURRENT LIABILITIES</b>	<b>355,021</b>	<b>326,611</b>
<b>LONG-TERM DEBT</b>	<b>486,300</b>	<b>513,342</b>
<b>OTHER LONG-TERM OBLIGATIONS</b>	<b>107,617</b>	<b>106,046</b>
<b>SHAREHOLDERS' EQUITY</b>		
Preferred shares	-	-
Common shares	8,096	8,034
Class B common shares	278	278
Additional paid-in-capital	154,257	147,295
Retained earnings	284,895	276,344
Accumulated other comprehensive earnings	203,266	164,969
Treasury shares	(47,999)	(42,877)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>602,793</b>	<b>554,043</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 1,551,731</b>	<b>\$ 1,500,042</b>

See notes to condensed consolidated financial statements.

**INVACARE CORPORATION AND SUBSIDIARIES**  
Condensed Consolidated Statement of Operations - (unaudited)

(In thousands except per share data)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2008	2007	2008	2007
Net sales	\$ 447,152	\$ 393,267	\$ 863,430	\$ 768,172
Cost of products sold	322,979	283,321	626,049	559,170
Gross profit	124,173	109,946	237,381	209,002
Selling, general and administrative expense	104,520	93,851	202,215	181,617
Charge related to restructuring activities	859	1,661	1,370	4,813
Charges, interest and fees associated with debt refinancing	-	8	-	13,381
Interest expense	9,679	11,770	19,696	22,113
Interest income	(892)	(523)	(1,590)	(997)
Earnings (loss) before income taxes	10,007	3,179	15,690	(11,925)
Income taxes	3,750	3,125	6,340	5,525
NET EARNINGS (LOSS)	\$ 6,257	\$ 54	\$ 9,350	\$ (17,450)
DIVIDENDS DECLARED PER COMMON SHARE	.0125	.0125	.0250	.0250
Net earnings (loss) per share – basic	\$ 0.20	\$ 0.00	\$ 0.29	\$ (0.55)
Weighted average shares outstanding - basic	31,905	31,838	31,890	31,832
Net earnings (loss) per share – assuming dilution	\$ 0.20	\$ 0.00	\$ 0.29	\$ (0.55)
Weighted average shares outstanding - assuming dilution	31,916	31,844	31,946	31,832

See notes to condensed consolidated financial statements.

**INVACARE CORPORATION AND SUBSIDIARIES**  
Condensed Consolidated Statement of Cash Flows - (unaudited)

	Six Months Ended June 30,	
	2008	2007
(In thousands)		
<b>OPERATING ACTIVITIES</b>		
Net earnings (loss)	\$ 9,350	\$ (17,450)
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:		
Debt finance charges, interest and fees associated with debt refinancing	-	13,381
Depreciation and amortization	22,552	21,880
Provision for losses on trade and installment receivables	6,622	4,100
Provision for other deferred liabilities	1,584	1,371
Provision (benefit) for deferred income taxes	(787)	1,583
Provision for stock-based compensation	1,279	1,077
Gain on disposals of property and equipment	227	281
Changes in operating assets and liabilities:		
Trade receivables	(30,847)	(2,299)
Installment sales contracts, net	(2,390)	(4,192)
Inventories	(14,065)	7,874
Other current assets	(1,311)	21,126
Accounts payable	11,502	(25,061)
Accrued expenses	(4,680)	(26,264)
Other deferred liabilities	(2,004)	335
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>(2,968)</b>	<b>(2,258)</b>
<b>INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(11,636)	(7,770)
Proceeds from sale of property and equipment	36	462
Other long term assets	4,550	(187)
Business acquisitions, net of cash acquired	(2,152)	-
Other	1,509	(1,590)
<b>NET CASH USED FOR INVESTING ACTIVITIES</b>	<b>(7,693)</b>	<b>(9,085)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from revolving lines of credit, securitization facility and long-term borrowings	177,617	550,940
Payments on revolving lines of credit, securitization facility and long-term debt and capital lease obligations	(190,536)	(566,215)
Proceeds from exercise of stock options	821	-
Payment of financing costs	-	(20,384)
Payment of dividends	(799)	(798)
<b>NET CASH USED BY FINANCING ACTIVITIES</b>	<b>(12,897)</b>	<b>(36,457)</b>
Effect of exchange rate changes on cash	1,319	1,143
Decrease in cash and cash equivalents	(22,239)	(46,657)
Cash and cash equivalents at beginning of period	62,200	82,203
Cash and cash equivalents at end of period	<u>\$ 39,961</u>	<u>\$ 35,546</u>

See notes to condensed consolidated financial statements.

## INVACARE CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated  
Financial Statements  
(Unaudited)  
June 30, 2008

**Nature of Operations** - Invacare Corporation is the world's leading manufacturer and distributor in the \$8.0 billion worldwide market for medical equipment used in the home based upon our distribution channels, breadth of product line and net sales. The company designs, manufactures and distributes an extensive line of health care products for the non-acute care environment, including the home health care, retail and extended care markets.

**Principles of Consolidation** - The consolidated financial statements include the accounts of the company, its majority owned subsidiaries and a variable interest entity for which the company was the primary beneficiary in 2007 and includes all adjustments, which were of a normal recurring nature, necessary to present fairly the financial position of the company as June 30, 2008, the results of its operations for the six months ended June 30, 2008 and 2007, respectively, and changes in its cash flows for the six months ended June 30, 2008 and 2007, respectively. Certain foreign subsidiaries, represented by the European segment, are consolidated using a May 31 quarter end in order to meet filing deadlines. No material subsequent events have occurred related to the European segment, which would require disclosure or adjustment to the company's financial statements. The results of operations for the six months ended June 30, 2008 are not necessarily indicative of the results to be expected for the full year. All significant intercompany transactions are eliminated.

**Reclassifications** - Certain reclassifications have been made to the prior years' consolidated financial statements to conform to the presentation used for the period ended June 30, 2008, including the proper presentation of the provision for stock option and award expense on the Consolidated Statement of Cash Flows, which had no net effect on operating cash flows for the quarter ended June 30, 2007.

**Use of Estimates** - The consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States, which require management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from these estimates.

**Business Segments** - The company operates in five primary business segments: North America / Home Medical Equipment (NA/HME), Invacare Supply Group, Institutional Products Group, Europe and Asia/Pacific.

The NA/HME segment sales consist of Rehab (power wheelchairs, custom manual wheelchairs, personal mobility and seating and positioning), Standard (manual wheelchairs, personal care, home care beds, low air loss therapy and patient transport) and Respiratory (oxygen concentrators, HomeFill® transfilling systems, sleep apnea products, aerosol therapy and associated respiratory products) product lines.

Invacare Supply Group distributes numerous lines of branded medical supplies including ostomy, incontinence, diabetic, interals, wound care and urology products as well as home medical equipment, including aids for daily living.

Institutional Products Group is a manufacturer and distributor of healthcare furnishings including beds, case goods and patient handling equipment for the long-term care markets, specialty clinical recliners for dialysis and oncology clinics and certain other home medical equipment and accessory products.

The Asia/Pacific segment consists of Invacare Australia, which distributes the Invacare range of products which includes: manual and power wheelchairs, lifts, ramps, beds, furniture and pressure care products; Dynamic Controls, a manufacturer of electronic operating components used in power wheelchairs, scooters and other products; Invacare New Zealand, a distributor of a wide range of home medical equipment; and Invacare Asia, which imports and distributes home medical equipment to the Asian markets.

Europe sells a wide range of product lines, which continues to broaden and more closely resemble those of NA/HME. Each business segment may sell to the home health care, retail and extended care markets.

The company evaluates performance and allocates resources based on profit or loss from operations before income taxes for each reportable segment. The accounting policies of each segment are the same as those described in the summary of significant accounting policies for the company's consolidated financial statements. Intersegment sales and transfers are based on the costs to manufacture plus a reasonable profit element. Therefore, intercompany profit or loss on intersegment sales and transfers is not considered in evaluating segment performance.

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The information by segment is as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
<b>Revenues from external customers</b>				
North America / HME	\$ 187,163	\$ 166,601	\$ 362,944	\$ 328,364
Invacare Supply Group	64,523	62,696	129,779	124,372
Institutional Products Group	23,177	21,496	48,474	44,989
Europe	145,977	119,213	271,980	226,243
Asia/Pacific	26,312	23,261	50,253	44,204
Consolidated	<u>\$ 447,152</u>	<u>\$ 393,267</u>	<u>\$ 863,430</u>	<u>\$ 768,172</u>
<b>Intersegment Revenues</b>				
North America / HME	\$ 15,310	\$ 11,098	\$ 28,387	\$ 22,389
Invacare Supply Group	159	35	235	121
Institutional Products Group	728	-	1,383	-
Europe	4,183	2,496	7,139	4,904
Asia/Pacific	7,679	7,409	15,870	13,498
Consolidated	<u>\$ 28,059</u>	<u>\$ 21,038</u>	<u>\$ 53,014</u>	<u>\$ 40,912</u>
<b>Charge related to restructuring before income taxes</b>				
North America / HME	\$ 29	\$ 381	\$ 255	\$ 2,811
Invacare Supply Group	-	(29)	-	14
Institutional Products Group	115	5	115	9
Europe	557	1,155	783	1,941
Asia/Pacific	218	277	288	283
Consolidated	<u>\$ 919</u>	<u>\$ 1,789</u>	<u>\$ 1,441</u>	<u>\$ 5,058</u>
<b>Earnings (loss) before income taxes</b>				
North America / HME	\$ 7,607	\$ 2,591	\$ 12,432	\$ (117)
Invacare Supply Group	204	556	793	1,611
Institutional Products Group	371	288	1,369	683
Europe	9,712	6,596	14,155	10,520
Asia/Pacific	882	(909)	406	(2,019)
All Other *	(8,769)	(5,943)	(13,465)	(22,603)
Consolidated	<u>\$ 10,007</u>	<u>\$ 3,179</u>	<u>\$ 15,690</u>	<u>\$ (11,925)</u>

“All Other” consists of unallocated corporate selling, general and administrative costs, which do not meet the quantitative criteria for determining reportable segments. In addition, the “All Other” earnings (loss) before income taxes for the first half of 2007 includes charges, interest and fees associated with debt refinancing.

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**Net Earnings Per Common Share** - The following table sets forth the computation of basic and diluted net earnings (loss) per common share for the periods indicated (amounts in thousands, except per share amounts).

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
	(In thousands, except per share data)			
<b>Basic</b>				
Average common shares outstanding	31,905	31,838	31,890	31,832
Net earnings (loss)	\$ 6,257	\$ 54	\$ 9,350	\$ (17,450)
Net earnings (loss) per common share	\$ .20	\$ .00	\$ .29	\$ (.55)
<b>Diluted</b>				
Average common shares outstanding	31,905	31,838	31,890	31,832
Stock options and awards	11	6	56	-
Average common shares assuming dilution	31,916	31,844	31,946	31,832
Net earnings (loss)	\$ 6,257	\$ 54	\$ 9,350	\$ (17,450)
Net earnings (loss) per common share	\$ .20	\$ .00	\$ .29	\$ (.55)

At June 30, 2008, 3,765,467 and 3,696,544 shares were excluded from the average common shares assuming dilution for the three and six months ended June 30, 2008, respectively, as they were anti-dilutive. At June 30, 2007, 3,933,034 shares were excluded from the average common shares assuming dilution for the three months ended June 30, 2007 as they were anti-dilutive while all of the company's shares associated with stock options were anti-dilutive for the six months ended June 30, 2007 because of the company's net loss in the first half of the year. For the three and six months ended June 30, 2008, the majority of the anti-dilutive shares were granted at an exercise price of \$41.87 which was higher than the average fair market value prices of \$19.50 and \$21.57, respectively. For the three months ended June 30, 2007, the majority of the anti-dilutive shares were granted at exercise prices of \$41.87 which was higher than the average fair market value prices of \$18.25.

**Concentration of Credit Risk** - The company manufactures and distributes durable medical equipment and supplies to the home health care, retail and extended care markets. The company performs credit evaluations of its customers' financial condition. Prior to December 2000, the company financed equipment to certain customers. In December 2000, Invacare entered into an agreement with De Lage Landen, Inc. ("DLL"), a third party financing company, to provide the majority of future lease financing to Invacare's customers. The DLL agreement provides for direct leasing between DLL and the Invacare customer. The company retains a recourse obligation of \$32,412,000 at June 30, 2008 to DLL for events of default under the contracts, which total \$93,285,000 at June 30, 2008. FASB Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*, requires the company to record a guarantee liability as it relates to the limited recourse obligation. As such, the company has recorded a liability of \$830,000 for this guarantee obligation within accrued expenses. The company monitors the collections status of these contracts and has provided amounts for estimated losses in its allowances for doubtful accounts in accordance with SFAS No. 5, *Accounting for Contingencies*. Credit losses are provided for in the financial statements.

Substantially all of the company's receivables are due from health care, medical equipment providers and long term care facilities located throughout the United States, Australia, Canada, New Zealand and Europe. A significant portion of products sold to dealers, both foreign and domestic, is ultimately funded through government reimbursement programs such as Medicare and Medicaid. In addition, the company has also seen a significant shift in reimbursement to customers from managed care entities. As a consequence, changes in these programs can have an adverse impact on dealer liquidity and profitability. In addition, reimbursement guidelines in the home health care industry have a substantial impact on the nature and type of equipment an end user can obtain as well as the timing of reimbursement and, thus, affect the product mix, pricing and payment patterns of the company's customers.

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**Goodwill and Other Intangibles** - The change in goodwill reflected on the balance sheet from December 31, 2007 to June 30, 2008 was the result of foreign currency translation and the acquisition for the NA/HME segment of Naylor Medical Sales & Rentals, Inc., which increased goodwill by \$1,221,000 and is deductible for tax purposes. As a result of the acquisition, the company also recorded \$100,000 for a non-compete agreement and \$200,000 for a customer list.

All of the company's other intangible assets have definite lives and are amortized over their useful lives, except for \$37,728,000 related to trademarks, which have indefinite lives.

As of June 30, 2008 and December 31, 2007, other intangibles consisted of the following (in thousands):

	June 30, 2008		December 31, 2007	
	Historical Cost	Accumulated Amortization	Historical Cost	Accumulated Amortization
Customer lists	\$ 79,767	\$ 24,943	\$ 77,329	\$ 21,238
Trademarks	37,728	—	36,505	—
License agreements	4,595	4,422	4,559	4,335
Developed technology	7,633	1,688	7,316	1,425
Patents	6,972	4,556	6,909	4,313
Other	8,799	5,755	8,650	5,221
	<u>\$ 145,494</u>	<u>\$ 41,364</u>	<u>\$ 141,268</u>	<u>\$ 36,532</u>

Amortization expense related to other intangibles was \$4,832,000 in the first half of 2008 and is estimated to be \$9,416,000 in 2009, \$9,032,000 in 2010, \$8,572,000 in 2011, \$8,173,000 in 2012 and \$7,428,000 in 2013.

**Investment in Affiliated Company** - FASB Interpretation No. 46, *Consolidation of Variable Interest Entities* (FIN 46), which was revised in December 2003, requires consolidation of an entity if the company is subject to a majority of the risk of loss from the variable interest entity's (VIE) activities or entitled to receive a majority of the entity's residual returns, or both. A company that consolidates a VIE is known as the primary beneficiary of that entity.

Until the end of 2007, the company consolidated NeuroControl, a company whose product focused on the treatment of post-stroke shoulder pain in the United States. Certain of the company's officers and directors (or their affiliates) have small minority equity ownership positions in NeuroControl. Based on the provisions of FIN 46 and the company's analysis, the company had consolidated this investment on a prospective basis since January 1, 2005 and recorded an intangible asset for patented technology of \$7,003,000. The other beneficial interest holders have no recourse against the company.

In the fourth quarter of 2006, the company's board of directors made a decision to no longer fund the cash needs of NeuroControl. Based upon that decision, NeuroControl's directors decided to commence a liquidation process and cease operations. Therefore, funding of this investment ceased on December 31, 2006. As a result of this decision, the company established a valuation reserve related to the NeuroControl intangible asset of \$5,601,000 to fully reserve against the patented technology intangible as it was deemed to be impaired. In the fourth quarter of 2007, the company recognized a one-time gain of \$3,981,000 due to the cancellation of debt owed by NeuroControl to two third parties. As of December 31, 2007, all operations of NeuroControl had ceased.

**Accounting for Stock-Based Compensation** - Effective January 1, 2006, the company adopted SFAS No. 123R using the modified prospective application method. Under the modified prospective method, compensation cost has been recognized for: 1) all stock-based payments granted subsequent to January 1, 2006 based upon the grant-date fair value calculated in accordance with SFAS No. 123R, and 2) all stock-based payments granted prior to, but not vested as of, January 1, 2006 based upon grant-date fair value as calculated for previously presented pro forma footnote disclosures in accordance with the original provisions of SFAS No. 123, *Accounting for Stock Based Compensation*. The amounts of stock-based compensation expense recognized were as follows (in thousands):

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2008	2007	2008	2007
Stock-based compensation expense recognized as part of selling, general and administrative expense	\$ 614	\$ 467	\$ 1,279	\$ 1,077

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The 2008 and 2007 amounts above reflect compensation expense related to restricted stock awards and nonqualified stock options awarded under the 2003 Performance Plan. Stock-based compensation is not allocated to the business segments, but is reported as part of All Other as shown in the company's Business Segment Note to the Consolidated Financial Statements.

**Stock Incentive Plans** - The 2003 Performance Plan (the "2003 Plan") allows the Compensation, Management Development and Corporate Governance Committee of the Board of Directors (the "Committee") to grant up to 3,800,000 Common Shares in connection with incentive stock options, non-qualified stock options, stock appreciation rights and stock awards (including the use of restricted stock). The Committee has the authority to determine which employees and directors will receive awards, the amount of the awards and the other terms and conditions of the awards. During the first half of 2008, the Committee granted 32,500 non-qualified stock options for a term of ten years at the market value of the company's Common Shares on the date of grant under the 2003 Plan.

Under the terms of the company's outstanding restricted stock awards, all of the shares granted vest ratably over the four years after the grant date. Compensation expense of \$560,000 was recognized in the first half of 2008 compared to \$650,000 in the first half of 2007 and as of June 30, 2008, outstanding restricted stock awards totaling 146,712 were not yet vested. Restricted stock awards totaling 2,500 were granted in the first half of 2008.

Stock option activity during the six months ended June 30, 2008 was as follows:

	2008	Weighted Average Exercise Price
Options outstanding at January 1	4,732,965	\$ 30.02
Granted	32,500	22.00
Exercised	(243,357)	23.60
Canceled	(254,786)	34.60
Options outstanding at June 30	<u>4,267,322</u>	<u>\$ 30.05</u>
Options price range at June 30	\$ 16.03 to	
	\$ 47.80	
Options exercisable at June 30	3,461,872	
Options available for grant at June 30*	1,490,602	

\* Options available for grant as of June 30, 2008 reduced by net restricted stock award activity of 197,463.

The following table summarizes information about stock options outstanding at June 30, 2008:

Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding At 6/30/08	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable At 6/30/08	Weighted Average Exercise Price
\$ 16.03 - \$23.71	1,953,868	4.5 years	\$ 22.25	1,189,893	\$ 21.78
\$ 24.43 - \$36.40	1,082,771	3.7	\$ 30.96	1,041,296	\$ 30.97
\$ 37.70 - \$47.80	1,230,683	6.2	\$ 41.61	1,230,683	\$ 41.61
Total	<u>4,267,322</u>	4.8	\$ 30.05	<u>3,461,872</u>	\$ 31.59

The stock options awarded become exercisable over a four-year vesting period whereby options vest in equal installments each year. Options granted with graded vesting are accounted for as single options. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	2008
Expected dividend yield	.2%
Expected stock price volatility	30.5%
Risk-free interest rate	2.3%
Expected life (years)	3.7

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The assumed expected life is based on the company's historical analysis of option history. The expected stock price volatility is also based on actual historical volatility, and expected dividend yield is based on historical dividends as the company has no current intention of changing its dividend policy.

The weighted-average fair value of options granted during the first half of 2008 was \$5.62. The 2003 Plan provides that shares granted come from the company's authorized but unissued Common Shares or treasury shares. In addition, the company's stock-based compensation plans allow participants to exchange shares for payment of withholding taxes, which results in the company acquiring treasury shares.

As of June 30, 2008 there was \$7,631,000 of total unrecognized compensation cost from stock-based compensation arrangements granted under the company's plans, which is related to non-vested shares and includes \$2,934,000 related to restricted stock awards. The company expects the compensation expense to be recognized over approximately 4 years.

**Warranty Costs** - Generally, the company's products are covered by warranties against defects in material and workmanship for periods of up to six years from the date of sale to the customer. Certain components carry a lifetime warranty. A provision for estimated warranty cost is recorded at the time of sale based upon actual experience. The company continuously assesses the adequacy of its product warranty accrual and makes adjustments as needed. Historical analysis is primarily used to determine the company's warranty reserves. Claims history is reviewed and provisions are adjusted as needed. However, the company does consider other events, such as a product recall, which could warrant additional warranty reserve provision. No material adjustments to warranty reserves based on other events were necessary in the first half of 2008.

The following is a reconciliation of the changes in accrued warranty costs for the reporting period (in thousands):

Balance as of January 1, 2008	\$	16,616
Warranties provided during the period		6,051
Settlements made during the period		(5,655)
Changes in liability for pre-existing warranties during the period, including expirations		435
Balance as of June 30, 2008	\$	<u>17,447</u>

**Charges Related to Restructuring Activities** - Previously, the company announced multi-year cost reductions and profit improvement actions, which included: reducing global headcount, outsourcing improvements utilizing the company's China manufacturing capability and third parties, shifting substantial resources from product development to manufacturing cost reduction activities and product rationalization, reducing freight exposure through freight auctions and changing the freight policy, general expense reductions and exiting manufacturing and distribution facilities. The restructuring was necessitated by the continued decline in reimbursement by the U.S. government as well as similar reimbursement pressures abroad and continued pricing pressures faced by the company as a result of outsourcing by competitors to lower cost locations.

To date, the company has made substantial progress on its restructuring activities, including exiting manufacturing and distribution facilities and eliminating positions, which resulted in restructuring charges of \$1,441,000 and \$5,058,000 incurred in the first half of 2008 and 2007, respectively, of which \$71,000 and \$245,000, respectively, were recorded in cost of products sold as it relates to inventory markdowns and the remaining charge amount is included on the Charge Related to Restructuring Activities in the Condensed Consolidated Statement of Operations as part of operations. There have been no material changes in accrued balances related to the charge, either as a result of revisions in the plan or changes in estimates, and the company expects to utilize the accruals recorded through June 30, 2008 during 2008.

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A progression of the accruals by segment recorded as a result of the restructuring is as follows (in thousands):

	<b>Balance at 12/31/06</b>	<b>Accruals (Reversals)</b>	<b>Payments</b>	<b>Balance at 12/31/07</b>	<b>Accruals</b>	<b>Payments</b>	<b>Balance at 6/30/08</b>
<b>North America/HME</b>							
Severance	\$ 1,359	\$ 3,705	\$ (4,362)	\$ 702	\$ 255	\$ (507)	\$ 450
Product line discontinuance	2,037	178	(2,183)	32	—	(31)	1
Contract terminations	557	(19)	(172)	366	—	(97)	269
<b>Total</b>	<b>\$ 3,953</b>	<b>\$ 3,864</b>	<b>\$ (6,717)</b>	<b>\$ 1,100</b>	<b>\$ 255</b>	<b>\$ (635)</b>	<b>\$ 720</b>
<b>Invacare Supply Group</b>							
Severance	\$ 166	\$ 67	\$ (228)	\$ 5	\$ —	\$ (5)	\$ —
<b>Institutional Products Group</b>							
Severance	\$ —	\$ 19	\$ (19)	\$ —	\$ —	\$ —	\$ —
Contract terminations	—	98	(98)	—	115	(115)	—
Other	—	55	(55)	—	—	—	—
<b>Total</b>	<b>\$ —</b>	<b>\$ 172</b>	<b>\$ (172)</b>	<b>\$ —</b>	<b>\$ 115</b>	<b>\$ (115)</b>	<b>\$ —</b>
<b>Europe</b>							
Severance	\$ 3,734	\$ 862	\$ (4,591)	\$ 5	\$ 382	\$ (381)	\$ 6
Product line discontinuance	—	386	(386)	—	60	(60)	—
Other	—	3,247	(3,202)	45	341	(288)	98
<b>Total</b>	<b>\$ 3,734</b>	<b>\$ 4,495</b>	<b>\$ (8,179)</b>	<b>\$ 50</b>	<b>\$ 783</b>	<b>\$ (729)</b>	<b>\$ 104</b>
<b>Asia/Pacific</b>							
Severance	\$ —	\$ 1,258	\$ (746)	\$ 512	\$ 217	\$ (685)	\$ 44
Product line discontinuance	—	1,253	(1,253)	—	11	(11)	—
Contract terminations	122	299	(382)	39	60	(99)	—
Other	—	—	—	—	—	—	—
<b>Total</b>	<b>\$ 122</b>	<b>\$ 2,810</b>	<b>\$ (2,381)</b>	<b>\$ 551</b>	<b>\$ 288</b>	<b>\$ (795)</b>	<b>\$ 44</b>
<b>Consolidated</b>							
Severance	\$ 5,259	\$ 5,911	\$ (9,946)	\$ 1,224	\$ 854	\$ (1,578)	\$ 500
Product line discontinuance	2,037	1,817	(3,822)	32	71	(102)	1
Contract terminations	679	378	(652)	405	175	(311)	269
Other	—	3,302	(3,257)	45	341	(288)	98
<b>Total</b>	<b>\$ 7,975</b>	<b>\$ 11,408</b>	<b>\$ (17,677)</b>	<b>\$ 1,706</b>	<b>\$ 1,441</b>	<b>\$ (2,279)</b>	<b>\$ 868</b>

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**Comprehensive Earnings (loss)** - Total comprehensive earnings were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Net earnings (loss)	\$ 6,257	\$ 54	\$ 9,350	\$ (17,450)
Foreign currency translation gain	14,175	21,892	37,786	25,750
Unrealized gain (loss) on available for sale securities	(19)	3	(79)	54
SERP/DBO amortization of prior service costs and unrecognized losses	550	461	1,099	1,404
Current period unrealized gain (loss) on cash flow hedges	2,033	(5,188)	(509)	(6,409)
Total comprehensive earnings	<u>\$ 22,996</u>	<u>\$ 17,222</u>	<u>\$ 47,647</u>	<u>\$ 3,349</u>

**Receivables** - On May 12, 2008, the company initiated foreclosure proceedings against the assets of a customer which is in default with respect to amounts due the company. As of June 30, 2008, the company had gross receivables and other payments due from the customer of approximately \$25.2 million, of which, 86% is specifically reserved for by the company's bad debt allowance. The matter is now before the court awaiting determination. While there can be no assurance of the ultimate outcome, based on an evaluation of existing bad debt reserves and estimated values assigned to the assets to be potentially liquidated, the company believes it has adequate bad debt reserves to cover its exposure on this account.

**Inventories** - Inventories determined under the first in, first out method consist of the following components (in thousands):

	June 30, 2008	December 31, 2007
Finished goods	\$ 124,990	\$ 116,808
Raw Materials	70,685	63,815
Work in Process	17,465	14,981
	<u>\$ 213,140</u>	<u>\$ 195,604</u>

**Property and Equipment** - Property and equipment consist of the following (in thousands):

	June 30, 2008	December 31, 2007
Machinery and equipment	\$ 326,363	\$ 308,904
Land, buildings and improvements	101,831	97,478
Furniture and fixtures	32,995	33,204
Leasehold improvements	17,128	16,390
	<u>478,317</u>	<u>455,976</u>
Less allowance for depreciation	(308,803)	(286,600)
	<u>\$ 169,514</u>	<u>\$ 169,376</u>

**Acquisitions** - In the second quarter of 2008, the company acquired Naylor Medical Sales & Rentals, Inc., a rental business operating primarily in Kentucky, Tennessee and Arkansas for \$2,152,000.

**Income Taxes** - The company had an effective tax rate of 37.5% and 40.4% on earnings before tax compared to an expected rate at the US statutory rate of 35% for the three and six month periods ended June 30, 2008. For the three and six month periods ended June 30, 2007, the company had an effective rate of 98.3% and (46.3%) compared to an expected rate at the US statutory rate of 35%. The company's effective tax rate for each of the three and six month periods ended June 30, 2008 and 2007 was higher than the U.S. federal statutory rate or benefit as a result of the company not being able to record tax benefits related to losses in countries which had tax valuation allowances, while normal tax expense was recognized in countries without tax allowances.

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**Fair Value Measurements** - In September, 2006, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 157 (FAS 157), *Fair Value Measurements*, which creates a framework for measuring fair value, clarifies the definition of fair value and expands the disclosures regarding fair value measurements. FAS 157 does not require any new fair value measurements. The company adopted the new standard, to the extent required, as of January 1, 2008 and the adoption had no material impact on the company's financial position, results of operations or cash flows. The application of FAS 157 for non-financial assets and non-financial liabilities that are recognized or disclosed at fair value on a nonrecurring basis was deferred until January 1, 2009 and the company is currently assessing the impact on its non-financial assets and non-financial liabilities measured at fair value on a nonrecurring basis.

Pursuant to FAS 157, the inputs used to derive the fair value of assets and liabilities are analyzed and assigned a level I, II or III priority, with level I being the highest and level III being the lowest in the hierarchy. Level I inputs are quoted prices in active markets for identical assets or liabilities. Level II inputs are quoted prices for similar assets or liabilities in active markets: quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable in active markets. Level III inputs are based on valuations derived from valuation techniques in which one or more significant inputs are observable.

The following table provides a summary of the company's assets and liabilities that are measured on a recurring basis (in thousands).

	June 30, 2008	Basis for Fair Value Measurements at Reporting Date		
		Quoted Prices in Active Markets for Identical Assets / (Liabilities) Level I	Significant Other Observable Inputs Level II	Significant Other Unobservable Inputs Level III
Marketable Securities	\$ 124	\$ 124	\$ -	\$ -
Forward Exchange Contracts	\$ (382)	\$ -	\$ (382)	\$ -
Interest Rate Swaps	\$ (2,807)	\$ -	\$ (2,807)	\$ -
Total	\$ (3,065)	\$ 124	\$ (3,189)	\$ -

*Marketable Securities:* The company's marketable securities are recorded based on quoted prices in active markets multiplied by the number of shares owned without any adjustments for transactional costs or other costs that may be incurred to sell the securities.

*Interest Rate Swaps:* The company is a party to interest rate swap agreements, which are entered into in the normal course of business, to reduce exposure to fluctuations in interest rates. The agreements are with major financial institutions, which are expected to fully perform under the terms of the agreements thereby mitigating the credit risk from the transactions. The agreements are contracts to exchange floating rate payments for fixed rate payments without the exchange of the underlying notional amounts. The notional amounts of such agreements are used to measure interest to be paid or received and do not represent the amount of exposure to credit loss. The amounts to be paid or received under the interest rate swap agreements are accrued consistent with the terms of the agreements and market interest rates. Fair value for the company's interest rate swaps are based on pricing models in which all significant inputs, such as interest rates and yield curves, are observable in active markets. The company believes that the fair values reported would not be materially different from the amounts that would be realized upon settlement.

The gains and losses that result from the company's current cash flow hedge interest rate swaps are recognized as part of interest expense. Swap assets are recorded in either Other Current Assets or Other Assets, while swap liabilities are recorded in Accrued Expenses or Other Long-Term Obligations in the Condensed Consolidated Balance Sheets.

*Forward Contracts:* The company operates internationally and as a result is exposed to foreign currency fluctuations. Specifically, the exposure includes intercompany loans and third party sales or payments. In an attempt to reduce this exposure, foreign currency forward contracts are utilized and accounted for as hedging instruments. The forward contracts are used to hedge the following currencies: AUD, GBP, CAD, CHF, DKK, EUR, NOK, NZD, SEK and USD. The company does not use derivative financial instruments for speculative purposes. Fair values for the company's foreign exchange forward contracts are based on quoted market prices for contracts with similar maturities.

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The gains and losses that result from the majority of the forward contracts are deferred and recognized when the offsetting gains and losses for the identified transactions are recognized. Gains or losses recognized as the result of the settlement of forward contracts are recognized in cost of products sold for hedges of inventory transactions or selling, general and administrative expenses for other hedged transactions. The company's forward contracts are included in Other Current Assets or Accrued Expenses in the Condensed Consolidated Balance Sheets.

**Supplemental Guarantor Information** - Effective February 12, 2007, substantially all of the domestic subsidiaries (the "Guarantor Subsidiaries") of the company became guarantors of the indebtedness of Invacare Corporation under its 9 ¾% Senior Notes due 2015 (the "Senior Notes") with an aggregate principal amount of \$175,000,000 and under its 4.125% Convertible Senior Subordinated Debentures due 2027 (the "Debentures") with an aggregate principal amount of \$135,000,000. The majority of the company's subsidiaries are not guaranteeing the indebtedness of the Senior Notes or Debentures (the "Non-Guarantor Subsidiaries"). Each of the Guarantor Subsidiaries has fully and unconditionally guaranteed, on a joint and several basis, to pay principal, premium, and interest related to the Senior Notes and to the Debentures and each of the Guarantor Subsidiaries are directly or indirectly wholly-owned subsidiaries of the company.

Presented below are the consolidating condensed financial statements of Invacare Corporation (Parent), its combined Guarantor Subsidiaries and combined Non-Guarantor Subsidiaries with their investments in subsidiaries accounted for using the equity method. The company does not believe that separate financial statements of the Guarantor Subsidiaries are material to investors and accordingly, separate financial statements and other disclosures related to the Guarantor Subsidiaries are not presented.

**CONSOLIDATING CONDENSED STATEMENTS OF OPERATIONS**

(in thousands)	The Company (Parent)	Combined Guarantor Subsidiaries	Combined Non- Guarantor Subsidiaries	Eliminations	Total
<b>Three month period ended June 30, 2008</b>					
Net sales	\$ 90,700	\$ 171,141	\$ 205,471	\$ (20,160)	\$ 447,152
Cost of products sold	69,130	137,184	136,752	(20,087)	322,979
<b>Gross Profit</b>	<b>21,570</b>	<b>33,957</b>	<b>68,719</b>	<b>(73)</b>	<b>124,173</b>
Selling, general and administrative expenses	30,587	30,194	43,739	-	104,520
Charge related to restructuring activities	29	-	830	-	859
Income (loss) from equity investee	22,152	11,647	(4,048)	(29,751)	-
Interest expense - net	6,425	(355)	2,717	-	8,787
<b>Earnings (loss) before Income Taxes</b>	<b>6,681</b>	<b>15,765</b>	<b>17,385</b>	<b>(29,824)</b>	<b>10,007</b>
Income taxes	424	300	3,026	-	3,750
<b>Net Earnings (loss)</b>	<b>\$ 6,257</b>	<b>\$ 15,465</b>	<b>\$ 14,359</b>	<b>\$ (29,824)</b>	<b>\$ 6,257</b>
<b>Three month period ended June 30, 2007</b>					
Net sales	\$ 81,158	\$ 156,578	\$ 169,949	\$ (14,418)	\$ 393,267
Cost of products sold	62,516	123,157	112,118	(14,470)	283,321
<b>Gross Profit</b>	<b>18,642</b>	<b>33,421</b>	<b>57,831</b>	<b>52</b>	<b>109,946</b>
Selling, general and administrative expenses	29,204	25,347	39,300	-	93,851
Charge related to restructuring activities	155	(29)	1,535	-	1,661
Charges, interest and fees associated with debt refinancing	(8)	-	16	-	8
Income (loss) from equity investee	18,341	7,377	(1,133)	(24,585)	-
Interest expense - net	7,252	320	3,675	-	11,247
<b>Earnings (loss) before Income Taxes</b>	<b>380</b>	<b>15,160</b>	<b>12,172</b>	<b>(24,533)</b>	<b>3,179</b>
Income taxes (benefit)	326	315	2,484	-	3,125
<b>Net Earnings (loss)</b>	<b>\$ 54</b>	<b>\$ 14,845</b>	<b>\$ 9,688</b>	<b>\$ (24,533)</b>	<b>\$ 54</b>

## CONSOLIDATING CONDENSED STATEMENTS OF OPERATIONS

(in thousands)	The Company (Parent)	Combined Guarantor Subsidiaries	Combined Non- Guarantor Subsidiaries	Eliminations	Total
<b>Six month period ended June 30, 2008</b>					
Net sales	\$ 172,580	\$ 340,046	\$ 388,421	\$ (37,617)	\$ 863,430
Cost of products sold	130,388	272,878	260,441	(37,658)	626,049
<b>Gross Profit</b>	<b>42,192</b>	<b>67,168</b>	<b>127,980</b>	<b>41</b>	<b>237,381</b>
Selling, general and administrative expenses	57,539	59,131	85,545	-	202,215
Charge related to restructuring activities	255	-	1,115	-	1,370
Income (loss) from equity investee	39,009	19,351	(7,455)	(50,905)	-
Interest expense - net	13,218	(673)	5,561	-	18,106
<b>Earnings (loss) before Income Taxes</b>	<b>10,189</b>	<b>28,061</b>	<b>28,304</b>	<b>(50,864)</b>	<b>15,690</b>
Income taxes	839	600	4,901	-	6,340
<b>Net Earnings (loss)</b>	<b>\$ 9,350</b>	<b>\$ 27,461</b>	<b>\$ 23,403</b>	<b>\$ (50,864)</b>	<b>\$ 9,350</b>
<b>Six month period ended June 30, 2007</b>					
Net sales	\$ 156,610	\$ 315,532	\$ 324,329	\$ (28,299)	\$ 768,172
Cost of products sold	122,579	250,666	214,358	(28,433)	559,170
<b>Gross Profit</b>	<b>34,031</b>	<b>64,866</b>	<b>109,971</b>	<b>134</b>	<b>209,002</b>
Selling, general and administrative expenses	54,425	53,071	74,121	-	181,617
Charge related to restructuring activities	2,450	14	2,349	-	4,813
Debt finance charges, interest and fees associated with debt refinancing	13,334	-	47	-	13,381
Income (loss) from equity investee	33,075	11,000	(4,288)	(39,787)	-
Interest expense - net	13,891	744	6,481	-	21,116
<b>Earnings (loss) before Income Taxes</b>	<b>(16,994)</b>	<b>22,037</b>	<b>22,685</b>	<b>(39,653)</b>	<b>(11,925)</b>
Income taxes	456	540	4,529	-	5,525
<b>Net Earnings (loss)</b>	<b>\$ (17,450)</b>	<b>\$ 21,497</b>	<b>\$ 18,156</b>	<b>\$ (39,653)</b>	<b>\$ (17,450)</b>

**CONSOLIDATING CONDENSED BALANCE SHEETS**

(in thousands)					
<b>June 30, 2008</b>	<b>The Company (Parent)</b>	<b>Combined Guarantor Subsidiaries</b>	<b>Combined Non- Guarantor Subsidiaries</b>	<b>Eliminations</b>	<b>Total</b>
<b>Assets</b>					
<b>Current Assets</b>					
Cash and cash equivalents	\$ 4,777	\$ 2,236	\$ 32,948	\$ -	\$ 39,961
Marketable securities	124	-	-	-	124
Trade receivables, net	114,168	57,101	139,014	(1,908)	308,375
Installment receivables, net	-	1,070	2,366	-	3,436
Inventories, net	58,853	39,721	116,054	(1,488)	213,140
Deferred income taxes	-	-	2,554	-	2,554
Other current assets	20,581	5,463	40,185	-	66,229
<b>Total Current Assets</b>	<b>198,503</b>	<b>105,591</b>	<b>333,121</b>	<b>(3,396)</b>	<b>633,819</b>
<b>Investment in subsidiaries</b>	<b>1,469,061</b>	<b>659,483</b>	<b>-</b>	<b>(2,128,544)</b>	<b>-</b>
<b>Intercompany advances, net</b>	<b>230,675</b>	<b>834,174</b>	<b>47,696</b>	<b>(1,112,545)</b>	<b>-</b>
<b>Other Assets</b>	<b>60,318</b>	<b>11,188</b>	<b>1,388</b>	<b>-</b>	<b>72,894</b>
<b>Other Intangibles</b>	<b>1,145</b>	<b>10,571</b>	<b>92,414</b>	<b>-</b>	<b>104,130</b>
<b>Property and Equipment, net</b>	<b>54,857</b>	<b>10,280</b>	<b>104,377</b>	<b>-</b>	<b>169,514</b>
<b>Goodwill</b>	<b>-</b>	<b>24,762</b>	<b>546,612</b>	<b>-</b>	<b>571,374</b>
<b>Total Assets</b>	<b>\$ 2,014,559</b>	<b>\$ 1,656,049</b>	<b>\$ 1,125,608</b>	<b>\$ (3,244,485)</b>	<b>\$ 1,551,731</b>
<b>Liabilities and Shareholders' Equity</b>					
<b>Current Liabilities</b>					
Accounts payable	\$ 75,727	\$ 15,198	\$ 73,187	\$ -	\$ 164,112
Accrued expenses	45,167	19,783	84,115	(1,908)	147,157
Accrued income taxes	500	-	3,359	-	3,859
Short-term debt and current maturities of long-term obligations	39,058	-	835	-	39,893
<b>Total Current Liabilities</b>	<b>160,452</b>	<b>34,981</b>	<b>161,496</b>	<b>(1,908)</b>	<b>355,021</b>
<b>Long-Term Debt</b>	<b>457,797</b>	<b>-</b>	<b>28,503</b>	<b>-</b>	<b>486,300</b>
<b>Other Long-Term Obligations</b>	<b>58,433</b>	<b>2,040</b>	<b>47,144</b>	<b>-</b>	<b>107,617</b>
<b>Intercompany advances, net</b>	<b>735,084</b>	<b>322,484</b>	<b>54,977</b>	<b>(1,112,545)</b>	<b>-</b>
<b>Total Shareholders' Equity</b>	<b>602,793</b>	<b>1,296,544</b>	<b>833,488</b>	<b>(2,130,032)</b>	<b>602,793</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 2,014,559</b>	<b>\$ 1,656,049</b>	<b>\$ 1,125,608</b>	<b>\$ (3,244,485)</b>	<b>\$ 1,551,731</b>

**CONSOLIDATING CONDENSED BALANCE SHEETS**

(in thousands)

<b>December 31, 2007</b>	<b>The Company (Parent)</b>	<b>Combined Guarantor Subsidiaries</b>	<b>Combined Non- Guarantor Subsidiaries</b>	<b>Eliminations</b>	<b>Total</b>
<b>Assets</b>					
<b>Current Assets</b>					
Cash and cash equivalents	\$ 27,133	\$ 1,773	\$ 33,294	\$ -	\$ 62,200
Marketable securities	255	-	-	-	255
Trade receivables, net	93,533	52,996	121,431	(3,817)	264,143
Installment receivables, net	-	1,841	2,216	-	4,057
Inventories, net	69,123	34,115	93,895	(1,529)	195,604
Deferred income taxes	-	-	2,478	-	2,478
Other current assets	20,693	6,489	36,438	(1,272)	62,348
<b>Total Current Assets</b>	<b>210,737</b>	<b>97,214</b>	<b>289,752</b>	<b>(6,618)</b>	<b>591,085</b>
<b>Investment in subsidiaries</b>	<b>1,393,220</b>	<b>640,178</b>	<b>-</b>	<b>(2,033,398)</b>	<b>-</b>
<b>Intercompany advances, net</b>	<b>250,765</b>	<b>824,519</b>	<b>43,460</b>	<b>(1,118,744)</b>	<b>-</b>
<b>Other Assets</b>	<b>66,616</b>	<b>23,482</b>	<b>1,564</b>	<b>-</b>	<b>91,662</b>
<b>Other Intangibles</b>	<b>934</b>	<b>11,315</b>	<b>92,487</b>	<b>-</b>	<b>104,736</b>
<b>Property and Equipment, net</b>	<b>57,984</b>	<b>10,231</b>	<b>101,161</b>	<b>-</b>	<b>169,376</b>
<b>Goodwill</b>	<b>-</b>	<b>23,531</b>	<b>519,652</b>	<b>-</b>	<b>543,183</b>
<b>Total Assets</b>	<b>\$ 1,980,256</b>	<b>\$ 1,630,470</b>	<b>\$ 1,048,076</b>	<b>\$ (3,158,760)</b>	<b>\$ 1,500,042</b>
<b>Liabilities and Shareholders' Equity</b>					
<b>Current Liabilities</b>					
Accounts payable	\$ 68,786	\$ 12,516	\$ 68,868	\$ -	\$ 150,170
Accrued expenses	48,332	18,284	84,431	(5,089)	145,958
Accrued income taxes	500	-	5,473	-	5,973
Short-term debt and current maturities of long-term obligations	23,500	-	1,010	-	24,510
<b>Total Current Liabilities</b>	<b>141,118</b>	<b>30,800</b>	<b>159,782</b>	<b>(5,089)</b>	<b>326,611</b>
<b>Long-Term Debt</b>	<b>481,896</b>	<b>7</b>	<b>31,439</b>	<b>-</b>	<b>513,342</b>
<b>Other Long-Term Obligations</b>	<b>61,370</b>	<b>-</b>	<b>44,676</b>	<b>-</b>	<b>106,046</b>
<b>Intercompany advances, net</b>	<b>741,829</b>	<b>326,028</b>	<b>50,887</b>	<b>(1,118,744)</b>	<b>-</b>
<b>Total Shareholders' Equity</b>	<b>554,043</b>	<b>1,273,635</b>	<b>761,292</b>	<b>(2,034,927)</b>	<b>554,043</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 1,980,256</b>	<b>\$ 1,630,470</b>	<b>\$ 1,048,076</b>	<b>\$ (3,158,760)</b>	<b>\$ 1,500,042</b>

**CONSOLIDATING CONDENSED STATEMENTS OF CASH FLOWS**

(in thousands)	The Company (Parent)	Combined Guarantor Subsidiaries	Combined Non- Guarantor Subsidiaries	Eliminations	Total
<b>Six month period ended June 30, 2008</b>					
<b>Net Cash Provided (Used) by Operating Activities</b>	\$ (13,492)	\$ 1,616	\$ 8,908	\$ -	\$ (2,968)
<b>Investing Activities</b>					
Purchases of property and equipment	(3,193)	(522)	(7,921)	-	(11,636)
Proceeds from sale of property and equipment	-	-	36	-	36
Increase in other long-term assets	4,550	-	-	-	4,550
Business acquisitions, net of cash acquired	-	(2,152)	-	-	(2,152)
Other	(1,444)	1,521	1,432	-	1,509
<b>Net Cash Used for Investing Activities</b>	(87)	(1,153)	(6,453)	-	(7,693)
<b>Financing Activities</b>					
Proceeds from revolving lines of credit and long-term borrowings	168,979	-	8,638	-	177,617
Payments on revolving lines of credit and long-term borrowings	(177,778)	-	(12,758)	-	(190,536)
Proceeds from exercise of stock options	821	-	-	-	821
Payment of dividends	(799)	-	-	-	(799)
<b>Net Cash Used by Financing Activities</b>	(8,777)	-	(4,120)	-	(12,897)
Effect of exchange rate changes on cash	-	-	1,319	-	1,319
Increase (decrease) in cash and cash equivalents	(22,356)	463	(346)	-	(22,239)
Cash and cash equivalents at beginning of period	27,133	1,773	33,294	-	62,200
Cash and cash equivalents at end of period	\$ 4,777	\$ 2,236	\$ 32,948	\$ -	\$ 39,961
<b>Six month period ended June 30, 2007</b>					
<b>Net Cash Provided (Used) by Operating Activities</b>	\$ (95,244)	\$ 912	\$ 92,074	\$ -	\$ (2,258)
<b>Investing Activities</b>					
Purchases of property and equipment	(1,763)	(698)	(5,309)	-	(7,770)
Proceeds from sale of property and equipment	-	-	462	-	462
Increase in other long-term assets	(187)	-	-	-	(187)
Other	(1,629)	-	39	-	(1,590)
<b>Net Cash Used for Investing Activities</b>	(3,579)	(698)	(4,808)	-	(9,085)
<b>Financing Activities</b>					
Proceeds from revolving lines of credit, securitization facility and long-term borrowings	548,373	-	2,567	-	550,940
Payments on revolving lines of credit, securitization facility and long-term borrowings	(449,878)	-	(116,337)	-	(566,215)
Payment of dividends	(798)	-	-	-	(798)
Payment of financing costs	(20,384)	-	-	-	(20,384)
<b>Net Cash Provided (Used) by Financing Activities</b>	77,313	-	(113,770)	-	(36,457)
Effect of exchange rate changes on cash	-	-	1,143	-	1,143
Increase (decrease) in cash and cash equivalents	(21,510)	214	(25,361)	-	(46,657)
Cash and cash equivalents at beginning of period	35,918	2,202	44,083	-	82,203
Cash and cash equivalents at end of period	\$ 14,408	\$ 2,416	\$ 18,722	\$ -	\$ 35,546

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

The following discussion and analysis should be read in conjunction with the company's Condensed Consolidated Financial Statements and related notes thereto included elsewhere in this Quarterly Report on Form 10-Q and in the company's Current Report on Form 8-K as furnished to the Securities and Exchange Commission on July 24, 2008.

**OUTLOOK**

The Company continues to execute on its plan for the year, despite global commodity cost increases and increasing reimbursement pressures in Europe. To compensate for rising commodity costs, each of the Company's segments has already completed or is implementing planned selective price increases and freight policy changes for the third quarter.

For fiscal year 2008, the company expects organic growth in net sales of between 5% and 6%, excluding the impact from acquisitions and foreign currency translation adjustments. Operating cash flows are estimated to be \$65 million to \$70 million with net purchases of property, plant and equipment of up to approximately \$25 million. The full year earnings are expected to be consistent with the guidance furnished in the company's press release on July 24, 2008.

**RESULTS OF OPERATIONS**

**NET SALES**

Net sales for the three months ended June 30, 2008 were \$447,152,000, compared to \$393,267,000 for the same period a year ago, representing a 13.7% increase. Organic sales growth was 7.8% as foreign currency translation increased net sales by five percentage points while acquisitions increased net sales by less than one percentage point for the three month period. The positive sales growth was primarily driven by performance in NA/HME and Europe. For the six months ended June 30, 2008, net sales increased 12.4% to \$863,430,000, compared to \$768,172,000 for the same period a year ago. Organic sales growth was 6.8% as foreign currency translation increased net sales by five percentage points while acquisitions increased net sales by less than one percentage point for the six month period. The positive sales growth was achieved in each of the company's operating segments.

**North American/Home Medical Equipment (NA/HME)**

NA/HME net sales increased 12.3% for the quarter to \$187,163,000 as compared to \$166,601,000 for the same period a year ago. The increase for the quarter was driven primarily by sales increases in all principal product lines. For the first half of 2008, net sales increased 10.5% to \$362,944,000 as compared to \$328,364,000 for the same period a year ago. Foreign currency and acquisitions both increased net sales by one percentage point in the second quarter and first half of 2008.

Rehab product line net sales increased by 7% compared to the second quarter last year, despite volume declines in the consumer power product line caused by the Company's previous decision to terminate sales to a large national account. Excluding consumer power products, Rehab product line net sales increased 13.3% compared to the second quarter last year, driven by volume increases in custom power and custom manual wheelchairs as well as seating and positioning products. Standard product line net sales for the second quarter increased 15.1% compared to the second quarter of last year, driven by increased volumes in manual wheelchairs, patient aids and beds partially offset by discounts associated with higher sales of manual wheelchairs to national providers. Respiratory product line net sales increased 9.2%, driven by volume increases in oxygen concentrators and strong purchases by national and independent providers.

**Invacare Supply Group (ISG)**

ISG net sales for the quarter increased 2.9% to \$64,523,000 compared to \$62,696,000 last year driven by an increase in home delivery program sales, increased sales volumes with larger providers and growth in the infusion business. For the first half of 2008, net sales increased 4.3% to \$129,779,000 as compared to \$124,372,000 for the same period a year ago.

**Institutional Products Group (IPG)**

IPG net sales increased by 7.8% to \$23,177,000 compared to \$21,496,000 last year. Foreign currency translation increased net sales by two percentage points. The net sales increase was driven by new products introduced late last year including beds, therapeutic support surfaces and clinical recliners along with strong sales in durable medical equipment (DME) and bathing products. For the first half of 2008, net sales increased 7.7% to \$48,474,000 as compared to \$44,989,000 for the same period a year ago. Foreign currency translation increased net sales by three percentage points.

**Europe**

European net sales increased 22.5% for the quarter to \$145,977,000 as compared to \$119,213,000 for the same period a year ago. European net sales for the first six months of 2008 increased 20.2% to \$271,980,000 as compared to \$226,243,000 for the same period a year ago. Foreign currency translation increased net sales by fifteen percentage points for the quarter and thirteen percentage points in the first half of 2008. Net sales performance continues to be strong in most regions with the exception of Germany where reimbursement and pricing pressures are increasing.

**Asia/Pacific**

Asia/Pacific net sales increased 13.1% for the quarter to \$26,312,000 as compared to \$23,261,000 for the same period a year ago. Foreign currency increased net sales by nine percentage points. For the first half of the year, net sales increased 13.7% to \$50,253,000 as compared to \$44,204,000 for the same period a year ago. Foreign currency translation increased net sales by twelve percentage points. The net sales improvement was the result of volume increases in the Company's distribution businesses in the region and at the Company's subsidiary which manufactures microprocessor controllers.

**GROSS PROFIT**

Gross profit as a percentage of net sales for the three and six-month periods ended June 30, 2008 was 27.8% and 27.5%, respectively, compared to 28.0% and 27.2%, respectively, in the same periods last year. Gross margin as a percentage of net sales for the second quarter was lower by .2 percentage points compared to last year's second quarter primarily due to increased freight costs and commodity costs as well as unfavorable product mix in Europe and discounts associated with higher sales to national providers in NA/HME.

For the first half of the year, NA/HME margins as a percentage of net sales increased to 30.1% compared with 29.4% in the same period last year, primarily due to increased volumes and cost reduction initiatives partially offset by commodity cost increases and discounts associated with higher sales to national providers in standard and respiratory products. ISG gross margins decreased by .9 percentage point due to higher freight costs and discounts associated with higher sales to larger providers. IPG gross margin declined by .5 percentage points primarily due to lower margins achieved on new beds introduced in the fourth quarter of last year. In Europe, gross margin as a percentage of net sales declined by 1.8 percentage points primarily due to higher freight costs, unfavorable product mix toward lower margin products, and unfavorable foreign currency impact from the weakness of the British Pound as compared to the Euro. Gross margin as a percentage of net sales in Asia/Pacific increased year to date by 8.1 percentage points, largely due to cost reduction activities and increased volumes.

**SELLING, GENERAL AND ADMINISTRATIVE**

Selling, general and administrative ("SG&A") expense as a percentage of net sales for the three and six months ended June 30, 2008 was 23.4% in each period, compared to 23.9% and 23.6%, respectively, for the same periods a year ago. The dollar increases were \$10,669,000 and \$20,598,000, or 11.4% and 11.3%, respectively, for the quarter and first half of the year, as compared to the same period a year ago. Acquisitions increased these expenses by \$780,000 in the quarter and \$1,351,000 in the first half of the year, while foreign currency translation increased these expenses by \$5,737,000 in the quarter and \$10,414,000 in the first half of the year compared to the same periods a year ago. Excluding the impact of foreign currency translation and acquisitions, selling, general and administrative expense increased 4.4% for the quarter and 4.9% for the first half of 2008 as compared to the same periods a year ago. The increase in SG&A expense is primarily attributable to increased bonus and bad debt expense.

North American/HME SG&A cost increased \$751,000, or 2.0%, for the quarter and \$2,459,000, or 3.3%, in the first half of 2008 compared to the same periods a year ago. For the quarter, foreign currency translation increased SG&A by \$326,000 or .7% while acquisitions increased SG&A by \$780,000 or 1.6%. For the first half of 2008, foreign currency translation increased SG&A by \$947,000 or 1.0% while acquisitions increased SG&A by \$1,351,000 or 1.5%. Excluding the impact of foreign currency translation and acquisitions, SG&A declined by .9% for the quarter and increased by .2% year to date.

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Invacare Supply Group SG&A expense decreased \$112,000, or 1.7%, for the quarter and increased by \$445,000, or 3.5%, in the first half of 2008 compared to the same periods a year ago with the year to date increase primarily due to higher distribution costs associated with increased sales volumes.

Institutional Products Group SG&A expense increased \$101,000, or 2.5%, for the quarter and \$34,000, or .4%, in the first half of 2008 compared to the same periods a year ago. Foreign currency translation increased SG&A by \$99,000 or 2.5% for the quarter and \$136,000 for the first half of the year.

European SG&A cost increased \$5,207,000, or 17.6%, for the quarter and \$9,948,000, or 17.3%, for the first half of 2008 compared to the same periods a year ago. For the quarter, foreign currency translation increased SG&A by \$4,623,000, or 15.6%. For the first half of 2008, foreign currency translation increased SG&A by \$7,722,000, or 13.5%, respectively. Excluding the impact of foreign currency translation, the increases in expense is primarily due to higher sales and marketing costs for people and programs to drive future sales growth.

Asia/Pacific SG&A cost increased \$1,692,000, or 29.6%, for the quarter and \$3,293,000, or 28.9%, in the first half of the year compared to the same periods a year ago. For the quarter, foreign currency translation increased SG&A expense by \$689,000, or 12.1%. For the first half of 2008, foreign currency translation increased SG&A by \$1,609,000, or 14.1%. Excluding the impact of foreign currency translation, SG&A expense increased 17.6% and 14.8% for the quarter and first half of 2008, respectively as compared to last year due to higher sales and marketing costs for people and programs to drive future sales growth.

### **CHARGE RELATED TO RESTRUCTURING ACTIVITIES**

Previously, the company announced multi-year cost reductions and profit improvement actions, which included: reducing global headcount, outsourcing improvements utilizing the company's China manufacturing capability and third parties, shifting substantial resources from product development to manufacturing cost reduction activities and product rationalization, reducing freight exposure through freight auctions and changing the freight policy, general expense reductions and exiting manufacturing and distribution facilities.

The restructuring was necessitated by the continued decline in reimbursement, continued pricing pressures faced by the company as a result of outsourcing by competitors to lower cost locations and commodity cost increases for steel, aluminum and fuel.

Restructuring charges of \$1,441,000 were incurred in the first half of 2008, of which \$71,000 are recorded in cost of products sold as it relates to inventory markdowns and the remaining charge amount is included on the Charge Related to Restructuring Activities in the Condensed Consolidated Statement of Operations as part of operations.

The restructuring charges included \$255,000 in NA/HME, \$115,000 in IPG, \$783,000 in Europe and \$288,000 in Asia/Pacific. Of the total charges incurred to date, \$868,000 remained unpaid as of June 30, 2008 with \$720,000 unpaid related to NA/HME; \$104,000 unpaid related to Europe; and \$44,000 unpaid related to Asia/Pacific. There have been no material changes in accrued balances related to the charge, either as a result of revisions in the plan or changes in estimates, and the company expects to utilize the accruals recorded through June 30, 2008 during 2008. With additional actions to be undertaken during the remainder of 2008, the company anticipates recognizing pre-tax restructuring charges of approximately \$5,000,000 for the year.

### **CHARGES, INTEREST AND FEES ASSOCIATED WITH DEBT REFINANCING**

As a result of the company's refinancing completed in the first quarter of 2007, the company incurred in the quarter ended March 31, 2007 one-time make whole payments to the holders of previously outstanding senior notes and incremental interest totaling \$10,900,000 and wrote-off previously capitalized costs of \$2,500,000 related to the old debt structure.

### **INTEREST**

Interest expense decreased \$2,091,000 and \$2,417,000 for the first quarter and first half of 2008, respectively, compared to the same periods last year due to lower debt levels. Interest income for the second quarter and first half of 2008 increased \$369,000 and \$593,000, respectively, compared to the same periods last year, primarily due to interest on higher average foreign cash balances.

## **INCOME TAXES**

The company had an effective tax rate of 37.5% and 40.4% on earnings before tax compared to an expected rate at the US statutory rate of 35% for the three and six month periods ended June 30, 2008. For the three and six month periods ended June 30, 2007, the company had an effective rate of 98.3% and (46.3%) compared to an expected rate at the US statutory rate of 35%. The company's effective tax rate for each of the three and six month periods ended June 30, 2008 and 2007 was higher than the U.S. federal statutory rate or benefit as a result of the company not being able to record tax benefits related to losses in countries which had tax valuation allowances, while normal tax expense was recognized in countries without tax allowances.

## **LIQUIDITY AND CAPITAL RESOURCES**

The company's reported level of debt decreased by \$11,659,000 from December 31, 2007 to \$526,193,000 at June 30, 2008, as a result of positive cash flow in the second quarter and increased earnings. As compared to March 31, 2008, reported debt decreased by \$12,528,000. The debt-to-total-capitalization ratio was 46.6% at June 30, 2008 as compared to 48.2% at March 31, 2008.

The company's cash and cash equivalents were \$39,961,000 at June 30, 2008, down from \$62,200,000 at the end of the year. The cash was primarily utilized to pay annual bonus payments and required interest payments on debt outstanding, plus additional payments to reduce the company's debt outstanding.

The company's borrowing arrangements contain covenants with respect to maximum amount of debt, minimum loan commitments, interest coverage, net worth, dividend payments, working capital, and funded debt to capitalization, as defined in the company's bank agreements and agreements with its note holders. As of June 30, 2008, the company was in compliance with all covenant requirements. Under the most restrictive covenant of the company's borrowing arrangements as of June 30, 2008, the company had the capacity to borrow up to an additional \$117,300,000.

## **CAPITAL EXPENDITURES**

The company had no individually material capital expenditure commitments outstanding as of June 30, 2008. The company estimates that capital investments for 2008 will approximate up to \$25,000,000 as compared to \$20,068,000 in 2007. The company believes that its balances of cash and cash equivalents, together with funds generated from operations and existing borrowing facilities will be sufficient to meet its operating cash requirements and to fund required capital expenditures for the foreseeable future.

## **CASH FLOWS**

Cash flows used by operating activities were \$2,968,000 for the first half of 2008 compared to \$2,258,000 used in the first half of 2007. Operating cash flows for the first half of 2008 were flat compared to the same period a year ago as the significant improvement in net earnings in the first half of 2008 was offset by increased working capital needs due to higher sales. While net cash provided by operating activities was comparable in each period, receivables and inventories were both a drain on cash flow during the first half of 2008 by approximately \$30.8 million and \$14.0 million, respectively. The receivables increase is primarily due to higher sales levels while inventories increased throughout the company, particularly in the Asia Pacific segment to support future sales initiatives and as a result of its outsourcing efforts.

Cash used for investing activities was \$7,693,000 for the first half of 2008 compared to \$9,085,000 used in the first half of 2007. The decrease in cash used for investing activities is primarily the result of cash receipts on company-owned life insurance policies in the current year offset by an increase in the purchases of property, plant and equipment in the first half of 2008 compared to the first half of 2007.

Cash used by financing activities was \$12,897,000 for the first half of 2008 compared to cash required of \$36,457,000 in the first half of 2007. The first quarter of 2007 financing cash flow included \$20,384,000 of financing cost payments as a result of the company refinancing which was completed in the first quarter of 2007.

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During the first half of 2008, the company used free cash flow of \$12,512,000 as compared to \$865,000 used by the company in the first half of 2007. The decrease was primarily attributable to the same items as noted above which impacted operating cash flows. Free cash flow is a non-GAAP financial measure that is comprised of net cash provided by operating activities, excluding net cash impact related to restructuring activities, less net purchases of property and equipment, net of proceeds from sales of property and equipment. Management believes that this financial measure provides meaningful information for evaluating the overall financial performance of the company and its ability to repay debt or make future investments (including, for example, acquisitions). However, it should be noted that the company's definition of free cash flow may not be comparable to similar measures disclosed by other companies because not all companies calculate free cash flow in the same manner.

The non-GAAP financial measure is reconciled to the GAAP measure as follows (in thousands):

	Six Months Ended June 30,	
	2008	2007
Net cash used by operating activities	\$ (2,968)	\$ (2,258)
Net cash impact related to restructuring activities	2,056	8,701
Less: Purchases of property and equipment - net	(11,600)	(7,308)
Free Cash Flow	\$ (12,512)	\$ (865)

## **DIVIDEND POLICY**

On May 22, 2008, the company's Board of Directors declared a quarterly cash dividend of \$0.0125 per Common Share to shareholders of record as of July 3, 2008, which was paid on July 11, 2008. At the current rate, the cash dividend will amount to \$0.05 per Common Share on an annual basis.

## **CRITICAL ACCOUNTING POLICIES**

The Consolidated Financial Statements included in this Quarterly Report on Form 10-Q include accounts of the company, all majority-owned subsidiaries and a variable interest entity for which the company was the primary beneficiary in 2007. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions in certain circumstances that affect amounts reported in the accompanying Consolidated Financial Statements and related footnotes. In preparing the financial statements, management has made its best estimates and judgments of certain amounts included in the financial statements, giving due consideration to materiality. However, application of these accounting policies involves the exercise of judgment and use of assumptions as to future uncertainties and, as a result, actual results could differ from these estimates.

The following critical accounting policies, among others, affect the more significant judgments and estimates used in preparation of the company's consolidated financial statements.

### **Revenue Recognition**

Invacare's revenues are recognized when products are shipped to unaffiliated customers. The SEC's Staff Accounting Bulletin (SAB) No. 101, "Revenue Recognition," as updated by SAB No. 104, provides guidance on the application of generally accepted accounting principles (GAAP) to selected revenue recognition issues. The company has concluded that its revenue recognition policy is appropriate and in accordance with GAAP and SAB No. 101. Shipping and handling costs are included in cost of goods sold.

Sales are made only to customers with whom the company believes collection is reasonably assured based upon a credit analysis, which may include obtaining a credit application, a signed security agreement, personal guarantee and/or a cross corporate guarantee depending on the credit history of the customer. Credit lines are established for new customers after an evaluation of their credit report and/or other relevant financial information. Existing credit lines are regularly reviewed and adjusted with consideration given to any outstanding past due amounts.

The company offers discounts and rebates, which are accounted for as reductions to revenue in the period in which the sale is recognized. Discounts offered include: cash discounts for prompt payment, base and trade discounts based on contract level for specific classes of customers. Volume discounts and rebates are given based on large purchases and the achievement of certain sales volumes. Product returns are accounted for as a reduction to reported sales with estimates recorded for anticipated returns at the time of sale. The company does not sell any goods on consignment.

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Distributed products sold by the company are accounted for in accordance with Emerging Issues Task Force, or "EITF" No. 99-19 *Reporting Revenue Gross as a Principal versus Net as an Agent*. The company records distributed product sales gross as a principal since the company takes title to the products and has the risks of loss for collections, delivery and returns.

Product sales that give rise to installment receivables are recorded at the time of sale when the risks and rewards of ownership are transferred. In December 2000, the company entered into an agreement with DLL, a third party financing company, to provide the majority of future lease financing to Invacare customers. As such, interest income is recognized based on the terms of the installment agreements. Installment accounts are monitored and if a customer defaults on payments, interest income is no longer recognized. All installment accounts are accounted for using the same methodology, regardless of duration of the installment agreements.

### **Allowance for Uncollectible Accounts Receivable**

Accounts receivable are reduced by an allowance for amounts that may become uncollectible in the future. Substantially all of the company's receivables are due from health care, medical equipment dealers and long term care facilities located throughout the United States, Australia, Canada, New Zealand and Europe. A significant portion of products sold to dealers, both foreign and domestic, is ultimately funded through government reimbursement programs such as Medicare and Medicaid. As a consequence, changes in these programs can have an adverse impact on dealer liquidity and profitability. The estimated allowance for uncollectible amounts is based primarily on management's evaluation of the financial condition of the customer. In addition, as a result of the third party financing arrangement, management monitors the collection status of these contracts in accordance with the company's limited recourse obligations and provides amounts necessary for estimated losses in the allowance for doubtful accounts.

The company continues to closely monitor the credit-worthiness of its customers and adhere to tight credit policies. Due to delays in the implementation of various government reimbursement policies, including national competitive bidding, there still remains significant uncertainty as to the impact that those changes will have on the company's customers.

### **Inventories and Related Allowance for Obsolete and Excess Inventory**

Inventories are stated at the lower of cost or market with cost determined by the first-in, first-out method. Inventories have been reduced by an allowance for excess and obsolete inventories. The estimated allowance is based on management's review of inventories on hand compared to estimated future usage and sales. A provision for excess and obsolete inventory is recorded as needed based upon the discontinuation of products, redesigning of existing products, new product introductions, market changes and safety issues. Both raw materials and finished goods are reserved for on the balance sheet.

In general, Invacare reviews inventory turns as an indicator of obsolescence or slow moving product as well as the impact of new product introductions. Depending on the situation, the company may partially or fully reserve for the individual item. The company continues to increase its overseas sourcing efforts, increase its emphasis on the development and introduction of new products, and decrease the cycle time to bring new product offerings to market. These initiatives are sources of inventory obsolescence for both raw material and finished goods.

### **Goodwill, Intangible and Other Long-Lived Assets**

Property, equipment, intangibles and certain other long-lived assets are amortized over their useful lives. Useful lives are based on management's estimates of the period that the assets will generate revenue. Under SFAS No. 142, *Goodwill and Other Intangible Assets*, goodwill and intangible assets deemed to have indefinite lives are subject to annual impairment tests. Furthermore, goodwill and other long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The company completes its annual impairment tests in the fourth quarter of each year. The discount rates used have a significant impact upon the discounted cash flow methodology utilized in our annual impairment testing as higher discount rates decrease the fair value estimates used in our testing.

The company utilizes a discounted cash flow method model to analyze reporting units for impairment in which the company forecasts income statement and balance sheet amounts based on assumptions regarding future sales growth, profitability, inventory turns, days' sales outstanding, etc. to forecast future cash flows. The cash flows are discounted using a weighted average cost of capital discount rate where the cost of debt is based on quoted rates for 20-year debt of companies of similar credit risk and the cost of equity is based upon the 20-year treasury rate for the risk free rate, a market risk premium, the industry average beta, a small cap stock adjustment and company specific risk premiums. While no impairment was indicated in 2007 for any reporting units, a future potential impairment is possible for any or the company's reporting units should actual results differ materially from forecasted results.

**Product Liability**

The company's captive insurance company, Invatection Insurance Co., currently has a policy year that runs from September 1 to August 31 and insures annual policy losses of \$10,000,000 per occurrence and \$13,000,000 in the aggregate of the company's North American product liability exposure. The company also has additional layers of external insurance coverage insuring up to \$75,000,000 in annual aggregate losses arising from individual claims anywhere in the world that exceed the captive insurance company policy limits or the limits of the company's per country foreign liability limits, as applicable. There can be no assurance that Invacare's current insurance levels will continue to be adequate or available at affordable rates.

Product liability reserves are recorded for individual claims based upon historical experience, industry expertise and indications from the third-party actuary. Additional reserves, in excess of the specific individual case reserves, are provided for incurred but not reported claims based upon third-party actuarial valuations at the time such valuations are conducted. Historical claims experience and other assumptions are taken into consideration by the third-party actuary to estimate the ultimate reserves. For example, the actuarial analysis assumes that historical loss experience is an indicator of future experience, that the distribution of exposures by geographic area and nature of operations for ongoing operations is expected to be very similar to historical operations with no dramatic changes and that the government indices used to trend losses and exposures are appropriate. Estimates made are adjusted on a regular basis and can be impacted by actual loss award settlements on claims. While actuarial analysis is used to help determine adequate reserves, the company accepts responsibility for the determination and recording of adequate reserves in accordance with accepted loss reserving standards and practices.

**Warranty**

Generally, the company's products are covered from the date of sale to the customer by warranties against defects in material and workmanship for various periods depending on the product. Certain components carry a lifetime warranty. A provision for estimated warranty cost is recorded at the time of sale based upon actual experience. The company continuously assesses the adequacy of its product warranty accrual and makes adjustments as needed. Historical analysis is primarily used to determine the company's warranty reserves. Claims history is reviewed and provisions are adjusted as needed. However, the company does consider other events, such as a product recall, which could warrant additional warranty reserve provision. No material adjustments to warranty reserves were necessary in the current year. See Warranty Costs in the Notes to the Condensed Consolidated Financial Statements included in this report for a reconciliation of the changes in the warranty accrual.

**Accounting for Stock-Based Compensation**

Effective January 1, 2006, the company adopted Statement of Financial Accounting Standard No. 123 (Revised 2004), *Share Based Payment* ("SFAS 123R") using the modified prospective application method. Under the modified prospective method, compensation cost was recognized for: (1) all stock-based payments granted subsequent to January 1, 2006 based upon the grant-date fair value calculated in accordance with SFAS 123R, and (2) all stock-based payments granted prior to, but not vested as of, January 1, 2006 based upon grant-date fair value previously calculated for previously presented pro forma footnote disclosures in accordance with the original provisions of SFAS No. 123, *Accounting for Stock Based Compensation*.

Upon adoption of SFAS 123R, the company did not make any other modifications to the terms of any previously granted options. However, the terms of new awards granted since the adoption of SFAS 123R have been modified, as compared to the terms of the awards granted prior to the adoption of SFAS 123R, so that the vesting periods are deemed to be substantive for those who may be retiree eligible. No changes were made regarding the valuation methodologies or assumptions used to determine the fair value of options granted and the company continues to use a Black-Scholes valuation model. As of June 30, 2008, there was \$7,631,000 of total unrecognized compensation cost from stock-based compensation arrangements granted under the company's plans, which is related to non-vested shares, and includes \$2,934,000 related to restricted stock awards. The company expects the compensation expense to be recognized over approximately four years.

The majority of the options awarded have been granted at exercise prices equal to the market value of the underlying stock on the date of grant. Restricted stock awards granted without cost to the recipients are expensed on a straight-line basis over the vesting periods.

**Income Taxes**

As part of the process of preparing its financial statements, the company is required to estimate income taxes in various jurisdictions. The process requires estimating the company's current tax exposure, including assessing the risks associated with tax audits, as well as estimating temporary differences due to the different treatment of items for tax and accounting policies. The temporary differences are reported as deferred tax assets and or liabilities. The company also must estimate the likelihood that its deferred tax assets will be recovered from future taxable income and whether or not valuation allowances should be established. In the event that actual results differ from its estimates, the company's provision for income taxes could be materially impacted.

The company does not believe that there is a substantial likelihood that materially different amounts would be reported related to its critical accounting policies.

**RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS**

In September, 2006, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 157 (FAS 157), *Fair Value Measurements*, which creates a framework for measuring fair value, clarifies the definition of fair value and expands the disclosures regarding fair value measurements. FAS 157 does not require any new fair value measurements. The company adopted the new standard as of January 1, 2008 and the adoption had no material impact on the company's financial position, results of operations or cash flows.

In December 2007, the FASB issued SFAS 141(R), *Business Combinations* (SFAS 141R), which changes the accounting for business acquisitions. SFAS 141(R) requires the acquiring entity in a business combination to recognize all the assets acquired and liabilities assumed in the transaction and establishes principles and requirements as to how an acquirer should recognize and measure in its financial statements the assets acquired, liabilities assumed, any non-controlling interest and goodwill acquired. SFAS 141(R) also requires expanded disclosure regarding the nature and financial effects of a business combination. SFAS 141(R) is effective for the company beginning January 1, 2009 and the company is currently evaluating the future impacts and disclosures of this standard.

In March 2008, the FASB issued SFAS 161, *Disclosures about Derivative Instruments and Hedging Activities – an amendment of FASB Statement No. 133* (SFAS 161). SFAS 161 requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of and gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative agreements. SFAS 161 is effective for the company beginning January 1, 2009 and the company is currently evaluating the effect that adoption will have on its 2009 financial statements.

On May 9, 2008, the FASB issued FASB Staff Position APB 14-1 (FSP APB 14-1) to provide clarification of the accounting for convertible debt that can be settled in cash upon conversion. The FASB believed this clarification was needed because the accounting being applied for convertible debt does not fully reflect the true economic impact on the issuer since the conversion option is not captured as a borrowing cost and its full dilutive effect is not included in earnings per share. The FSP requires separate accounting for the liability and equity components of the convertible debt in a manner that would reflect Invacare's nonconvertible debt borrowing rate. The company will have to bifurcate a component of its convertible debt as a component of stockholders' equity and accrete the resulting debt discount as interest expense. The company is currently evaluating the impact of the adoption FSP APB 14-1 and expects it may have a material impact on the company's interest expense and earnings per share. The effective date is January 1, 2009 with retrospective application required for all periods presented and no grandfathering for existing instruments.

**QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

The company is exposed to market risk through various financial instruments, including fixed rate and floating rate debt instruments. The company uses interest swap agreements to mitigate its exposure to interest rate fluctuations. Based on June 30, 2008 debt levels, a 1% change in interest rates would impact interest expense by approximately \$496,000. Additionally, the company operates internationally and, as a result, is exposed to foreign currency fluctuations. Specifically, the exposure results from intercompany loans and third party sales or payments. In an attempt to reduce this exposure, foreign currency forward contracts are utilized. The company does not believe that any potential loss related to these financial instruments would have a material adverse effect on the company's financial condition or results of operations.

**FORWARD-LOOKING STATEMENTS**

*This Form 10-Q contains forward-looking statements within the meaning of the “Safe Harbor” provisions of the Private Securities Litigation Reform Act of 1995. Terms such as “will,” “should,” “plan,” “intend,” “expect,” “continue,” “forecast,” “believe,” “anticipate” and “seek,” as well as similar comments, are forward-looking in nature. Actual results and events may differ significantly from those expressed or anticipated as a result of risks and uncertainties which include, but are not limited to, the following: possible adverse effects of being substantially leveraged, which could impact our ability to raise capital, limit our ability to react to changes in the economy or our industry or expose us to interest rate or event of default risks; changes in government and other third-party payor reimbursement levels and practices, including the Medicare Improvements for Patients and Providers Act of 2008; consolidation of health care providers and our competitors; loss of key health care providers; ineffective cost reduction and restructuring efforts; inability to design, manufacture, distribute and achieve market acceptance of new products with higher functionality and lower costs; extensive government regulation of our products; lower cost imports; increased freight costs; failure to comply with regulatory requirements or receive regulatory clearance or approval for our products or operations in the United States or abroad; potential product recalls; uncollectible accounts receivable; difficulties in implementing a new Enterprise Resource Planning system; legal actions or regulatory proceedings and governmental investigations; product liability claims; inadequate patents or other intellectual property protection; incorrect assumptions concerning demographic trends that impact the market for our products; provisions of Ohio law or in our debt agreements, our shareholder rights plan or our charter documents that may prevent or delay a change in control; the loss of the services of our key management and personnel; decreased availability or increased costs of raw materials which could increase our costs of producing our products; inability to acquire strategic acquisition candidates because of limited financing alternatives; risks inherent in managing and operating businesses in many different foreign jurisdictions; exchange rate fluctuations, as well as the risks described from time to time in Invacare’s reports as filed with the Securities and Exchange Commission. Except to the extent required by law, we do not undertake and specifically decline any obligation to review or update any forward-looking statements or to publicly announce the results of any revisions to any of such statements to reflect future events or developments or otherwise.*

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### **Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

The information called for by this item is provided under the same caption under Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations.

### **Item 4. Controls and Procedures.**

As of June 30, 2008, an evaluation was performed, under the supervision and with the participation of the company's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)). Based on that evaluation, the company's management, including the Chief Executive Officer and Chief Financial Officer, concluded that the company's disclosure controls and procedures were effective as of June 30, 2008, in ensuring that information required to be disclosed by the company in the reports it files and submits under the Exchange Act is (1) recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms and (2) accumulated and communicated to the company's management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate to allow for timely decisions regarding required disclosure. There were no changes in the company's internal control over financial reporting that occurred during the company's most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the company's internal control over financial reporting.

## **Part II. OTHER INFORMATION**

### **Item 1A. Risk Factors.**

In addition to the other information set forth in this report, you should carefully consider the risk factors disclosed in Item 1A of the company's Annual Report on Form 10-K for the fiscal year ended December 31, 2007.

### **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

- (c) The following table presents information with respect to repurchases of common shares made by the company during the three months ended June 30, 2008. All of the repurchased shares were surrendered to the company by employees for tax withholding purposes in conjunction with the vesting of restricted shares held by the employees under the company's 2003 Performance Plan.

<b>Period</b>	<b>Total Number of Shares Purchased</b>	<b>Average Price Paid Per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</b>	<b>Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs</b>
4/1/2008-4/30/08	-	\$ -	-	1,362,900
5/1/2008-5/31/08	-	-	-	1,362,900
6/1/2008-6/30/08	5,941	18.72	-	1,362,900
Total	5,941	\$ 18.72	-	1,362,900

On August 17, 2001, the Board of Directors authorized the company to purchase up to 2,000,000 Common Shares. To date, the company has purchased 637,100 shares with authorization remaining to purchase 1,362,900 more shares. The company purchased no shares pursuant to this Board authorized program during the first six months of 2008.

### **Item 4. Submission of Matters to a Vote of Security Holders.**

On May 22, 2008, the company held its 2008 Annual Meeting of Shareholders to act on proposals to: 1) elect four directors to the class whose three-year term will expire in 2011, 2) approve and adopt an amendment to the company's Amended and Restated Articles of Incorporation to eliminate certain supermajority voting requirements, 3) ratify the appointment of Ernst & Young LLP as its independent auditors for the company's 2008 fiscal year, and 4) consider and vote upon two shareholder proposals, one proposal requesting that the Board of Directors take the necessary steps to declassify the Board of Directors and establish annual elections of directors, whereby directors would be elected annually and not by classes, and another proposal requesting that the Board of Directors take such steps as may be necessary to provide that at each shareholder meeting where there is an uncontested election of directors, a director shall be elected by a majority of the votes cast with respect to that director.

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Michael F. Delaney, C. Martin Harris, M.D., Bernadine P. Healy, M.D. and A. Malachi Mixon, III were each elected for a three-year term of office expiring in 2011 with 30,527,885; 24,448,193; 27,774,849; and 29,441,412 affirmative votes and 9,652,455; 15,732,147; 12,405,491; and 10,738,928 votes withheld, respectively.

James C. Boland, Gerald B. Blouch, William M. Weber, John R. Kasich, Dan T. Moore, III, Joseph B. Richey, II, and General James L. Jones are directors with continuing terms.

The proposal to approve and adopt amendments to the Company's Amended and Restated Articles of Incorporation to eliminate certain supermajority voting requirements received 40,007,562 affirmative votes, 80,022 negative votes and 92,755 abstained votes.

The proposal to ratify the appointment of Ernst & Young LLP as the company's independent auditors for its 2008 fiscal year received 39,827,707 affirmative votes, 288,876 negative votes and 63,758 abstained votes.

The shareholder proposal requesting that the Board of Directors take the necessary steps to declassify the Board of Directors and establish annual elections of directors, whereby directors would be elected annually and not by classes received 22,615,239 affirmative votes, 15,385,076 negative votes and 126,273 abstained votes.

The shareholder proposal requesting that the Board of Directors take such steps as may be necessary to provide that at each shareholder meeting where there is an uncontested election of directors, a director shall be elected by a majority of the votes cast with respect to that director received 20,759,301 affirmative votes, 17,264,165 negative votes and 103,121 abstained votes.

### **Item 6. Exhibits.**

#### Exhibit No.

- |      |   |
|------|---|
| 3.1  | Amended and Restated Articles of Incorporation, as last amended June 12, 2008 (filed herewith). |
| 31.1 | Chief Executive Officer Rule 13a-14(a)/15d-14(a) Certification (filed herewith).                |
| 31.2 | Chief Financial Officer Rule 13a-14(a)/15d-14(a) Certification (filed herewith).                |
| 32.1 | Sarbanes-Oxley Act of 2002 (furnished herewith).  |
| 32.2 | 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.

### **INVACARE CORPORATION**

Date: August 8, 2008

By: /s/ Robert K. Gudbranson  
Name: Robert K. Gudbranson  
Title: Chief Financial Officer  
(As Principal Financial and Accounting Officer and on behalf of the registrant)

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AMENDED AND RESTATED  
ARTICLES OF INCORPORATION  
OF  
INVACARE CORPORATION

**ARTICLE I**

The name of the Corporation shall be Invacare Corporation.

**ARTICLE II**

The principal office of the Corporation shall be located in Elyria, Lorain County, Ohio.

**ARTICLE III**

The purposes of the Corporation shall be:

- (1) To manufacture, assemble, sell, lease, and distribute wheelchairs, patient aids and other health care products of every kind and nature; and
- (2) To enter into, promote or conduct any other kind of business, contract or undertaking permitted to corporations for profit organized under the General Corporation Law of the State of Ohio, to engage in any lawful act or activity for which corporations may be formed under Sections 1701.01 to 1701.98, inclusive, of the Revised Code of Ohio. and, in connection therewith, to exercise all express and incidental powers normally permitted such corporations.

**ARTICLE IV**

The authorized number of shares of capital stock of the Corporation shall be Thirty Million Three Hundred Thousand (30,300,000), of which Eighteen Million (18,000,000) shall be Common Shares, without par value, Twelve Million (12,000,000) shall be Class S Common Shares, without par value, and Three Hundred Thousand (300,000) shall be Serial Preferred Shares, without par value.

**SUBDIVISION A**

**Provisions Applicable to Serial Preferred Shares**

The Serial Preferred Shares may be issued, from time to time, in one or more series, with such designations, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof, as shall be stated and expressed in the resolution or resolutions providing for the issue of such series adopted by the Board of Directors. The Board of Directors, in such resolution or resolutions (a copy of which shall be filed and recorded as required by law), is also expressly authorized to fix:

- (a) The distinctive serial designations and the division of such shares into series and the number of shares of a particular series, which may be increased or decreased, but not below the number of shares thereof then outstanding, by a certificate made, signed, filed and recorded as required by law;
- (b) The annual dividend rate for the particular series, and the date or dates from which dividends on all shares of such series shall be cumulative, if dividends on shares of the particular series shall be cumulative.
- (c) The redemption price or prices, if any, for the particular series;
- (d) The right, if any, of the holders of a particular series to convert such stock into other classes of shares (except for Class B Common Shares), and the terms and conditions of such conversions; and
- (e) The obligation, if any, of the Corporation to purchase and retire and redeem shares of a particular series as a sinking fund or redemption or purchase account, the terms thereof and the redemption price or prices per share for such series redeemed pursuant to the sinking fund or redemption or purchase account.

All shares of any one series of Serial Preferred Shares shall be alike in every particular and all series shall rank equally and be identical in all respects except insofar as they may vary with respect to the matters which the Board of Directors is hereby expressly authorized to determine in the resolution or resolutions providing for the issue of any series of the Serial Preferred Shares.

In the event of any liquidation, dissolution or winding up of the affairs of the Corporation, then before any distribution or payment shall have been made to the holders of the Common Shares or the Class Es Common Shares, the holders of the Serial Preferred Shares of each series shall be entitled to be paid, or to have set apart in trust for payment, an amount from the net assets of the Corporation equal to that stated

and expressed in the resolution or resolutions adopted by the Board of Directors which provide for the issue of such series, respectively. The remaining net assets of the Corporation shall be distributed solely among the holders of the Common Shares and the Class B Common Shares according to their respective shares.

The holders of Serial Preferred Shares shall be entitled to one vote for each Serial Preferred Share upon all matters presented to the shareholders, and, except as otherwise provided by these Amended and Restated Articles of Incorporation or required by law, the holders of Serial Preferred Shares, the holders of Common Shares and the holders of Class B Common Shares shall vote together as one class on all matters. No adjustment of the voting rights of holders of Serial Preferred Shares shall be made in the event of an increase or decrease in the number of Common Shares or Class B Common Shares authorized or issued or in the event of a stock split or combination of the Common Shares or Class B Common Shares or in the event of a stock dividend on any class of stock payable solely in Common Shares or Class B Common Shares.

The affirmative vote of the holders of at least two-thirds of the Serial Preferred Shares at the time outstanding, given in person or by proxy at a meeting called for the purpose at which the holders of Serial Preferred Shares shall vote separately as a class, shall be necessary to adopt any amendment to the Amended and Restated Articles of Incorporation (but so far as the holders of Serial Preferred Shares are concerned, such amendment may be adopted with such vote) which:

- (i) changes issued shares of Serial Preferred Shares of all series then outstanding into a lesser number of shares of the Corporation of the same class and series or into the same or a different number of shares of the Corporation of any other class or series; or
- (ii) changes the express terms of the Serial Preferred Shares in any manner substantially prejudicial to the holders of all series thereof then outstanding; or
- (iii) authorizes shares of any class, or any security convertible into shares of any class, or authorizes the conversion of any security into shares of any class, ranking prior to the Serial Preferred Shares; or
- (iv) changes the express terms of issued shares of any class ranking prior to the Serial Preferred Shares in any manner substantially prejudicial to the holders of all series of Serial Preferred Shares then outstanding;

and the affirmative vote of the holders of at least two-thirds of the shares of each affected series of Serial Preferred Shares at the time outstanding, given in person or by proxy at a meeting called for the purpose at which the holders of each affected series of Serial Preferred Shares shall vote separately as a series, shall be necessary to adopt any amendment to the Amended and Restated Articles of Incorporation (but so far as the holders of each such series of Serial Preferred Shares are concerned, such amendment may be adopted with such vote) which:

- (i) changes issued shares of Serial Preferred Shares of one or more but not all series then outstanding into a lesser number of shares of the Corporation of the same series or into the same or a different number of shares of the Corporation of any other class or series; or
- (ii) changes the express terms of any series of the Serial Preferred Shares in any manner substantially prejudicial to the holders of one or more but not all series thereof then outstanding; or
- (iii) changes the express terms of issued shares of any class ranking prior to the Serial Preferred Shares in any manner substantially prejudicial to the holders of one or more but not all series of Serial Preferred Shares then outstanding.

Whenever reference is made herein to shares "ranking prior to the Serial Preferred Shares," such reference shall mean and include all shares of the Corporation in respect of which the rights of the holders thereof either as to the payment of dividends or as to distributions in the event of a voluntary or involuntary liquidation, dissolution or winding up of the Corporation are given preference over the rights of the holders of Serial Preferred Shares; whenever reference is made to shares "on a parity with the Serial Preferred Shares," such reference shall mean and include all shares of the Corporation in respect of which the rights of the holders thereof (i) neither as to the payment of dividends nor as to distributions in the event of a voluntary or involuntary liquidation, dissolution or winding up of the Corporation are given preference over the rights of the holders of Serial Preferred Shares and (ii) either as to the payment of dividends or as to distributions in the event of a voluntary or involuntary liquidation, dissolution or winding up of the Corporation rank on an equality (except as to the amounts fixed therefor) with the rights of the holders of Serial Preferred Shares; and whenever reference is made to shares "ranking junior to the Serial Preferred Shares," such reference shall mean and include all shares of the Corporation in respect of which the rights of the holders thereof both as to the payment of dividends and as to distributions in the event of a voluntary or involuntary liquidation, dissolution or winding up of the Corporation are junior and subordinate to the rights of the holders of the Serial Preferred Shares.

#### **Subdivision B**

##### **Provisions Applicable to Common Shares and Class a Common Shares**

In this Subdivision B of Article IV, any reference to a section or paragraph, without further attribution, within a provision relating to a particular class of shares is intended to refer solely to the specified section or paragraph of the other provisions relating to the same class of shares.

The Common Shares and Class B Common Shares shall be subject to the express terms of the Serial Preferred Shares and of any series

thereof and shall have the following voting powers, designations, preferences and relative, participating, optional and other special rights, and qualifications, limitations or restrictions thereof:

1. Dividends.

1.1 Whenever the full dividends upon any outstanding Serial Preferred Shares for all past dividend periods shall have been paid and the full dividends thereon for the then current respective dividend periods shall have been paid, or declared and a sum sufficient for the respective payments thereof set apart, the holders of the Common Shares and Class B Common Shares shall be entitled to receive such dividends and distributions, payable in cash or otherwise, as may be declared thereon by the Board of Directors from time to time out of assets or funds of the Corporation legally available therefor, provided that no cash dividend shall be declared and paid on the Class B Common Shares unless, simultaneously therewith, a cash dividend per share of at least one hundred and ten percent (110% of the amount per share of the dividend on the Class B Common Shares is declared and paid on the Common Shares. Notwithstanding the foregoing, in the event that any dividend shall be declared in Common Shares or Class B Common Shares, such dividend shall be declared at the same rate per share on Common Shares and Class B Common Shares, but the dividend payable on Common Shares shall be payable in Common Shares and the dividend payable on Class B Common Shares shall be payable in Class B Common Shares. If the Corporation shall in any manner split, subdivide or combine the outstanding Common Shares or Class B Common Shares, the outstanding shares of the other such class of shares shall be split, subdivided or combined in the same manner proportionately and on the same basis per share.

2. Issuance of the Class B Common Shares.

2.1 The Board of Directors may authorize by resolution the manner in which Class B Common Shares shall initially be issued (the "Initial Issuance") and may set such terms and conditions (including the determination of the record date for the Initial Issuance and to "Initial Issuance Date" for all purposes hereunder) as it deems appropriate or advisable with respect thereto, without any vote or other action by the shareholders, except as otherwise required by law.

2.2 Following the Initial Issuance, the Board of Directors may only issue Class B Common Shares in the form of a distribution or distributions pursuant to a stock dividend on or split-up of the Class B Common Shares and only to the then holders of the outstanding Class B Common Shares et conjunction with and in the same ratio as a stock dividend on or split-up of the Common Shares.

3. Rights on Liquidation.

In the event of any liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, after the payment or setting apart for payment to the holders of any outstanding Serial Preferred Shares of the full preferential amounts to which such holders are entitled as herein provided or referred to, all of the remaining assets of the Corporation shall belong to and be distributable in equal amounts per share to the holders of the Common Shares and the holders of Class B Common Shares, as if such classes constituted a single class. For purposes of this paragraph 3, a consolidation or merger of the Corporation with any other corporation, or the sale, transfer or lease of all or substantially all its assets shall not constitute or be deemed a liquidation, dissolution or winding up of the Corporation.

4. Conversion of Class B Common Shares.

4.1 The holders of Class B Common Shares shall have the right, at their option, to convert any or all such shares into Common Shares of the Corporation on the following terms and conditions:

(i) Each Class B Common Share shall be convertible, at any time, at the office of any transfer agent for the Common Shares of the Corporation, and at such other place or places, if any, as the Board of Directors may determine, into one fully paid and nonassessable Common Share of the Corporation upon surrender at such office or other place of the certificate or certificates representing the Class B Common Shares so to be converted. In no event, upon conversion of any Class B Common Shares into Common Shares, shall any allowance or adjustment be made in respect of dividends on the Class B Common Shares or the Common Shares.

(ii) Class B Common Shares shall be deemed to have been converted and the person converting the same shall become a holder of Common Shares for the purpose of receiving dividends and for all other purposes whatsoever as of the date when the certificate or certificates for the Class B Common Shares to be converted are surrendered to the Corporation as provided in paragraph 4.1(v).

(iii) A number of Common Shares sufficient to provide, upon the basis hereinbefore set forth, for the conversion of all Class B Common Shares outstanding shall at all times be reserved by the Corporation for the exercise of the conversion rights of the holders of Class B Common Shares.

(iv) If the Corporation shall, at any time, be consolidated or merged with, or shall sell its property as an entirety or substantially as an entirety to, any other corporation or corporations, or in the event of any recapitalization or reclassification of its shares, proper provisions shall be made as a part of the terms of each such consolidation, merger, sale, recapitalization or reclassification so that the holder of any of the Class B Common Shares outstanding immediately prior to such consolidation, merger, sale, recapitalization or reclassification shall thereafter be entitled to and only entitled to conversion rights upon the terms and with respect to such securities of the consolidated, merged or purchasing corporation, or with respect to such securities issued upon such recapitalization or reclassification, as such holder would have been entitled to receive upon such consolidation, merger, sale, recapitalization or reclassification if such holder had exercised the conversion privilege immediately prior thereto. The provisions of this

paragraph 4.1(iv) shall similarly apply to successive consolidations, mergers, sales, recapitalizations or reclassifications.

(v) Before any holder of Class B Common Shares shall be entitled to convert the same into Common Shares, he shall surrender his certificate or certificates for such Class B Common Shares to the Corporation at the office of a transfer agent for the Common Shares, or at such other place or places, if any, as the Board of Directors may determine, duly endorsed or accompanied if appropriate by duly executed instruments of transfer and shall give written notice to the Corporation at said office or place that he elects so to convert the Class B Common Shares represented by \_\_\_\_\_ certificate or certificates so surrendered. Unless the Common Shares are to be issued in the name of the registered owner of the certificates surrendered, the holder shall state in writing the name or names in which he wishes the certificate or certificates for Common Shares to be issued, and shall furnish all requisite stock transfer and stock issuance tax stamps, or funds therefor. The Corporation shall as soon as practicable after such deposit of certificates for Class B Common Shares, accompanied by the written notice above prescribed, issue and deliver, at the office or place at which such certificates were deposited, to the person for whose account Class B Common Shares were so surrendered, or to his assignee or assignees, certificates for the number of full Common Shares to which he shall be entitled as aforesaid.

4.2 All outstanding Class B Common Shares shall automatically, without any act or deed on the part of the Corporation or any other person, be converted into Common Shares on a share-for-share basis (i) if at any time the Board of Directors, in its sole discretion, determines that there has been a material adverse change in the liquidity, marketability or market value of the outstanding Common Shares due to an actual or threatened delisting of the Common Shares from a national securities exchange or a national over-the-counter listing or due to requirements under applicable state securities laws in any such case attributable to the existence of the Class B Common Shares; or (ii) if the Board of Directors, in its sole discretion, elects to effect a conversion in connection with its approval of any sale or lease of all or substantially all of the Corporation's assets or any merger, consolidation, liquidation or dissolution of the Corporation. In the event of any such automatic conversion, each stock certificate theretofore representing Class B Common Shares will thereafter represent the same number of Common Shares.

4.3 The provisions of this paragraph 4 shall be in addition to the provisions of paragraphs 6.1(i) (A) (4), 6.1 (ii) and 6.1 (iv), which require automatic conversion of Class B Common Shares in the circumstances provided therein.

4.4 The Class B Common Shares converted into Common Shares as provided in paragraph 4 or paragraph 6 shall resume the status of authorized but unissued Class B Common Shares. Upon the automatic conversion of Class B Common Shares into Common Shares pursuant to paragraph 4.2, the Class B Common Shares shall no longer be authorized for issuance.

## 5. Voting.

5.1 Each Common Share shall entitle the holder thereof to one vote.

5.2 Each Class B Common Share shall entitle the holder thereof to ten votes. Except as otherwise provided herein or required by law, holders of Common Shares, Class B Common Shares and Serial Preferred Shares shall at all times vote on all matters (including the election of directors) together as one class and together with the holders of any other series or class of shares of the Corporation accorded such class voting right.

5.3 The affirmative vote of the holders of a majority of the outstanding Common Shares and of Class B Common Shares, each voting separately as a class, shall be required to:

(i) authorize additional Class B Common Shares;

(ii) modify or eliminate paragraph 2 above; or

(iii) adopt any other amendment hereof that alters or changes the designations or powers or the preferences, qualifications, limitations, restrictions or the relative or special rights of either the Common Shares or the Class B Common Shares so as to affect holders of shares of such class adversely; provided, that an increase in the number of authorized Common Shares shall not be deemed to affect the holders of Common Shares adversely for purposes of this paragraph 5.3(iii).

## 6. Limitations on Transfer and issuance of Class B Common Shares.

6.1 (i) Subject to the provisions of paragraph 6.5, no person holding any Class B Common Share may transfer, and the Corporation shall not register the transfer of, such Class B Common Share or any interest therein, whether by sale, assignment, gift, bequest, appointment or otherwise, except to a "Permitted Transferee" of such person. The term "Permitted Transferee" shall mean only,

(A) In the case of a holder of Class B Common Shares (a "Holder") who is a natural person and the holder of record and beneficial owner of shares subject to a proposed transfer, "Permitted Transferee" means:

(1) The Holder, the spouse of such Holder, any lineal descendant of a grandparent of such Holder, or any spouse of such lineal descendant (herein collectively referred to as "such Holder's Family Members");

(2) The trustee of a trust solely for the benefit of such Holder or such Holder's Family Members, provided that such trust may also grant a general or special power of appointment to one or more of such Holder's Family Members and may permit trust assets

to be used to pay taxes, legacies and other obligations of the trust or of the estates of one or more of such Holder's Family Members payable by reason of the death of any of such Family Members;

(3) The trustee of a trust which is not solely for the benefit of such Holder or such Holder's Family Members so long as such Holder and/or one or more of such Holder's Permitted Transferees (determined under this paragraph 6.1 (i) (A)) possess the power to vote or direct the vote of the Class B Common Shares held by such trustee:

(4) A corporation if all of the outstanding capital stock of such corporation is beneficially owned by, or a partnership if all of the partners are and all of the partnership interests are beneficially owned by, the Holder and his Permitted Transferees determined under this paragraph 6.1(1)(A). provided that if by reason of any change in the ownership of such stock or partners or partnership interests, such corporation or partnership would no longer qualify as a Permitted Transferee of such Holder or his Permitted Transferees, all Class B Common Shares then held by such corporation or partnership shall immediately and automatically, without further act or deed on the part of the Corporation or any other person, be converted into Common Shares on a share-for-share basis, and stock certificates formerly representing such Class B Common Shares shall thereupon and thereafter be deemed to represent the like number of Common Shares;

(5) An organization established by the Holder or such Holder's Family Members, contributions to which are deductible for federal income, estate or gift tax purposes; or

(6) The executor, administrator or personal representative of the estate of such Holder or the guardian or conservator of such Holder adjudged disabled by a court of competent jurisdiction, acting in his capacity as such.

(B) In the case of a Holder holding the shares subject to a proposed transfer as trustee pursuant to a trust (ether than a trust described in paragraph 6.1(i) (C) below or a trust for an employee benefit or employee stock ownership plan), "Permitted Transferee" means (1) the person who established such trust and (2) any Permitted Transferee of any such person determined pursuant to paragraph 6.1(i) (A) above.

(C) In the case of a Holder holding shares subject to a proposed transfer as trustee pursuant to a trust which was irrevocable on the Initial Issuance Date, "Permitted Transferee" means (1) any person to whom or for whose benefit principal may be distributed either during or at the end of the term of such trust whether by power of appointment or otherwise (excluding beneficiaries of any employee benefit plan) and (2) any Permitted Transferee of any such person determined pursuant to paragraph 6.1(i) (A) above.

(D) In the case of a Holder which is a partnership holding shares subject to a proposed transfer, "Permitted Transferee" means (i) any partner owning more than ten percent (10%) of the equity of such partnership as of the Initial Issuance Date and (ii) any Permitted Transferee of such partner.

(E) In the case of a Holder which is a corporation (other than an organization described in subsection 6.1 (i) (A) (5) above) holding shares subject to a proposed transfer, "Permitted Transferee" means (1) any stockholder owning more than ten percent (10%) of the equity of such corporation as of the Initial Issuance Date, (2) any Permitted Transferee of such stockholder, (3) the survivor of a merger or consolidation of such corporation or (4) any person who transferred to such corporation the Class B Common Shares that are the subject of the proposed transfer.

(F) In the case of a Holder which is an employee benefit or employee stock ownership plan or a trustee therefor, "Permitted Transferee" shall include any beneficiary of such plan (or the Permitted Transferee of such beneficiary) but only as to shares distributable to such beneficiary pursuant to the plan.

(G) In the case of a Holder who is the executor, administrator or personal representative of the estate of a deceased Holder, guardian or conservator of the estate of a disabled Holder or who is a trustee of the estate of a bankrupt or insolvent Holder, "Permitted Transferee" means a Permitted Transferee of such deceased, disabled, bankrupt or insolvent Holder as determined pursuant to this paragraph 6.1(i).

(ii) Notwithstanding anything to the contrary set forth herein, any holder of Class B Common Shares may pledge his Class B Common Shares to a pledgee pursuant to a bona fide pledge of such shares as collateral security for indebtedness due to the pledgee, provided that such shares may not be transferred to or registered in the name of the pledgee unless such pledgee is a Permitted Transferee. In the event of foreclosure or other similar action by the pledgee. such pledged Class B Common Shares shall automatically, without any act or deed on the part of the Corporation or any other person, be converted into Common Shares on a share-for-share basis, unless within five business days after such foreclosure or similar event such pledged shares are returned to the pledger or transferred to a Permitted Transferee of the pledger.

(iii) For purposes of this paragraph 6.1.

(A) The relationship of any person that is derived by or through legal adoption shall be considered a natural one.

(B) Each joint owner of Class B Common Shares shall be considered a Holder of such shares.

(C) A minor for whom Class B Common Shares are held pursuant to a Uniform Gifts to Minors Act or similar law shall be considered a Holder of such shares.

(D) Unless otherwise specified, the term “person” means both natural persons and legal entities.

(E) The giving of a proxy in connection with a solicitation of proxies subject to the provisions of Section 14 of the Securities Exchange Act of 1934 (or any successor provision thereof) and the rules and regulations promulgated thereunder shall not be deemed to constitute the transfer of an interest in the Class B Common Shares which are the subject of such proxy.

(iv) Any purported transfer of Class B Common Shares other than to a Permitted Transferee shall automatically, without any further act or deed on the part of the Corporation or any other person, result in the conversion of such shares into Common Shares on a share-for-share basis, effective on the date of such purported transfer. The Corporation may, as a condition to transfer or registration of transfer of Class B Common Shares to a purported Permitted Transferee, require that the record holder establish to the satisfaction of the Corporation, by filing with the transfer agent an appropriate affidavit or certificate or such other proof as the Corporation shall deem necessary, that such transferee is a Permitted Transferee.

6.2 Anything in this Article IV to the contrary notwithstanding but subject to the provisions of paragraph 6.5, no Class B Common Share may be held of record but not beneficially by a broker or dealer in securities, a bank or voting trustee or a nominee of any such, or otherwise held of record but not beneficially by a nominee of the beneficial owner of such share other than (i) by an employee benefit or employee stock ownership plan or a trustee therefor or (ii) by a trustee of a trust which would be a Permitted Transferee pursuant to paragraph 6.1(i) (A) (2) or 6.1(i) (A) (3) (any such form of prohibited holding being referred to herein as holding in “street” or nominee name); provided, however, that if any person establishes to the satisfaction of the Corporation in accordance with this paragraph 6.2 that he is the beneficial owner of any such Class B Common Shares, the Corporation shall issue such share in the name of such beneficial owner. Any such beneficial owner who desires to have Class B Common Shares issued in his name in the circumstances described in this paragraph 6.2 shall file an affidavit or certificate with the Secretary of the Corporation setting forth the name and address of such beneficial owner and certifying that he is the beneficial owner of the Class B Common Shares in question.

6.3 The Corporation shall note on the certificates representing the Class B Common Shares that there are restrictions on transfer and registration of transfer to the extent imposed by paragraph 6.1.

6.4 (i) For purposes of this paragraph 6, “beneficial ownership” shall mean possession of the power to vote or to direct the vote or to dispose of or to direct the disposition of the Class B Common Share in question, and a beneficial owner” of a Class B Common Share shall be the person having beneficial ownership thereof.

(ii) The Board of Directors may, from time to time, establish practices and procedures and promulgate rules and regulations, in addition to those set forth in this Article IV, and amend or revoke any such, regarding the evidence necessary to establish entitlement of any transferee or purported transferee of Class B Common Shares to be registered as a Permitted Transferee. Should tee transferee or purported transferee of any share wish to contest any decision of the Corporation on the question whether the transferee or purported transferee has established entitlement to be registered as a Permitted Transferee of Class B Common Shares, then the Board of Directors shall in its sole discretion make the final determination.

6.5 The restrictions on transfer set forth in paragraph 6.1 and the remaining provisions of paragraph 6 (other than this paragraph 6.5) shall automatically, without any act or deed on the part of the Corporation or any other person, be cancelled (as to all but not less than all Class B Common Shares then outstanding or thereafter issued) and of no further force and effect if at any time the Board of Directors, in its sole discretion, determines that the restrictions on transfer set forth in paragraph 6.1 have a material adverse effect on the liquidity, marketability or market value of the outstanding Common Shares. Such cancellation shall be effective as of the date of such determination by the Board of Directors or as of such later date as the Board may determine. Written notice of such determination and rescission shall be given to all holders of Class B Common Shares as of such date as shown on the records of the Company or its transfer agent. No such determination by the Board of Directors shall affect the validity of any act or the effect of any provision of this Article IV which occurred prior to the effective date of such cancellation. In the event that a holder of Class B Common Shares transfers such shares after the effective date of such cancellation to a non-Permitted Transferee, such transfer shall presumptively be deemed to be an election by such holder to convert such Class B Common Shares into Common Shares immediately prior to the effectiveness of such transfer unless the transferring holder or his agent shall give written notice to the Company or its transfer agent at the time of delivery of the certificates representing the Class B Common Shares to be transferred that the holder and the transferee of such Class B Common Shares intend to transfer the Class B Common Shares and that no such conversion is intended.

## 7. Other Matters.

7.1 In case the Corporation shall at any time issue to the holders of its Common Shares as such options or rights to subscribe for Common Shares (including shares held in the Corporation’s treasury) or any other security (whether of the Corporation or otherwise), the Corporation shall issue such options or rights to the holders of the Class B Common Shares in the respective amounts equal to the amounts that such holders would have been entitled to receive had their respective Class B Common Shares been converted into Common Shares on the day prior to the date for the determination of the holders of Common Shares entitled to receive such options or rights.

### Subdivision C

#### Cumulative Voting

Notwithstanding the respective voting rights of the holders of the Common Shares, Class B Common Shares and Serial Preferred

Shares, no holder of shares of any class shall have the right to vote cumulatively in the election of Directors.

#### ARTICLE V

The Corporation may purchase, from time to time, and to the extent permitted by the laws of Ohio, shares of any class of stock issued by it. Such purchases may be made either in the open market or at private or public sale, in such manner and amount, from such holder or holders and at such prices as the Board of Directors of the Corporation shall from time to time determine, and the Board of Directors is hereby empowered to authorize such purchases from time to time without any vote of the holders of any class of shares now or hereafter authorized and outstanding at the time of any such purchase.

#### ARTICLE VI

(a) Notwithstanding any provisions of the laws of the State of Ohio now or hereafter in force requiring, for any purpose, the vote of the holders of shares entitling them to exercise two-thirds or any other proportion (but less than all) of the voting power of the Corporation or of any class or classes of shares thereof and subject to the provisions of Article VI (b) hereof, such action (unless otherwise expressly prohibited by statute) may be taken by a vote of the holders of shares entitling them to exercise a majority of the voting power of the Corporation or of such class or classes.

(b) If a shareholder vote is required by law, then except as provided in the last paragraph of this Article VI (b) the affirmative vote of the holders of shares entitling them to exercise at least two-thirds of the voting power of the Corporation, given in person or by proxy at a meeting called for the purpose, shall be necessary:

(i) to approve the lease, sale, exchange, transfer or other disposition by the Corporation of all, or substantially all, of its assets or business to a Related Person (as hereinafter defined), an affiliate of a Related Person or an associated person of a Related Person; or the lease, sale, exchange, transfer or other disposition to the Corporation or a subsidiary of the Corporation of all, or substantially all, of the assets of a Related Person, an affiliate of a Related Person or an associated person of a Related Person; or the consolidation of the Corporation with or its merger into a Related Person, an affiliate of a Related Person or an associated person of a Related Person; or the merger into the Corporation or a subsidiary of the Corporation of a Related Person, an affiliate of a Related Person or an associated person of a Related Person; or a combination or a majority share acquisition in which the Corporation is the acquiring corporation and its voting shares are issued or transferred to a Related Person, an affiliate of a Related Person, shareholders of a Related Person or an associated person,

(ii) to approve any agreement, contract or other arrangement with a Related Person or an affiliate of a Related Person or an associated person of a Related Person providing for any of the transactions described in subparagraph (i) above;

(iii) to adopt any amendment of the Amended and Restated Articles of Incorporation of the Corporation which changes the provisions of this Article VI (b).

For the purpose of this Article VI (b), a "Related Person" in respect of a given transaction shall be any person, partnership, corporation or firm which, together with its affiliates and associated persons, owns of record or beneficially, directly or indirectly, ten percent (10%) or more of the shares of any outstanding class of shares of the Corporation entitled to vote upon such transaction, as of the record date used to determine the shareholders of the Corporation entitled to vote upon such transactions; and "affiliate" of a Related Person shall be any person, individual, joint venture, trust, partnership or corporation which, directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with, the Related Person; and "associated person" of a Related Person shall be any officer or Director or any beneficial owner, directly or indirectly, of ten percent (10%) or more of any class of equity security of such Related Person or any of its affiliates; and the terms "persons," "combinations," "majority share acquisition" and "acquiring corporation" shall have the same meaning as that contained in Section 1701.01 of the Ohio General Corporation Law or any similar provision hereafter Mooted. The determination of the Board of Directors of the Corporation, based on information known to the Board of Directors and made in good faith, shall be conclusive as to whether any person, partnership, corporation or firm is a Related Person or affiliate or associated person as defined in this Article VI (b).

The provisions of this Article VI(b) shall not apply to any proposal submitted to shareholders if (i) such proposal has been approved and recommended by written resolution of the Board of Directors of the Corporation adopted prior to the acquisition of the ten percent (10%) interest in shares of the Corporation, as aforesaid, by the Related Person or its affiliates or associated persons, and (ii) the terms of any inducements made to officers or Directors of the Corporation, if any, which are not made available to an shareholders have been disclosed to all shareholders.

#### ARTICLE VII

The preemptive right to purchase additional shares or any other securities of the Corporation is hereby expressly denied to holders of shares of all classes.

#### ARTICLE VIII

These Amended and Restated Articles of Incorporation shall supersede the existing Articles of Incorporation of the Corporation.



CERTIFICATE OF AMENDMENT

TO THE  
AMENDED AND RESTATED ARTICLES OF INCORPORATION  
OF  
INVACARE CORPORATION

A. MALACHI MIXON III, Chairman, President and Chief Executive Officer, and DALE C. LaPORTE, Secretary, of INVACARE CORPORATION, an Ohio corporation (the "Company"), do hereby certify that at a meeting of the Company's shareholders duly called and held on May 24, 1991, at which meeting a quorum of shareholders was present in person or by proxy, the following resolutions to amend the Amended and Restated Articles of Incorporation of the Company were duly adopted by the affirmative vote of holders of shares entitling them to exercise a majority of the voting power of the Company:

RESOLVED, That Article IV of the Company's Amended and Restated Articles of Incorporation is hereby amended to increase the number of authorized Common Shares, without par value, of the Company from Eighteen Million (18,000,000) to Twenty-Five Million (25,000,000) by deleting in its entirety the current first full, introductory paragraph of Article IV and replacing it with the following:

"The authorized number of shares of capital stock of the Corporation shall be Thirty-Seven Million Three Hundred Thousand (37,300,000), of which Twenty-Five Million (25,000,000) shall be Common Shares, without par value, Twelve Million (12,000,000) shall be Class B Common Shares, without par value, and Three Hundred Thousand (300,000) shall be Serial Preferred Shares, without par value."

RESOLVED FURTHER, That the President and Secretary of the Company be and they are hereby authorized and directed to execute and file in the office of the Secretary of State of Ohio an appropriate Certificate of Amendment, pay any filing fees and take any and all other actions in order to carry out the intent and purposes of the preceding resolution and render effective such amendment to the Amended and Restated Articles of Incorporation.

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IN WITNESS WHEREOF, said A. Malachi Mixon III, Chairman, President and Chief Executive Officer, and Dale C. LaPorte, Secretary, acting for and on behalf of the Corporation, have hereunto subscribed their names this 24th day of May, 1991.

INVACARE CORPORATION

By: /s/ A. Malachi Mixon, III  
A. Malachi Mixon, III, Chairman,  
President and Chief Executive  
Officer

And: /s/ Dale C. LaPorte  
Dale C. LaPorte, Secretary

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CERTIFICATE OF AMENDMENT  
TO THE  
AMENDED AND RESTATED ARTICLES OF INCORPORATION  
INVACARE CORPORATION

A. MALACHI MIXON III, Chairman, President and Chief Executive Officer, and DALE C. LaPORTE, Secretary, of INVACARE CORPORATION, an Ohio corporation (the "Company"), do hereby certify that at a meeting of the Company's shareholders duly called and held on May 27, 1992, at which meeting a quorum of shareholders was present in person or by proxy, the following resolutions to amend the Amended and Restated Articles of Incorporation of the Company were duly adopted by the affirmative vote of holders of shares entitling them to exercise a majority of the voting power of the Company:

RESOLVED, That Article IV of the Company's Amended and Restated Articles of Incorporation is hereby amended to increase the number of authorized Common Shares, without par value, of the Company from Twenty-Five Million (25,000,000) to Fifty Million (50,000,000) by deleting in its entirety the current first full, introductory paragraph of Article IV and replacing it with the following:

"The authorized number of shares of capital stock of the Corporation shall be Sixty-Two Million Three Hundred Thousand (62,300,000), of which Fifty Million (50,000,000) shall be Common Shares, without par value, Twelve Million (12,000,000) shall be Class B Common Shares, without par value, and Three Hundred- Thousand (300,000) shall be Serial Preferred Shares, without par value."

RESOLVED FURTHER, That the President and Secretary of the Company be and they are hereby authorized and directed to execute and file in the office of the Secretary of Ste of Ohio an appropriate Certificate of Amendment, pay any filing fees and take any and all other actions in order to carry out the intent and purposes of the preceding resolution and render effective such amendment to the Amended and Restated Articles of Incorporation.

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IN WITNESS WHEREOF, said A. Malachi Mixon III, Chairman, President and Chief Executive Officer, and Dale C. LaPorte, Secretary, acting for and on behalf of the Corporation, have hereunto subscribed their names this 27th day of May, 1992.

INVACARE CORPORATION

By: /s/ A. Malachi Mixon, III  
A. Malachi Mixon, III, Chairman,  
President and Chief Executive  
Officer

And: /s/ Dale C. LaPorte  
Dale C. LaPorte, Secretary

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CERTIFICATE OF AMENDMENT  
TO THE  
AMENDED AND RESTATED ARTICLES OF INCORPORATION  
OF  
INVACARE CORPORATION

A. MALACHI MIXON III, Chairman, President and Chief Executive Officer, and THOMAS R. MIKLICH, Secretary, of INVACARE CORPORATION, an Ohio corporation (the "Company"), do hereby certify that at a meeting of the Company's shareholders duly called and held on May 22, 1996, at which meeting a quorum of shareholders was present in person or by proxy, the following resolutions to amend the Amended and Restated Articles of Incorporation of the Company were duly adopted in accordance with the Ohio Revised Code by the affirmative vote of holders of shares entitling them to exercise a majority of the voting power of the Company:

RESOLVED, that Article IV of the Company's Amended and Restated Articles of Incorporation is hereby amended to increase the number of authorized Common Shares, without par value, of the Company from Fifty Million (50,000,000) to One Hundred Million (100,000,000) by deleting in its entirety the current first full, introductory paragraph of Article IV and replacing it with the following:

"The authorized number of shares of capital stock of the Corporation shall be One Hundred Twelve Million Three Hundred Thousand (112,300,000), of which One Hundred Million (100,000,000) shall be Common Shares, without par value, Twelve Million (12,000,000) shall be Class B Common Shares, without par value, and Three Hundred Thousand (300,000) shall be Serial Preferred Shares, without par value."

RESOLVED FURTHER, that the President and Secretary of the Company be and they are hereby authorized and directed to execute and file in the office of the Secretary of State of Ohio an appropriate Certificate of Amendment, pay any filing fees and take any and all other actions in order to carry out the intent and purposes of the preceding resolution and render effective such amendment to the Amended and Restated Articles of Incorporation.

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IN WITNESS WHEREOF, said A. Malachi Mixon III, Chairman, President and Chief Executive Officer, and Thomas R. Miklich, Secretary, acting for and on behalf of the Corporation, have hereunto subscribed their names this 10th day of June, 1996.

INVACARE CORPORATION

By: A. Malachi Mixon, III  
A. Malachi Mixon, III, Chairman,  
President and Chief Executive  
Officer

And: /s/ Thomas R. Miklich  
Thomas R. Miklich, Secretary

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CERTIFICATE OF AMENDMENT  
BY DIRECTORS OR INCORPORATORS TO ARTICLES  
OF INVACARE CORPORATION

RESOLVED: That pursuant to the authority granted to and vested in the Board in accordance with the provisions of the Ohio General Corporation Law and by Article IV of the Amended and Restated Articles of Incorporation of the Corporation, as amended, such Article IV is hereby amended to add the following to the end of Subdivision A of Article IV providing that, of the three hundred thousand (300,000) authorized but unissued Serial Preferred Shares, without par value, of the Corporation (the "Serial Preferred Shares"), one hundred twelve thousand (112,000) of the Serial Preferred Shares shall be designated as a series of Serial Preferred Shares, and that the designation and number of such series of shares, and the relative rights, preferences and limitations thereof are as follows:

**Series A Participating Serial Preferred Shares:**

Designation and Amount. The shares of such series shall be designated as "Series A Participating Serial Preferred Shares" (the "Series A Preferred Shares") and the number of shares constituting the Series A Preferred Shares shall be one hundred twelve thousand (112,000). Such number of shares may be increased or decreased by resolution of the Board prior to issuance; provided, that no decrease shall reduce the number of Series A Preferred Shares to a number less than the number of shares then outstanding plus the number of shares reserved for issuance upon the exercise of outstanding options, rights or warrants or upon the conversion of any outstanding securities issued by the Corporation convertible into Series A Preferred Shares.

Dividends and Distributions.

Subject to the rights of the holders of any shares of any series of Serial Preferred Shares (or any similar shares) ranking prior and superior to the Series A Preferred Shares with respect to dividends, the holders of Series A Preferred Shares, in preference to the holders of Common Shares, without par value, of the Corporation and Class B Common Shares, without par value, of the Corporation (collectively, the "Common Shares"), and of any other junior shares, shall be entitled to receive, when, as and if declared by the Board out of funds of the Corporation legally available for the payment of dividends, quarterly dividends payable in cash on the last day of each fiscal quarter of the Corporation in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a Series A Preferred Share or fraction of a Series A Preferred Share, in an amount per share (rounded to the nearest cent) equal to the greater of (a) \$10 or (b) subject to the provision for adjustment hereinafter set forth, 1,000 times the aggregate per share amount of all cash dividends, and 1,000 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions, other than a dividend payable in Common Shares or a subdivision of the outstanding Common Shares (by reclassification or otherwise), declared on the Common Shares, without par value, of the Corporation since the immediately preceding Quarterly Dividend Payment Date or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any Series A Preferred Share or fraction of a Series A Preferred Share. In the event the Corporation shall at any time declare or pay any dividend on the Common Shares payable in Common Shares, or effect a subdivision, combination or consolidation of the outstanding Common Shares (by reclassification or otherwise than by payment of a dividend in Common Shares) into a greater or lesser number of Common Shares, then in each such case the amount to which holders of Series A Preferred Shares were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of Common Shares outstanding immediately after such event and the denominator of which is the number of Common Shares that were outstanding immediately prior to such event. In the event the Corporation shall at any time declare or pay any dividend on the Series A Preferred Shares payable in Series A Preferred Shares, or effect a subdivision, combination or consolidation of the outstanding Series A Preferred Shares (by reclassification or otherwise than by payment of a dividend in Series A Preferred Shares) into a greater or lesser number of Series A Preferred Shares, then in each such case the amount to which holders of Series A Preferred Shares were entitled immediately prior to such event under clause (b) of the first sentence of this Section 2(A) shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of Series A Preferred Shares that were outstanding immediately prior to such event and the denominator of which is the number of Series A Preferred Shares outstanding immediately after such event.

The Corporation shall declare a dividend or distribution on the Series A Preferred Shares as provided in paragraph (A) of this Section immediately after it declares a dividend or distribution on the Common Shares (other than a dividend payable in Common Shares) and the Corporation shall pay such dividend or distribution on the Series A Preferred Shares before the dividend or distribution declared on the Common Shares is paid or set apart; provided that, in the event no dividend or distribution shall have been declared on the Common Shares during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of \$10 per share on the Series A Preferred Shares shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

Dividends shall begin to accrue and be cumulative on outstanding Series A Preferred Shares from the Quarterly Dividend Payment Date next preceding the date of issue of such shares, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of Series A Preferred Shares entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the Series A Preferred Shares in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board may fix a record date for the determination of holders of Series A Preferred Shares entitled to receive payment of a dividend or distribution declared thereon, which record

date shall be not more than 60 days prior to the date fixed for the payment thereof.

Voting Rights. The holders of Series A Preferred Shares shall have the following voting rights:

Each Series A Preferred Share shall entitle the holder thereof to one (1) vote on all matters submitted to a vote of the shareholders of the Corporation. Fractional Series A Preferred Shares shall not entitle the holder thereof to any vote on any matter submitted to a vote of the shareholders of the Corporation.

Except as otherwise provided herein, in the Amended and Restated Articles of Incorporation, as amended, or Code of Regulations, as amended, the holders of Series A Preferred Shares and the holders of Common Shares and any other capital stock of the Corporation having general voting rights shall vote together as one class on all matters submitted to a vote of shareholders of the Corporation.

(i) If at any time dividends on any Series A Preferred Shares shall be in arrears in an amount equal to six quarterly dividends thereon, the holders of the Series A Preferred Shares, voting as a separate series from all other series of Serial Preferred Shares and classes of capital stock, shall be entitled to elect two members of the Board in addition to any Directors elected by any other series, class or classes of securities and the authorized number of Directors will automatically be increased by two. Promptly thereafter, the Board of the Corporation shall, as soon as may be practicable, call a special meeting of holders of Series A Preferred Shares for the purpose of electing such members of the Board. Such special meeting shall in any event be held within 45 days of the occurrence of such arrearage.

During any period when the holders of Series A Preferred Shares, voting as a separate series, shall be entitled and shall have exercised their right to elect two Directors, then, and during such time as such right continues, (a) the then authorized number of Directors shall be increased by two, and the holders of Series A Preferred Shares, voting as a separate series, shall be entitled to elect the additional Directors so provided for, and (b) each such additional Director shall not be a member of any existing class of the Board, but shall serve until the next annual meeting of shareholders for the election of Directors, or until his successor shall be elected and shall qualify, or until his right to hold such office terminates pursuant to the provisions of this Section 3(C).

A Director elected pursuant to the terms hereof may be removed with or without cause by the holders, and only by the holders, of Series A Preferred Shares entitled to vote in an election of such Director.

If, during any interval between annual meetings of shareholders for the election of Directors and while the holders of Series A Preferred Shares shall be entitled to elect two Directors, there is no such Director in office by reason of resignation, death or removal, then, promptly thereafter, the Board shall call a special meeting of the holders of Series A Preferred Shares for the purpose of filling such vacancy and such vacancy shall be filled at such special meeting. Such special meeting shall in any event be held within 45 days of the occurrence of such vacancy.

At such time as the arrearage is fully cured, and all dividends accumulated and unpaid on any Series A Preferred Shares outstanding are paid, and, in addition thereto, at least one regular dividend has been paid subsequent to curing such arrearage, the term of office of any Director elected pursuant to this Section 3(C), or his successor, shall automatically terminate, and the authorized number of Directors shall automatically decrease by two, the rights of the holders of Series A Preferred Shares to vote as provided in this Section 3(C) shall cease, subject to renewal from time to time upon the same terms and conditions, and the holders of Series A Preferred Shares shall have only the limited voting rights elsewhere herein set forth.

Except as set forth herein, or as otherwise provided by law, holders of Series A Preferred Shares shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Shares as set forth herein) for taking any corporate action.

Certain Restrictions.

Whenever quarterly dividends or other dividends or distributions payable on the Series A Preferred Shares as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on Series A Preferred Shares outstanding shall have been paid in full, the Corporation shall not:

declare or pay dividends, or make any other distributions, on any shares ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Shares;

declare or pay dividends, or make any other distributions, on any shares ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Shares, except dividends paid ratably on the Series A Preferred Shares and all such parity shares on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

redeem or purchase or otherwise acquire for consideration any shares ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Shares, provided that the Corporation may at any time redeem, purchase or otherwise acquire any such junior shares in exchange for any shares of the Corporation ranking junior (as to dividends and upon dissolution, liquidation or winding up) to the Series A Preferred Shares; or

redeem or purchase or otherwise acquire for consideration any Series A Preferred Shares, or any shares ranking on a parity

with the Series A Preferred Shares, except in accordance with a purchase offer made in writing or by publication (as determined by the Board) to all holders of such shares upon such terms as the Board, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of the Corporation unless the Corporation could, under paragraph (A) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

Reacquired Shares. Any Series A Preferred Shares purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued Serial Preferred Shares and may be reissued as part of a new series of Serial Preferred Shares subject to the conditions and restrictions on issuance set forth herein, in the Amended and Restated Articles of Incorporation, as amended, or in any other Certificate of Amendment creating a series of Serial Preferred Shares or any similar shares or as otherwise required by law.

Liquidation, Dissolution or Winding Up.

Upon any liquidation, dissolution or winding up of the Corporation, no distribution shall be made (1) to the holders of shares ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Shares unless, prior thereto, the holders of Series A Preferred Shares shall have received \$1,000 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment, provided that the holders of Series A Preferred Shares shall be entitled to receive an aggregate amount per share, subject to the provision for adjustment hereinafter set forth, equal to 1,000 times the aggregate amount to be distributed per share to holders of Common Shares, or (2) to the holders of shares ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Shares, except distributions made ratably on the Series A Preferred Shares and all such parity shares in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or winding up.

Neither the consolidation, merger or other business combination of the Corporation with or into any other corporation nor the sale, lease, exchange or conveyance of all or any part of the property, assets or business of the Corporation shall be deemed to be a liquidation, dissolution or winding up of the Corporation for purposes of this Section 6.

In the event the Corporation shall at any time declare or pay any dividend on the Common Shares payable in Common Shares, or effect a subdivision, combination or consolidation of the outstanding Common Shares (by reclassification or otherwise than by payment of a dividend in Common Shares) into a greater or lesser number of Common Shares, then in each such case the aggregate amount to which holders of Series A Preferred Shares were entitled immediately prior to such event under the proviso in clause (1) of paragraph (A) of this Section 6 shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of Common Shares outstanding immediately after such event and the denominator of which is the number of Common Shares that were outstanding immediately prior to such event. In the event the Corporation shall at any time declare or pay any dividend on the Series A Preferred Shares payable in Series A Preferred Shares, or effect a subdivision, combination or consolidation of the outstanding shares of Series A Preferred Shares (by reclassification or otherwise than by payment of a dividend in Series A Preferred Shares) into a greater or lesser number of Series A Preferred Shares, then in each such case the aggregate amount to which holders of Series A Preferred Shares were entitled immediately prior to such event under the proviso in clause (1) of paragraph (A) of this Section 6 shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of Series A Preferred Shares that were outstanding immediately prior to such event and the denominator of which is the number of Series A Preferred Shares outstanding immediately after such event.

Consolidation, Merger, etc. Notwithstanding anything to the contrary contained herein, in case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the Common Shares are exchanged for or changed into other shares or securities, cash and/or any other property, then in any such case each Series A Preferred Share shall at the same time be similarly exchanged or changed into an amount per share, subject to the provision for adjustment hereinafter set forth, equal to 1,000 times the aggregate amount of shares, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each Common Share is changed or exchanged. In the event the Corporation shall at any time declare or pay any dividend on the Common Shares payable in Common Shares, or effect a subdivision, combination or consolidation of the outstanding Common Shares (by reclassification or otherwise than by payment of a dividend in Common Shares) into a greater or lesser number of Common Shares, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of Series A Preferred Shares shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of Common Shares outstanding immediately after such event and the denominator of which is the number of Common Shares that were outstanding immediately prior to such event. In the event the Corporation shall at any time declare or pay any dividend on the Series A Preferred Shares payable in Series A Preferred Shares, or effect a subdivision, combination or consolidation of the outstanding Series A Preferred Shares (by reclassification or otherwise than by payment of a dividend in Series A Preferred Shares) into a greater or lesser number of Series A Preferred Shares, then in each such case the amount set forth in the first sentence of this Section 7 with respect to the exchange or change of Series A Preferred Shares shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of Series A Preferred Shares that were outstanding immediately prior to such event and the denominator of which is the number of Series A Preferred Shares outstanding immediately after such event.

No Redemption. The Series A Preferred Shares shall not be redeemable.

Rank. The Series A Preferred Shares shall rank, with respect to the payment of dividends and the distribution of assets, junior to all series of any other class of the Serial Preferred Shares issued either before or after the issuance of the Series A Preferred Shares, unless the terms of any such series shall provide otherwise.

Amendment. At such time as any Series A Preferred Shares are outstanding, the Amended and Restated Articles of Incorporation of the Corporation, as amended, shall not be amended in any manner which would materially alter or change the powers, preferences or special rights of the Series A Preferred Shares so as to affect them adversely without the affirmative vote of the holders of at least two-thirds of the outstanding Series A Preferred Shares, voting together as a single class.

Fractional Shares. Series A Preferred Shares may be issued in fractions of a share which shall entitle the holder, in proportion to such holder's fractional shares, to exercise voting rights, receive dividends, participate in distributions and have the benefit of all other rights of holders of Series A Preferred Shares.

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**CERTIFICATE OF AMENDMENT  
BY SHAREHOLDERS OR MEMBERS  
OF INVACARE CORPORATION**

RESOLVED, that the Corporation's Amended and Restated Articles of Incorporation be and hereby is amended as follows:

1. Paragraph 4.1(i) of Article IV, Subdivision B of the Corporation's Amended and Restated Articles of Incorporation is hereby amended to read in its entirety as follows:

“(i) Each Class B Common Share shall be convertible, at any time, at the office of any transfer agent for the Common Shares of the Corporation, and at such other place or places, if any, as the Board of Directors may determine, into one fully paid and nonassessable Common Share of the Corporation upon surrender at such office or other place of the certificate or certificates representing any certificated Class B Common Shares so to be converted or, in the case of non-certificated shares, upon written request in form and substance acceptable to the Corporation or any transfer agent for the shares, accompanied by such assurances as the Corporation or such transfer agent may require. In no event, upon conversion of any Class B Common Shares into Common Shares, shall any allowance or adjustment be made in respect of dividends on the Class B Common Shares or the Common Shares.”

2. Paragraph 4.1(ii) of Article IV, Subdivision B of the Corporation's Amended and Restated Articles of Incorporation is hereby amended to read in its entirety as follows:

“(ii) Class B Common Shares shall be deemed to have been converted and the person converting the same shall become a holder of Common Shares for the purpose of receiving dividends and for all other purposes whatsoever as of the date when the Class B Common Shares to be converted are surrendered to the Corporation as provided in paragraph 4.1(v).”

3. Paragraph 4.1(v) of Article IV, Subdivision B of the Corporation's Amended and Restated Articles of Incorporation is hereby amended to read in its entirety as follows:

“(v) Before any holder of Class B Common Shares shall be entitled to convert the same into Common Shares, he shall give written notice to the Corporation at the office of a transfer agent for the Common Shares, or at such other place or places, if any, as the Board of Directors may determine, that he elects so to convert Class B Common Shares in form and substance acceptable to the Corporation or such transfer agent, accompanied by a duly endorsed stock power and/or such other assurances as the Corporation or such transfer agent may require, including, if appropriate, endorsed certificate(s) (for certificated shares) and duly executed instruments of transfer. Unless the Common Shares are to be issued in the name of the registered owner of the Class B Common Shares so converted, the holder shall state in writing the name or names in which he wishes the Common Shares to be issued, and shall furnish all requisite stock transfer and stock issuance tax stamps, or funds therefor. The Corporation shall as soon as practicable after such deposit of Class B Common Shares, accompanied by the written notice above prescribed, issue and deliver, at the office or place at which such Class B Common Shares were deposited, to the person for whose account Class B Common Shares were so surrendered, or to his assignee or assignees, the number of full Common Shares to which he shall be entitled as aforesaid.”

4. The last sentence of Paragraph 4.2 of Article IV, Subdivision B of the Corporation's Amended and Restated Articles of Incorporation is hereby amended to read in its entirety as follows:

“In the event of any such automatic conversion, each certificated and non-certificated Class B Common Share will thereafter represent a Common Share.”

5. Paragraph 6.1(i)(A)(4) of Article IV, Subdivision B of the Corporation's Amended and Restated Articles of Incorporation is hereby amended to read in its entirety as follows:

“(4) A corporation if all of the outstanding capital stock of such corporation is beneficially owned by, or a partnership if all of the partners are and all of the partnership interests are beneficially owned by, the Holder and his Permitted Transferees determined under this paragraph 6.1(1)(A) provided that if by reason of any change in the ownership of such stock or partners or partnership interests, such corporation or partnership would no longer qualify as a Permitted Transferee of such Holder or his Permitted Transferees, all Class B Common Shares then held by such corporation or partnership shall immediately and automatically, without further act or deed on the part of the Corporation or any other person, be converted into Common Shares on a share-for-share basis, and certificated and non-certificated Class B Common Shares shall thereupon and thereafter be deemed to represent the like number of Common Shares;”

6. Paragraph 6.3 of Article IV, Subdivision B of the Corporation's Amended and Restated Articles of Incorporation is hereby amended to read in its entirety as follows:

“6.3 The Corporation shall note on certificates representing the Class B Common Shares and on written notices relating to

non-certificated Class B Common Shares that there are restrictions on transfer and registration of transfer to the extent imposed by paragraph 6.1.”

7. The last sentence of Paragraph 6.5 of Article IV, Subdivision B of the Corporation’s Amended and Restated Articles of Incorporation is hereby amended to read in its entirety as follows:

“In the event that a holder of Class B Common Shares transfers such shares after the effective date of such cancellation to a non-Permitted Transferee, such transfer shall presumptively be deemed to be an election by such holder to convert such Class B Common Shares into Common Shares immediately prior to the effectiveness of such transfer unless the transferring holder or his agent shall give written notice to the Company or its transfer agent at the time of delivery of the Class B Common Shares to be transferred that the holder and the transferee of such Class B Common Shares intend to transfer the Class B Common Shares and that no such conversion is intended.”

8. The following is hereby inserted as a new Paragraph (c) at the end of Article VI of the Corporation’s Amended and Restated Articles of Incorporation:

“(c) Subject to and in a manner not inconsistent with applicable law, the Board of Directors may provide by resolution that some or all of any or all classes and series of shares of capital stock of the Corporation shall be non-certificated shares, provided that the resolution shall not apply to shares represented by a certificate until the certificate is surrendered to the Corporation and the resolution shall not apply to certificated shares issued in exchange for non-certificated shares. Except as expressly provided by law, the rights and obligations of the holders of non-certificated shares and the rights and obligations of the holders of certificates representing shares of the same class and series shall be identical. Notwithstanding the foregoing, a shareholder of record shall have the right, so long as it may be required by applicable law, to receive one or more certificates representing some or all of the shares held of record by such shareholder by making a written request therefor to the Corporation or any transfer agent for the applicable class of shares, accompanied by such assurances as the Corporation or such transfer agent may require; provided, however, that shareholders holding shares of the Corporation under one or more of the Corporation’s benefit plans for officers, directors and/or employees shall have no such right to have certificates representing shares issued unless such a right is provided for under the applicable benefit plan, required by applicable law or otherwise ordered by the Board of Directors or a committee thereof.”

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**CERTIFICATE OF AMENDMENT  
BY SHAREHOLDERS OR MEMBERS  
OF INVACARE CORPORATION**

RESOLVED, that the Corporation's Amended and Restated Articles of Incorporation, as amended, be and hereby are amended as follows:

Article VI of the Amended and Restated Articles of Incorporation of the Company, as amended, is hereby amended to read in its entirety as follows:

“Notwithstanding any provisions of the laws of the State of Ohio now or hereafter in force requiring, for any purpose, the vote of the holders of shares entitling them to exercise two-thirds or any other proportion (but less than all) of the voting power of the Corporation or of any class or classes of shares thereof, such action (unless otherwise expressly prohibited by statute) may be taken by a vote of the holders of shares entitling them to exercise a majority of the voting power of the Corporation or of such class or classes.”

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## CERTIFICATIONS

I, A. Malachi Mixon, III, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Invacare Corporation;
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 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 (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer 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.

**Invacare Corporation**

Date: August 8, 2008

By: /s/ A. Malachi Mixon, III  
Name: A. Malachi Mixon, III  
Title: Chief Executive Officer  
(Principal Executive Officer)

## CERTIFICATIONS

I, Robert K. Gudbranson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Invacare Corporation;
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 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 (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer 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.

**Invacare Corporation**

Date: August 8, 2008

By: /s/ Robert K. Gudbranson

Name: Robert K. Gudbranson

Title: Chief Financial Officer

(Principal Financial and Accounting Officer)



Certification  
Pursuant to Section 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 Invacare Corporation (the "company") on Form 10-Q for the period ending June 30, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert K. Gudbranson, 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:

- (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.

**Invacare Corporation**

Date: August 8, 2008

By: /s/ Robert K. Gudbranson

Name: Robert K. Gudbranson

Title: Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Invacare Corporation and will be retained by Invacare Corporation and furnished to the Securities and Exchange Commission or its staff upon request.