

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, 2009

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)

\_\_\_\_\_  
(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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files) Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, 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 4, 2009, the registrant had 31,019,577 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 (unaudited)

	<u>June 30, 2009</u>	<u>December 31, 2008</u>
(In thousands)		
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 49,709	\$ 47,516
Marketable securities	144	72
Trade receivables, net	265,321	266,483
Installment receivables, net	3,841	4,267
Inventories, net	180,135	178,737
Deferred income taxes	1,873	2,051
Other current assets	45,617	51,932
<b>TOTAL CURRENT ASSETS</b>	<u>546,640</u>	<u>551,058</u>
<b>OTHER ASSETS</b>	58,485	60,451
<b>OTHER INTANGIBLES</b>	87,327	84,766
<b>PROPERTY AND EQUIPMENT, NET</b>	141,193	143,512
<b>GOODWILL</b>	523,727	474,686
<b>TOTAL ASSETS</b>	<u>\$ 1,357,372</u>	<u>\$ 1,314,473</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 123,356	\$ 119,633
Accrued expenses	126,876	143,612
Accrued income taxes	604	3,054
Short-term debt and current maturities of long-term obligations	17,300	18,699
<b>TOTAL CURRENT LIABILITIES</b>	<u>268,136</u>	<u>284,998</u>
<b>LONG-TERM DEBT</b>	376,993	407,707
<b>OTHER LONG-TERM OBLIGATIONS</b>	94,201	88,826
<b>SHAREHOLDERS' EQUITY</b>		
Preferred shares	-	-
Common shares	8,120	8,119
Class B common shares	278	278
Additional paid-in-capital	217,060	215,279
Retained earnings	315,956	306,698
Accumulated other comprehensive earnings	124,914	50,789
Treasury shares	(48,286)	(48,221)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<u>618,042</u>	<u>532,942</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u>\$ 1,357,372</u>	<u>\$ 1,314,473</u>

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,	
	2009	2008	2009	2008
Net sales	\$ 412,541	\$ 447,152	\$ 810,536	\$ 863,430
Cost of products sold	294,486	322,979	584,013	626,049
Gross profit	118,055	124,173	226,523	237,381
Selling, general and administrative expense	97,939	104,520	192,072	202,215
Charge related to restructuring activities	1,124	859	1,900	1,370
Interest expense	8,783	10,589	18,336	21,490
Interest income	(352)	(892)	(793)	(1,590)
Earnings before income taxes	10,561	9,097	15,008	13,896
Income taxes	2,900	3,750	4,950	6,340
NET EARNINGS	\$ 7,661	\$ 5,347	\$ 10,058	\$ 7,556
DIVIDENDS DECLARED PER COMMON SHARE	.0125	.0125	.0250	.0250
Net earnings per share – basic	\$ 0.24	\$ 0.17	\$ 0.31	\$ 0.24
Weighted average shares outstanding - basic	31,935	31,905	31,933	31,890
Net earnings per share – assuming dilution	\$ 0.24	\$ 0.17	\$ 0.31	\$ 0.24
Weighted average shares outstanding - assuming dilution	31,939	31,916	31,936	31,946

See notes to condensed consolidated financial statements.

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

	Six Months Ended June 30,	
	2009	2008
OPERATING ACTIVITIES	(In thousands)	
Net earnings	\$ 10,058	\$ 7,556
Adjustments to reconcile net earnings to net cash provided (used) by operating activities:		
Amortization of convertible debt discount	2,012	1,794
Depreciation and amortization	19,825	22,552
Provision for losses on trade and installment receivables	8,397	6,622
Provision for other deferred liabilities	1,378	1,584
Provision (benefit) for deferred income taxes	259	(787)
Provision for stock-based compensation	1,782	1,279
Loss on disposals of property and equipment	99	227
Changes in operating assets and liabilities:		
Trade receivables	4,648	(30,847)
Installment sales contracts, net	(1,362)	(2,390)
Inventories	6,588	(14,065)
Other current assets	10,501	(1,311)
Accounts payable	(839)	11,502
Accrued expenses	(24,984)	(4,680)
Other deferred liabilities	750	(2,004)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	39,112	(2,968)
INVESTING ACTIVITIES		
Purchases of property and equipment	(7,186)	(11,636)
Proceeds from sale of property and equipment	1,049	36
Other long term assets	(1,147)	4,550
Business acquisitions, net of cash acquired	-	(2,152)
Other	(145)	1,509
NET CASH USED FOR INVESTING ACTIVITIES	(7,429)	(7,693)
FINANCING ACTIVITIES		
Proceeds from revolving lines of credit and long-term borrowings	191,811	177,617
Payments on revolving lines of credit and long-term and capital lease obligations	(223,815)	(190,536)
Proceeds from exercise of stock options	-	821
Payment of dividends	(800)	(799)
NET CASH USED BY FINANCING ACTIVITIES	(32,804)	(12,897)
Effect of exchange rate changes on cash	3,314	1,319
Increase (decrease) in cash and cash equivalents	2,193	(22,239)
Cash and cash equivalents at beginning of period	47,516	62,200
Cash and cash equivalents at end of period	\$ 49,709	\$ 39,961

See notes to condensed consolidated financial statements.

## INVACARE CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated

Financial Statements

(Unaudited)

June 30, 2009

**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 and its wholly owned subsidiaries and includes all adjustments, which were of a normal recurring nature, necessary to present fairly the financial position of the company as of June 30, 2009, the results of its operations for the three and six months ended June 30, 2009 and 2008, respectively, and changes in its cash flows for the six months ended June 30, 2009 and 2008, 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 three and six months ended June 30, 2009 are not necessarily indicative of the results to be expected for the full year. All significant intercompany transactions are eliminated.

**Adoption of new Accounting Standard** - In May 2009, the FASB issued SFAS 165, *Subsequent Events* (SFAS 165). SFAS 165 provides authoritative guidance regarding subsequent events as this guidance was previously only addressed in auditing literature. The company adopted SFAS 165 effective June 30, 2009 and the adoption had no material impact on the company's financial position, results of operations or cash flows. The company has evaluated subsequent events through, August 6, 2009, the date of filing of this report with the Securities and Exchange Commission.

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 that was being applied for convertible debt prior to FSP APB 14-1 did not fully reflect the true economic impact on the issuer since the conversion option was not captured as a borrowing cost and its full dilutive effect was not included in earnings per share. FSP APB 14-1 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. Accordingly, the company had to bifurcate a component of its convertible debt as a component of stockholders' equity (\$59,012,000 as of the retrospective adoption date of February 12, 2007) and will accrete the resulting debt discount as interest expense. The company adopted FSP APB 14-1 effective January 1, 2009 and, as a result, reported interest expense increased and net earnings decreased by \$1,020,000 (\$0.03 per share) and \$910,000 (\$0.03 per share) for the quarters ended June 30, 2009 and 2008, respectively; by \$2,012,000 (\$0.06 per share) and \$1,794,000 (\$0.06 per share) for the six month periods ended June 30, 2009 and 2008, respectively and by \$3,695,000 (\$0.12 per share) and \$2,904,000 (\$0.09 per share) for the years 2008 and 2007, respectively. FSP APB 14-1 required retrospective application upon adoption and accordingly, amounts for 2008 and 2007 are being and will continue to be restated in the 2009 financial statements.

**Reclassifications** - Certain segment reclassifications have been made to the prior years' consolidated financial statements to conform to the presentation used for the three and six month periods ended June 30, 2009 as management changed how it views segment earnings.

**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 (ISG), Institutional Products Group (IPG), Europe and Asia/Pacific. The NA/HME segment sells each of three primary product lines, which includes: standard, rehab and respiratory products. Invacare Supply Group sells distributed product and the Institutional Products Group sells health care furnishings and accessory products. Europe and Asia/Pacific sell all of the same product lines with the exception of distributed products. Each business segment sells to the home health care, retail and extended care markets.

Invacare distributes numerous lines of branded medical supplies including ostomy, incontinence, diabetic, interals, wound care and urology products as wells as home medical equipment, including aids for daily living. ISG also sells through the retail market.

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Invacare, operating as IPG, 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 company's Asia/Pacific operations consist 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, which manufactures electronic operating components used in power wheelchairs, scooters and other products; Invacare New Zealand, which distributes a wide range of home medical equipment; and Invacare Asia, which imports and distributes home medical equipment to the Asian markets.

The company's European operations operate as a "common market" company with sales throughout Europe. The European operations currently sell a line of products providing room for growth as Invacare continues to broaden its product line offerings to more closely resemble those of its North American operations. 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.

Earnings (loss) before income tax amounts for 2008 have been restated to reflect the amortization of the convertible debt discount recorded as a result of the company's adoption of FSP APB 14-1. As a result of the restatement, earnings before income taxes decreased by \$1,020,000 and \$2,012,000 for NA/HME and the consolidated company for the three and six months ended June 30, 2009, respectively, and decreased by \$910,000 and \$1,794,000 for NA/HME and the consolidated company for the three and six months ended June 30, 2008, respectively. In addition, effective January 1, 2009, segment earnings before income taxes have been changed to reflect how management currently views earnings before income taxes for the segments. Specifically, Asia/Pacific earnings before income taxes now includes profit on intercompany sales with an offsetting adjustment to All Other and NA/HME now includes a greater allocation of interest expense with an offsetting reduction for Europe. The prior year has been reclassified to conform to the current year presentation. The information by segment is as follows (in thousands):

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2009	2008	2009	2008
<b>Revenues from external customers</b>				
North America / HME	\$ 188,076	\$ 187,163	\$ 374,779	\$ 362,944
Invacare Supply Group	68,550	64,523	133,863	129,779
Institutional Products Group	21,233	23,177	44,007	48,474
Europe	117,218	145,977	225,605	271,980
Asia/Pacific	17,464	26,312	32,282	50,253
Consolidated	<u>\$ 412,541</u>	<u>\$ 447,152</u>	<u>\$ 810,536</u>	<u>\$ 863,430</u>
<b>Intersegment Revenues</b>				
North America / HME	\$ 14,454	\$ 15,310	\$ 28,684	\$ 28,387
Invacare Supply Group	107	159	198	235
Institutional Products Group	279	728	1,150	1,383
Europe	1,928	4,183	3,851	7,139
Asia/Pacific	7,058	7,679	15,393	15,870
Consolidated	<u>\$ 23,826</u>	<u>\$ 28,059</u>	<u>\$ 49,276</u>	<u>\$ 53,014</u>
<b>Charge related to restructuring before income taxes</b>				
North America / HME	\$ 117	\$ 29	\$ 335	\$ 255
Invacare Supply Group	-	-	-	-
Institutional Products Group	-	115	171	115
Europe	338	557	624	783
Asia/Pacific	669	218	770	288
Consolidated	<u>\$ 1,124</u>	<u>\$ 919</u>	<u>\$ 1,900</u>	<u>\$ 1,441</u>
<b>Earnings (loss) before income taxes</b>				
North America / HME	\$ 10,588	\$ 4,978	\$ 15,307	\$ 7,185
Invacare Supply Group	1,011	204	1,875	793
Institutional Products Group	610	371	3,092	1,369
Europe	7,421	11,431	11,021	17,608
Asia/Pacific	(612)	2,625	(337)	4,223
All Other *	(8,457)	(10,512)	(15,950)	(17,282)
Consolidated	<u>\$ 10,561</u>	<u>\$ 9,097</u>	<u>\$ 15,008</u>	<u>\$ 13,896</u>

"All Other" consists of un-allocated corporate selling, general and administrative costs, which do not meet the quantitative criteria for determining reportable segments.

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2009	2008	2009	2008
(In thousands, except per share data)				
<b>Basic</b>				
Average common shares outstanding	31,935	31,905	31,933	31,890
Net earnings	\$ 7,661	\$ 5,347	\$ 10,058	\$ 7,556
Net earnings per common share	\$ 0.24	\$ 0.17	\$ 0.31	\$ 0.24
<b>Diluted</b>				
Average common shares outstanding	31,935	31,905	31,933	31,890
Stock options and awards	4	11	3	56
Average common shares assuming dilution	31,939	31,916	31,936	31,946
Net earnings	\$ 7,661	\$ 5,347	\$ 10,058	\$ 7,556
Net earnings per common share	\$ 0.24	\$ 0.17	\$ 0.31	\$ 0.24

At June 30, 2009, 4,478,099 and 4,495,782 shares were excluded from the average common shares assuming dilution for the three and six months ended June 30, 2009, respectively, as they were anti-dilutive. 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. For the three and six months ended June 30, 2009, 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 \$16.56 for both periods, respectively. 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.

**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 North America customers. The DLL agreement provides for direct leasing between DLL and the Invacare customer. The company retains a recourse obligation of \$31,789,000 at June 30, 2009 to DLL for events of default under the contracts, which total \$89,108,000 at June 30, 2009. 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 \$814,000 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, 2008 to June 30, 2009 was entirely the result of foreign currency translation.

All of the company's other intangible assets have definite lives and are amortized over their useful lives, except for \$33,321,000 related to trademarks, which have indefinite lives.

As of June 30, 2009 and December 31, 2008, other intangibles consisted of the following (in thousands):

	June 30, 2009		December 31, 2008	
	Historical Cost	Accumulated Amortization	Historical Cost	Accumulated Amortization
Customer lists	\$ 76,086	\$ 31,832	\$ 72,155	\$ 28,526
Trademarks	33,321	—	30,934	—
License agreements	5,517	4,895	5,494	4,688
Developed technology	7,149	2,180	6,698	1,942
Patents	6,788	5,011	6,761	4,790
Other	8,874	6,490	8,890	6,220
	<u>\$ 137,735</u>	<u>\$ 50,408</u>	<u>\$ 130,932</u>	<u>\$ 46,166</u>

Amortization expense related to other intangibles was \$4,242,000 in the first six months of 2009 and is estimated to be \$8,367,000 in 2010, \$7,947,000 in 2011, \$7,294,000 in 2012, \$6,470,000 in 2013 and \$6,119,000 in 2014.

**Accounting for Stock-Based Compensation** - The company accounts for share based compensation under the provisions of Statement of Financial Accounting Standard No. 123 (Revised 2004), *Share Based Payment* ("SFAS 123R"). The company has not made any modifications to the terms of any previously granted options and no changes have been made regarding the valuation methodologies or assumptions used to determine the fair value of options granted since 2005 and the company continues to use a Black-Scholes valuation model. The amounts of stock-based compensation expense recognized were as follows (in thousands):

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2009	2008	2009	2008
Stock-based compensation expense recognized as part of selling, general and administrative expense	\$ 885	\$ 614	\$ 1,782	\$ 1,279

The 2009 and 2008 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, as amended (the "2003 Plan"), allows the Compensation and Management Development Committee of the Board of Directors (the "Committee") to grant up to 6,800,000 Common Shares in connection with incentive stock options, non-qualified stock options, stock appreciation rights and stock awards (including the use of restricted stock), which includes the addition of 3,000,000 Common Shares approved by the Company's shareholders on May 21, 2009. 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 six months of 2009, the Committee granted 31,358 non-qualified stock options with a term of ten years at the fair 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 \$849,000 was recognized related to restricted stock awards in the first six months of 2009 and as of June 30, 2009, outstanding restricted stock awards totaling 190,986 were not yet vested. Restricted stock awards totaling 5,500 were granted in the first half of 2009.

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Stock option activity during the six months ended June 30, 2009 was as follows:

	2009	Weighted Average Exercise Price
Options outstanding at January 1	4,910,547	\$ 29.38
Granted	31,358	17.59
Exercised	-	-
Canceled	(376,293)	24.54
Options outstanding at June 30	<u>4,565,612</u>	<u>\$ 29.66</u>
Options price range at June 30	\$ 10.70 to	
	\$ 47.80	
Options exercisable at June 30	3,364,278	
Options available for grant at June 30*	3,824,067	

\* Options available for grant as of June 30, 2009 are reduced by net restricted stock award activity of 289,238 shares.

The following table summarizes information about stock options outstanding at June 30, 2009:

Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding At 6/30/09	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable At 6/30/09	Weighted Average Exercise Price
\$ 10.70 - \$16.03	32,822	2.3 years	\$ 12.23	8,680	\$ 16.03
\$ 16.26 - \$23.71	1,665,118	4.3	\$ 21.85	1,104,348	\$ 21.50
\$ 24.43 - \$36.40	1,645,184	5.0	\$ 29.04	1,028,762	\$ 30.93
\$ 37.70 - \$47.80	1,222,488	5.2	\$ 41.61	1,222,488	\$ 41.61
Total	<u>4,565,612</u>	4.8	\$ 29.66	<u>3,364,278</u>	\$ 31.68

When stock options are awarded, they generally 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 assumptions for expected dividend yield, expected stock price volatility, risk-free interest rate and expected life. 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 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 withholding taxes, which results in the company acquiring treasury shares.

As of June 30, 2009, there was \$10,598,000 of total unrecognized compensation cost from stock-based compensation arrangements granted under the company's plans, which is related to non-vested options and shares, and includes \$3,663,000 related to restricted stock awards. The company expects the compensation expense to be recognized over approximately four years.

**Warranty Costs** - Generally, the company's products are covered by warranties against defects in material and workmanship for various periods depending on the product 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 2009.

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

Balance as of January 1, 2009	\$	16,798
Warranties provided during the period		6,503
Settlements made during the period		(4,781)
Changes in liability for pre-existing warranties during the period, including expirations		1,110
Balance as of June 30, 2009	<u>\$</u>	<u>19,630</u>

**Charges Related to Restructuring Activities** – In 2005, 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 and general expense reductions. 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 \$1,900,000 and \$1,441,000 incurred in the first six months of 2009 and 2008, respectively, of which \$0 and \$71,000, 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, 2009 during 2009.

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

	<u>Severance</u>	<u>Product Line Discontinuance</u>	<u>Contract Terminations</u>	<u>Other</u>	<u>Total</u>
<b>January 1, 2006 Balance</b>					
NA/HME	\$ 2,130	\$ —	\$ —	\$ —	\$ 2,130
ISG	112	—	165	—	277
Europe	799	—	—	—	799
Asia/Pacific	63	—	—	—	63
Total	<u>\$ 3,104</u>	<u>\$ —</u>	<u>\$ 165</u>	<u>\$ —</u>	<u>\$ 3,269</u>
<b>Accruals</b>					
NA/HME	5,549	2,719	1,346	—	9,614
ISG	457	552	—	—	1,009
IPG	38	—	—	—	38
Europe	5,208	455	—	2,995	8,658
Asia/Pacific	621	557	745	8	1,931
Total	<u>\$ 11,873</u>	<u>\$ 4,283</u>	<u>\$ 2,091</u>	<u>\$ 3,003</u>	<u>\$ 21,250</u>
<b>Payments</b>					
NA/HME	(6,320)	(682)	(789)	—	(7,791)
ISG	(403)	(552)	(165)	—	(1,120)
IPG	(38)	—	—	—	(38)
Europe	(2,273)	(455)	—	(2,995)	(5,723)
Asia/Pacific	(684)	(557)	(623)	(8)	(1,872)
Total	<u>\$ (9,718)</u>	<u>\$ (2,246)</u>	<u>\$ (1,577)</u>	<u>\$ (3,003)</u>	<u>\$ (16,544)</u>

	<u>Severance</u>	<u>Product Line Discontinuance</u>	<u>Contract Terminations</u>	<u>Other</u>	<u>Total</u>
<b>December 31, 2006 Balance</b>					
NA/HME	1,359	2,037	557	—	3,953
ISG	166	—	—	—	166
Europe	3,734	—	—	—	3,734
Asia/Pacific	—	—	122	—	122
Total	<u>\$ 5,259</u>	<u>\$ 2,037</u>	<u>\$ 679</u>	<u>\$ —</u>	<u>\$ 7,975</u>
<i>Accruals</i>					
NA/HME	3,705	178	(19)	—	3,864
ISG	67	—	—	—	67
IPG	19	—	98	55	172
Europe	862	386	—	3,247	4,495
Asia/Pacific	1,258	1,253	299	—	2,810
Total	<u>\$ 5,911</u>	<u>\$ 1,817</u>	<u>\$ 378</u>	<u>\$ 3,302</u>	<u>\$ 11,408</u>
<i>Payments</i>					
NA/HME	(4,362)	(2,183)	(172)	—	(6,717)
ISG	(228)	—	—	—	(228)
IPG	(19)	—	(98)	(55)	(172)
Europe	(4,591)	(386)	—	(3,202)	(8,179)
Asia/Pacific	(746)	(1,253)	(382)	—	(2,381)
Total	<u>\$ (9,946)</u>	<u>\$ (3,822)</u>	<u>\$ (652)</u>	<u>\$ (3,257)</u>	<u>\$ (17,677)</u>
<b>December 31, 2007 Balance</b>					
NA/HME	702	32	366	—	1,100
ISG	5	—	—	—	5
Europe	5	—	—	45	50
Asia/Pacific	512	—	39	—	551
Total	<u>\$ 1,224</u>	<u>\$ 32</u>	<u>\$ 405</u>	<u>\$ 45</u>	<u>\$ 1,706</u>
<i>Accruals</i>					
NA/HME	217	—	(15)	—	202
ISG	—	1,598	—	—	1,598
IPG	—	—	115	—	115
Europe	1,371	208	—	649	2,228
Asia/Pacific	522	11	90	—	623
Total	<u>\$ 2,110</u>	<u>\$ 1,817</u>	<u>\$ 190</u>	<u>\$ 649</u>	<u>\$ 4,766</u>
<i>Payments</i>					
NA/HME	(693)	(31)	(195)	—	(919)
ISG	(5)	(1,598)	—	—	(1,603)
IPG	—	—	(115)	—	(115)
Europe	(829)	(208)	—	(574)	(1,611)
Asia/Pacific	(1,034)	(11)	(129)	—	(1,174)
Total	<u>\$ (2,561)</u>	<u>\$ (1,848)</u>	<u>\$ (439)</u>	<u>\$ (574)</u>	<u>\$ (5,422)</u>

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	<u>Severance</u>	<u>Product Line Discontinuance</u>	<u>Contract Terminations</u>	<u>Other</u>	<u>Total</u>
<b>December 31, 2008 Balance</b>					
NA/HME	226	1	156	—	383
Europe	547	—	—	120	667
Total	<u>\$ 773</u>	<u>\$ 1</u>	<u>\$ 156</u>	<u>\$ 120</u>	<u>\$ 1,050</u>
<i>Accruals</i>					
NA/HME	335	—	—	—	335
IPG	171	—	—	—	171
Europe	229	—	—	395	624
Asia/Pacific	759	—	11	—	770
Total	<u>\$ 1,494</u>	<u>\$ —</u>	<u>\$ 11</u>	<u>\$ 395</u>	<u>\$ 1,900</u>
<i>Payments</i>					
NA/HME	(432)	—	(31)	—	(463)
IPG	(56)	—	—	—	(56)
Europe	(655)	—	—	(312)	(967)
Asia/Pacific	(754)	—	(11)	—	(765)
Total	<u>\$ (1,897)</u>	<u>\$ —</u>	<u>\$ (42)</u>	<u>\$ (312)</u>	<u>\$ (2,251)</u>
<b>June 30, 2009 Balance</b>					
NA/HME	129	1	125	—	255
IPG	115	—	—	—	115
Europe	121	—	—	203	324
Asia/Pacific	5	—	—	—	5
Total	<u>\$ 370</u>	<u>\$ 1</u>	<u>\$ 125</u>	<u>\$ 203</u>	<u>\$ 699</u>

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

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Net earnings	\$ 7,661	\$ 5,347	\$ 10,058	\$ 7,556
Foreign currency translation gain	80,747	14,175	71,950	37,786
Unrealized gain (loss) on available for sale securities	33	(19)	47	(79)
SERP/DBO amortization of prior service costs and unrecognized losses	132	550	191	1,099
Current period unrealized gain (loss) on cash flow hedges	(338)	2,033	1,937	(509)
Total comprehensive earnings	<u>\$ 88,235</u>	<u>\$ 22,086</u>	<u>\$ 84,183</u>	<u>\$ 45,853</u>

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

	<u>June 30, 2009</u>	<u>December 31, 2008</u>
Finished goods	\$ 106,159	\$ 99,486
Raw Materials	59,120	64,493
Work in Process	14,856	14,758
	<u>\$ 180,135</u>	<u>\$ 178,737</u>

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

	June 30, 2009	December 31, 2008
Machinery and equipment	\$ 321,357	\$ 308,532
Land, buildings and improvements	93,969	90,410
Furniture and fixtures	26,172	25,041
Leasehold improvements	16,290	15,720
	457,788	439,703
Less allowance for depreciation	(316,595)	(296,191)
	\$ 141,193	\$ 143,512

**Acquisitions-** In the first six months of 2009, the company made no acquisitions. In October 2008, Invacare Corporation purchased a billing company operating as Homecare Collection Services (HCS) for \$6,268,000. Pursuant to the HCS purchase agreement, the company agreed to pay contingent consideration based upon earnings before interest, taxes and depreciation over the three years subsequent to the acquisition up to a maximum of \$3,000,000. When the contingency related to the acquisition is settled, any additional consideration paid will increase the respective purchase price and reported goodwill.

**Derivatives** - 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. The company adopted SFAS 161 effective January 1, 2009.

Financial Accounting Standards Board (FASB) Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities, as amended* (FAS 133R), requires companies to recognize all derivative instruments in the consolidated balance sheet as either assets or liabilities at fair value. The accounting for changes in fair value of a derivative is dependent upon whether or not the derivative has been designated and qualifies for hedge accounting treatment and the type of hedging relationship. For derivatives designated and qualifying as hedging instruments, the company must designate the hedging instrument, based upon the exposure being hedged, as a fair value hedge, cash flow hedge, or a hedge of a net investment in a foreign operation.

#### Cash Flow Hedging Strategy

The company uses derivative instruments in an attempt to manage its exposure to commodity price risk, foreign currency exchange risk and interest rate risk. Foreign exchange contracts are used to manage the price risk associated with forecasted sales denominated in foreign currencies and the price risk associated with forecasted purchases of inventory over the next twelve months. Interest rate swaps are utilized to manage interest rate risk associated with the company's fixed and floating-rate borrowings.

The company recognizes its derivative instruments as assets or liabilities in the consolidated balance sheet measured at fair value. A majority of the company's derivative instruments are designated and qualify as cash flow hedges. Accordingly, the effective portion of the gain or loss on the derivative instrument is reported as a component of other comprehensive income and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. The remaining gain or loss on the derivative instrument in excess of the cumulative change in the fair value of the hedged item, if any, is recognized in current earnings during the period of change.

The company is a party to interest rate swap agreements that qualify as cash flow hedges and effectively convert floating-rate debt to fixed-rate debt, so the company can avoid the risk of changes in market interest rates. The gains and or losses on interest rate swaps are reflected in interest expense on the consolidated statement of operations. As of June 30, 2009, approximately 28% of the company's debt had its interest payments designated as the hedged forecasted transactions to interest rate swap agreements.

To protect against increases/decreases in forecasted foreign currency cash flows resulting from inventory purchases/sales over the next year, the company utilizes foreign currency forward contracts to hedge portions of its forecasted purchases/sales denominated in foreign currencies. The gains and losses are included in cost of products sold and selling, general and administrative expenses on the consolidated statement of operations. If it is later determined that a hedged forecasted transaction is unlikely to occur, any gains or losses on the forward contracts would be reclassified from other comprehensive income into earnings. The company does not expect this to occur during the next twelve months.

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The company has historically not recognized any ineffectiveness related to forward contract cash flow hedges because the company generally limits it hedges to between 60% and 90% of total forecasted transactions for a given entity's exposure to currency rate changes and the transactions hedged are recurring in nature. Forward contracts with a total notional amount in USD of \$4,592,000 and \$33,624,000 matured during the three and six months ended June 30, 2009.

As of June 30, 2009, foreign exchange forward contracts qualifying and designated for hedge accounting treatment were as follows (in thousands USD):

	Notional Amount	Unrealized Gain (Loss)
USD / AUD	\$ 3,744	\$ (751)
USD / CAD	25,260	59
USD / EUR	21,262	(547)
USD / GBP	7,677	(528)
USD / NZD	5,609	554
USD / SEK	2,647	267
USD / MXN	4,958	499
EUR / CHF	5,124	(7)
EUR / GBP	5,245	(129)
EUR / SEK	9,085	134
EUR / NZD	5,092	401
GBP / CHF	854	(4)
GBP / SEK	1,656	23
GBP / DKK	1,595	(83)
DKK / SEK	1,856	30
DKK / NOK	985	26
NOK / CHF	1,505	2
NOK / SEK	1,645	(1)
	<u>\$ 102,087</u>	<u>\$ (55)</u>

#### Fair Value Hedging Strategy

In 2009 and 2008, the company did not utilize any derivatives designated as fair value hedges. However, the company has in the past utilized fair value hedges in the form of forward contracts to manage the foreign exchange risk associated with certain firm commitments and has entered into interest rate swaps to effectively convert fixed-rate debt to floating-rate debt in an attempt to avoid paying higher than market interest rates. For derivative instruments designated and qualifying as fair value hedges, the gain or loss on the derivative instrument as well as the offsetting gain loss on the hedged item associated with the hedged risk are recognized in the same line item associated with the hedged item in earnings.

#### Derivatives Not Qualifying or Designated for Hedge Accounting Treatment

The company utilizes foreign currency forward or option contracts that do not qualify for hedge accounting treatment in an attempt to manage the risk associated with the conversion of earnings in foreign currencies into U.S. Dollars. While these derivative instruments do not qualify for hedge accounting treatment in accordance with FAS 133R, these derivatives do provide the company with a means to manage the risk associated with currency translation. These instruments are recorded at fair value in the consolidated balance sheet and any gains or losses are recorded as part of earnings in the current period. No such contracts were outstanding and there was no material gain or loss recorded by the company for the quarter or year ended June 30, 2009 related to any derivatives not qualifying for hedge accounting treatment.

The company also utilizes foreign currency forward contracts that are not designated as hedges in accordance with FAS 133R although they could qualify for hedge accounting treatment. These contracts are entered into to eliminate the risk associated with the settlement of short-term intercompany trading receivables and payables between Invacare Corporation and its foreign subsidiaries. The currency forward contracts are entered into at the same time as the intercompany receivables or payables are created so that upon settlement, the gain / loss on the settlement is offset by the gain / loss on the foreign currency forward contract.

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As of June 30, 2009, foreign exchange forward contracts not qualifying or designated for hedge accounting treatment entered into in the first half of 2009 and outstanding were as follows (in thousands USD):

	Notional Amount	Unrealized Gain (Loss)
CAD / USD	\$ 7,666	\$ 82
DKK / USD	3,234	159
EUR / USD	14,988	454
GBP / USD	4,382	393
SEK / USD	8,218	216
NOK / USD	2,771	26
	<u>\$ 41,259</u>	<u>\$ 1,330</u>

As of June 30, 2009, the fair values of the company's derivative instruments were as follows (in thousands):

	Assets	Liabilities
<u>Derivatives designated as hedging instruments under FAS 133R</u>		
Foreign currency forward contracts	\$ 3,397	\$ 4,002
Interest rate swap contracts	-	431
	<u>3,397</u>	<u>4,433</u>
<u>Derivatives not designated as hedging instruments under FAS 133R</u>		
Foreign currency forward contracts	1,330	-
	<u>\$ 4,727</u>	<u>\$ 4,433</u>

The fair values of the company's foreign currency forward assets and liabilities are included in Other Current Assets and Accrued Expenses, respectively in the Consolidated Balance Sheets. 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 Consolidated Balance Sheets. For the quarter ended June 30, 2009, the swap liabilities are recorded in Accrued Expenses as they are short-term liabilities.

The effect of derivative instruments on the Statement of Operations for the quarter and six months ended June 30, 2009 was as follows (in thousands):

	Amount of Gain (Loss) Recognized in OCI on Derivatives (Effective Portion)	Amount of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)
<u>Derivatives in FAS 133R cash flow hedge relationships</u>			
<u>Quarter ended June 30</u>			
Foreign currency forward contracts	\$ (2,000)	\$ 113	\$ -
Interest rate swap contracts	2,454	(1,240)	-
	<u>\$ 454</u>	<u>\$ (1,127)</u>	<u>\$ -</u>
<u>Six months ended June 30</u>			
Foreign currency forward contracts	\$ (367)	\$ 68	\$ -
Interest rate swap contracts	4,699	(2,393)	-
	<u>\$ 4,332</u>	<u>\$ (2,325)</u>	<u>\$ -</u>
<u>Derivatives not designated as hedging instruments under FAS 133R</u>			<u>Amount of Gain (Loss) Recognized in Income on Derivatives</u>
<u>Quarter ended June 30</u>			
Foreign currency forward contracts			\$ 1,834
<u>Six months ended June 30</u>			
Foreign currency forward contracts			\$ 2,503

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The gains or losses recognized as the result of the settlement of cash flow hedge foreign currency forward contracts are recognized in net sales for hedges of inventory sales or cost of product sold for hedges of inventory purchases. For the quarter and six months ended June 30, 2009, net sales were increased by \$946,000 and \$830,000, respectively, and cost of product sold was increased by \$833,000 and \$762,000, respectively for net realized gains of \$113,000 and \$68,000, respectively. The \$1,240,000 and \$2,393,000 losses for the quarter and six months ended June 30, 2009 related to interest rate swap agreements were recorded in interest expense for the period. There was an immaterial amount reported in interest expense due to ineffectiveness related to the interest rate swap contracts. The \$1,834,000 and \$2,503,000 gains recognized on foreign currency forward contracts not designated as hedging instruments was recognized in selling, general and administrative (SG&A) expenses for the quarter and six months ended June 30, 2009 were offset by losses of comparable amounts also recorded in SG&A expenses on the intercompany trade payables for which the derivatives were entered into to offset.

**Fair Value Measurements** - The Company has adopted Financial Accounting Standards Board (FASB) Statement No. 157 (FAS 157), *Fair Value Measurements*, as of January 1, 2008 for assets and liabilities measured at fair value on a recurring basis and the adoption had no material impact on the company's financial position, results of operations or cash flows. For assets and liabilities measured at fair value on a nonrecurring basis, such as goodwill and intangibles, the company elected to adopt as of January 1, 2009 the provisions of FAS 157 as allowed pursuant to FASB Staff Position 157-2, *Effective Date of FASB Statement No. 157*. The adoption of FAS 157 for assets and liabilities measured at fair value on a nonrecurring basis had no material impact on the company's financial position, results of operations or cash flows.

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 unobservable.

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

	June 30, 2009	Basis for Fair Value Measurements at Reporting Date		
		Quoted Prices in Active Markets for Identical Assets / (Liabilities)	Significant Other Observable Inputs	Significant Other Unobservable Inputs
		Level I	Level II	Level III
Marketable Securities	\$ 144	\$ 144	\$ -	\$ -
Forward Exchange Contracts	725	-	725	-
Interest Rate Swaps	(431)	-	(431)	-
Total	\$ 438	\$ 144	\$ 294	\$ -

*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.

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*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, CAD, CHF, CNY, DKK, EUR, GBP, 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.

The carrying amounts and fair values of the company's financial instruments at June 30, 2009 and December 31, 2008 are as follows (in thousands):

	June 30, 2009		December 31, 2008	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Cash and cash equivalents	\$ 49,709	\$ 49,709	\$ 47,516	\$ 47,516
Marketable securities	144	144	72	72
Other investments	8,717	8,717	8,657	8,657
Installment receivables, net	8,151	8,151	9,946	9,946
Long-term debt (including current maturities of long-term debt)	(394,293)	(398,912)	(426,406)	(321,729)
Interest rate swaps	(431)	(431)	(2,737)	(2,737)
Forward contracts in Other Current Assets	4,727	4,727	1,413	1,413
Forward contracts in accrued expenses	(4,002)	(4,002)	(1,719)	(1,719)

Long-term debt carrying value and fair value as of December 31, 2008 have been restated to reflect the company's adoption of FSP APB 14-1.

The aggregate cost of the Company's cost-method investments totaled \$8,717,000 as of June 30, 2009. These investments were not evaluated for impairment because the Company did not identify any events or changes in circumstances that may have had a significant adverse effect on the fair value of those investments.

**Income Taxes** - The Company had an effective tax rate of 27.5% and 33.0% on earnings before tax for the three and six month periods ended June 30, 2009, respectively, compared to an expected rate at the US statutory rate of 35%. For the three and six month periods ended June 30, 2008, the company had an effective rate of 41.2% and 45.6%, respectively, compared to an expected rate at the US statutory rate of 35%. The company's effective tax rate for the three and six month periods ended June 30, 2009 was lower than the U.S. federal statutory rate 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 and earnings abroad being taxed at rates generally lower than the U.S. federal statutory rate. For the three and six month periods ended June 30, 2008, the effective tax rate was higher than the U.S. federal statutory rate 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 valuation allowances.

**Supplemental Guarantor Information** - Effective February 12, 2007, many of the non-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, 2009</b>					
Net sales	\$ 95,693	\$ 173,208	\$ 160,897	\$ (17,257)	\$ 412,541
Cost of products sold	66,892	135,846	109,123	(17,375)	294,486
<b>Gross Profit</b>	<b>28,801</b>	<b>37,362</b>	<b>51,774</b>	<b>118</b>	<b>118,055</b>
Selling, general and administrative expenses	31,336	30,313	36,290	-	97,939
Charge related to restructuring activities	117	-	1,007	-	1,124
Income (loss) from equity investee	18,388	5,066	(3,209)	(20,245)	-
Interest expense - net	7,705	(1,003)	1,729	-	8,431
<b>Earnings (loss) before Income Taxes</b>	<b>8,031</b>	<b>13,118</b>	<b>9,539</b>	<b>(20,127)</b>	<b>10,561</b>
Income taxes	370	100	2,430	-	2,900
<b>Net Earnings (loss)</b>	<b>\$ 7,661</b>	<b>\$ 13,018</b>	<b>\$ 7,109</b>	<b>\$ (20,127)</b>	<b>\$ 7,661</b>
<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	7,335	(355)	2,717	-	9,697
<b>Earnings (loss) before Income Taxes</b>	<b>5,771</b>	<b>15,765</b>	<b>17,385</b>	<b>(29,824)</b>	<b>9,097</b>
Income taxes	424	300	3,026	-	3,750
<b>Net Earnings (loss)</b>	<b>\$ 5,347</b>	<b>\$ 15,465</b>	<b>\$ 14,359</b>	<b>\$ (29,824)</b>	<b>\$ 5,347</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, 2009</b>					
Net sales	\$ 184,079	\$ 351,577	\$ 309,548	\$ (34,668)	\$ 810,536
Cost of products sold	131,578	277,859	209,351	(34,775)	584,013
<b>Gross Profit</b>	<b>52,501</b>	<b>73,718</b>	<b>100,197</b>	<b>107</b>	<b>226,523</b>
Selling, general and administrative expenses	60,195	59,257	72,620	-	192,072
Charge related to restructuring activities	335	-	1,565	-	1,900
Income (loss) from equity investee	34,007	6,296	(6,233)	(34,070)	-
Interest expense - net	15,190	(1,236)	3,589	-	17,543
<b>Earnings (loss) before Income Taxes</b>	<b>10,788</b>	<b>21,993</b>	<b>16,190</b>	<b>(33,963)</b>	<b>15,008</b>
Income taxes	730	200	4,020	-	4,950
<b>Net Earnings (loss)</b>	<b>\$ 10,058</b>	<b>\$ 21,793</b>	<b>\$ 12,170</b>	<b>\$ (33,963)</b>	<b>\$ 10,058</b>
<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	15,012	(673)	5,561	-	19,900
<b>Earnings (loss) before Income Taxes</b>	<b>8,395</b>	<b>28,061</b>	<b>28,304</b>	<b>(50,864)</b>	<b>13,896</b>
Income taxes	839	600	4,901	-	6,340
<b>Net Earnings (loss)</b>	<b>\$ 7,556</b>	<b>\$ 27,461</b>	<b>\$ 23,403</b>	<b>\$ (50,864)</b>	<b>\$ 7,556</b>

## CONSOLIDATING CONDENSED BALANCE SHEETS

(in thousands)					
June 30, 2009	The Company (Parent)	Combined Guarantor Subsidiaries	Combined Non- Guarantor Subsidiaries	Eliminations	Total
<b>Assets</b>					
<b>Current Assets</b>					
Cash and cash equivalents	\$ 5,090	\$ 1,526	\$ 43,093	\$ -	\$ 49,709
Marketable securities	144	-	-	-	144
Trade receivables, net	110,646	55,316	99,359	-	265,321
Installment receivables, net	-	1,125	2,716	-	3,841
Inventories, net	44,735	37,809	98,932	(1,341)	180,135
Deferred income taxes	-	-	1,873	-	1,873
Other current assets	16,884	6,042	23,984	(1,293)	45,617
<b>Total Current Assets</b>	<b>177,499</b>	<b>101,818</b>	<b>269,957</b>	<b>(2,634)</b>	<b>546,640</b>
<b>Investment in subsidiaries</b>	<b>1,458,535</b>	<b>689,444</b>	<b>-</b>	<b>(2,147,979)</b>	<b>-</b>
<b>Intercompany advances, net</b>	<b>152,451</b>	<b>909,048</b>	<b>88,786</b>	<b>(1,150,285)</b>	<b>-</b>
<b>Other Assets</b>	<b>53,228</b>	<b>4,193</b>	<b>1,064</b>	<b>-</b>	<b>58,485</b>
<b>Other Intangibles</b>	<b>2,287</b>	<b>8,873</b>	<b>76,167</b>	<b>-</b>	<b>87,327</b>
<b>Property and Equipment, net</b>	<b>50,106</b>	<b>9,442</b>	<b>81,645</b>	<b>-</b>	<b>141,193</b>
<b>Goodwill</b>	<b>4,975</b>	<b>24,634</b>	<b>494,118</b>	<b>-</b>	<b>523,727</b>
<b>Total Assets</b>	<b>\$ 1,899,081</b>	<b>\$ 1,747,452</b>	<b>\$ 1,011,737</b>	<b>\$ (3,300,898)</b>	<b>\$ 1,357,372</b>
<b>Liabilities and Shareholders' Equity</b>					
<b>Current Liabilities</b>					
Accounts payable	\$ 62,831	\$ 12,317	\$ 48,208	\$ -	\$ 123,356
Accrued expenses	38,724	23,355	66,090	(1,293)	126,876
Accrued income taxes	500	-	104	-	604
Short-term debt and current maturities of long-term obligations	16,577	-	723	-	17,300
<b>Total Current Liabilities</b>	<b>118,632</b>	<b>35,672</b>	<b>115,125</b>	<b>(1,293)</b>	<b>268,136</b>
<b>Long-Term Debt</b>	<b>366,861</b>	<b>-</b>	<b>10,132</b>	<b>-</b>	<b>376,993</b>
<b>Other Long-Term Obligations</b>	<b>47,238</b>	<b>2,040</b>	<b>44,923</b>	<b>-</b>	<b>94,201</b>
<b>Intercompany advances, net</b>	<b>748,308</b>	<b>375,714</b>	<b>26,263</b>	<b>(1,150,285)</b>	<b>-</b>
<b>Total Shareholders' Equity</b>	<b>618,042</b>	<b>1,334,026</b>	<b>815,294</b>	<b>(2,149,320)</b>	<b>618,042</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 1,899,081</b>	<b>\$ 1,747,452</b>	<b>\$ 1,011,737</b>	<b>\$ (3,300,898)</b>	<b>\$ 1,357,372</b>

## CONSOLIDATING CONDENSED BALANCE SHEETS

(in thousands)

December 31, 2008	The Company (Parent)	Combined Guarantor Subsidiaries	Combined Non- Guarantor Subsidiaries	Eliminations	Total
<b>Assets</b>					
<b>Current Assets</b>					
Cash and cash equivalents	\$ 10,920	\$ 2,284	\$ 34,312	\$ -	\$ 47,516
Marketable securities	72	-	-	-	72
Trade receivables, net	114,961	56,037	101,301	(5,816)	266,483
Installment receivables, net	-	1,559	2,708	-	4,267
Inventories, net	49,243	37,320	93,586	(1,412)	178,737
Deferred income taxes	-	-	2,051	-	2,051
Other current assets	15,210	6,358	30,364	-	51,932
<b>Total Current Assets</b>	<u>190,406</u>	<u>103,558</u>	<u>264,322</u>	<u>(7,228)</u>	<u>551,058</u>
<b>Investment in subsidiaries</b>	1,350,463	683,148	-	(2,033,611)	-
<b>Intercompany advances, net</b>	191,209	844,433	66,851	(1,102,493)	-
<b>Other Assets</b>	53,793	5,425	1,233	-	60,451
<b>Other Intangibles</b>	2,778	9,722	72,266	-	84,766
<b>Property and Equipment, net</b>	52,632	9,753	81,127	-	143,512
<b>Goodwill</b>	4,975	24,293	445,418	-	474,686
<b>Total Assets</b>	<u><u>1,846,256</u></u>	<u><u>\$ 1,680,332</u></u>	<u><u>\$ 931,217</u></u>	<u><u>\$ (3,143,332)</u></u>	<u><u>\$ 1,314,473</u></u>
<b>Liabilities and Shareholders' Equity</b>					
<b>Current Liabilities</b>					
Accounts payable	\$ 59,779	\$ 12,734	\$ 47,120	\$ -	\$ 119,633
Accrued expenses	50,034	24,208	75,186	(5,816)	143,612
Accrued income taxes	500	-	2,554	-	3,054
Short-term debt and current maturities of long-term obligations	17,793	-	906	-	18,699
<b>Total Current Liabilities</b>	<u>128,106</u>	<u>36,942</u>	<u>125,766</u>	<u>(5,816)</u>	<u>284,998</u>
<b>Long-Term Debt</b>	398,328	-	9,379	-	407,707
<b>Other Long-Term Obligations</b>	45,290	2,040	41,496	-	88,826
<b>Intercompany advances, net</b>	741,590	335,125	25,778	(1,102,493)	-
<b>Total Shareholders' Equity</b>	<u>532,942</u>	<u>1,306,225</u>	<u>728,798</u>	<u>(2,035,023)</u>	<u>532,942</u>
<b>Total Liabilities and Shareholders' Equity</b>	<u><u>\$ 1,846,256</u></u>	<u><u>\$ 1,680,332</u></u>	<u><u>\$ 931,217</u></u>	<u><u>\$ (3,143,332)</u></u>	<u><u>\$ 1,314,473</u></u>

## 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, 2009</b>					
<b>Net Cash Provided (Used) by Operating Activities</b>	\$ 30,263	\$ 23	\$ 8,826	\$ -	\$ 39,112
<b>Investing Activities</b>					
Purchases of property and equipment	(2,371)	(1,000)	(3,815)	-	(7,186)
Proceeds from sale of property and equipment	-	-	1,049	-	1,049
Increase in other long-term assets	(1,025)	(122)	-	-	(1,147)
Other	(458)	341	(28)	-	(145)
<b>Net Cash Used for Investing Activities</b>	<b>(3,854)</b>	<b>(781)</b>	<b>(2,794)</b>	<b>-</b>	<b>(7,429)</b>
<b>Financing Activities</b>					
Proceeds from revolving lines of credit and long-term borrowings	191,811	-	-	-	191,811
Payments on revolving lines of credit and long-term borrowings	(223,250)	-	(565)	-	(223,815)
Proceeds from exercise of stock options	-	-	-	-	-
Payment of dividends	(800)	-	-	-	(800)
<b>Net Cash Used by Financing Activities</b>	<b>(32,329)</b>	<b>-</b>	<b>(565)</b>	<b>-</b>	<b>(32,804)</b>
Effect of exchange rate changes on cash	-	-	3,314	-	3,314
Increase (decrease) in cash and cash equivalents	(5,830)	(758)	8,781	-	2,193
Cash and cash equivalents at beginning of period	10,920	2,284	34,312	-	47,516
Cash and cash equivalents at end of period	<u>\$ 5,090</u>	<u>\$ 1,526</u>	<u>\$ 43,093</u>	<u>\$ -</u>	<u>\$ 49,709</u>
<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>	<b>(87)</b>	<b>(1,153)</b>	<b>(6,453)</b>	<b>-</b>	<b>(7,693)</b>
<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>	<b>(8,777)</b>	<b>-</b>	<b>(4,120)</b>	<b>-</b>	<b>(12,897)</b>
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	<u>\$ 4,777</u>	<u>\$ 2,236</u>	<u>\$ 32,948</u>	<u>\$ -</u>	<u>\$ 39,961</u>

**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 23, 2009.

**OUTLOOK**

Similar to the first quarter of 2009, the Company's second quarter earnings were in line with internal planning on a consolidated basis, with the NA/HME region outperforming and the Asia/Pacific region, along with portions of Europe underperforming. Through the rest of the year, pricing and reimbursement pressures are expected to continue in certain markets in Europe, constraining both sales and operating performance. For the IPG business and the Australian distribution business, slow purchases by long-term care facilities are expected to continue to negatively impact sales growth for at least the balance of the year.

In the NA/HME region, although organic sales growth lessened from the first quarter to the second quarter, growth remained positive and should be so for the rest of the year, despite Medicare reimbursement cuts and Medicaid uncertainties in light of state budget shortfalls in several states, including California and Ohio.

Despite the reimbursement pressures and uncertainties, the Company continues to expect improved performance from NA/HME for the second half of the year and all divisions to benefit from lower commodity costs compared to the first quarter of 2009, as the Company continues its recovery toward more normal profit margins which have been earned in the past. The major issue facing all organizations in U.S. healthcare is how they will fare in President Obama's Reform Legislation. Invacare has remained actively involved on Capitol Hill in articulating how home healthcare can play a major role in improving access, reducing cost and improving quality. Mr. Mixon, the Company's Chief Executive Officer, was recently invited to the White House to speak on behalf of the homecare industry. On July 14, 2009, the industry sponsored an event on Capitol Hill, with former Senator Tom Daschle and Congressman Jason Altmire (PA) as keynote speakers, to familiarize Capitol Hill staff with the benefits of homecare. There should be more clarity in the next 90 to 120 days as to how the homecare industry and Invacare will be affected. The Company's organic sales growth, effective tax rate, earnings and cash flow for 2009 are expected, as of the date of this filing, to be consistent with the guidance provided in the Company's July 23, 2009 press release.

**RESULTS OF OPERATIONS**

**NET SALES**

Net sales for the three months ended June 30, 2009 were \$412,541,000, compared to \$447,152,000 for the same period a year ago, representing a 7.7% decrease. Foreign currency translation decreased net sales by seven percentage points while acquisitions increased net sales by less than a percentage point. Organic net sales for the quarter declined 0.7% over the same period last year driven primarily by organic net sales declines in Asia/Pacific, Europe and Institutional Products Group, which were partially offset by organic net sales increases for Invacare Supply Group and North America/Home Medical Equipment. For the six months ended June 30, 2009, net sales decreased 6.1% to \$810,536,000, compared to \$863,430,000 for the same period a year ago. Organic sales growth was 0.7% as foreign currency translation decreased net sales by seven percentage points while acquisitions increased net sales by less than one percentage point for the six month period. The organic sales growth was driven by net sales increases by North America/Home Medical Equipment and Invacare Supply Group.

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

NA/HME net sales increased 0.5% for the quarter to \$188,076,000 as compared to \$187,163,000 for the same period a year ago. Foreign currency translation decreased net sales by approximately one percentage point while acquisitions increased net sales by approximately one percentage point. The increase for the quarter was principally due to net sales increases in Standard and Rehab product lines. For the first half of 2009, net sales increased 3.3% to \$374,779,000 as compared to \$362,944,000 for the same period a year ago. Foreign currency decreased net sales by approximately one percentage point while acquisitions increased net sales by less than one percentage point in the first half of 2009.

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Standard product line net sales for the second quarter increased 13.4% compared to the second quarter of last year, driven by increased volumes in beds, manual wheelchairs, and therapeutic support surfaces. Rehab product line net sales increased by 1.8% compared to the second quarter last year, despite declines in the consumer power product line. Excluding consumer power products, Rehab product line net sales increased 4.6% compared to the second quarter last year, driven by volume increases in custom power wheelchairs. Respiratory product line net sales decreased 17.9%, driven by lower sales of concentrators and HomeFill® oxygen delivery systems to national accounts, due in large part to inventory adjustments at one customer that chose not to renew a number of managed care contracts.

### **Invacare Supply Group (ISG)**

ISG net sales for the quarter increased 6.2% to \$68,550,000 compared to \$64,523,000 in the second quarter last year driven by an increase in home delivery program sales which were in part offset by decreased sales to larger providers. For the first half of 2009, net sales increased 3.1% to \$133,863,000 as compared to \$129,779,000 for the same period a year ago.

### **Institutional Products Group (IPG)**

IPG net sales for the quarter decreased by 8.4% to \$21,233,000 compared to \$23,177,000 for the second quarter last year. Foreign currency translation decreased net sales by two percentage points for the quarter. Excluding currency, the net sales decrease was experienced across most product categories, driven largely by reduced capital expenditures by nursing home customers. These customers have been constrained in the current economic environment in large part due to budgetary pressures in state Medicaid programs. For the first half of 2009, net sales decreased 9.2% to \$44,007,000 as compared to \$48,474,000 for the same period a year ago. Foreign currency translation decreased net sales by three percentage points for the first half of 2009.

### **Europe**

European net sales decreased 19.7% for the quarter to \$117,218,000 as compared to \$145,977,000 for the same period a year ago. Foreign currency translation decreased net sales by eighteen percentage points for the quarter. Sales growth in certain markets, in particular, the U.K., was more than offset by reimbursement pressures in other markets, particularly France where sales of beds and wheelchairs into nursing homes weakened with a new funding rule that restricts purchases of new equipment. European net sales for the first six months of 2009 decreased 17.1% to \$225,605,000 as compared to \$271,980,000 for the same period a year ago. Foreign currency translation decreased net sales by sixteen percentage points for the first half of 2009.

### **Asia/Pacific**

Asia/Pacific net sales decreased 33.6% for the quarter to \$17,464,000 as compared to \$26,312,000 for the same period a year ago. Foreign currency translation decreased net sales by seventeen percentage points for the quarter. The Company's Australian distribution business had lower sales due in large part to weak demand from long-term care facilities which continue to defer capital purchases. The sales decline at the Company's subsidiary which manufactures controllers was largely due to external customers whose demand for inventory remained weak in the current economic environment. For the first half of 2009, net sales decreased 35.8% to \$32,282,000 as compared to \$50,253,000 for the same period a year ago. Foreign currency translation decreased net sales by twenty-two percentage points for the first half of 2009.

## **GROSS PROFIT**

Gross profit as a percentage of net sales for the three and six-month periods ended June 30, 2009 was 28.6% and 27.9%, respectively, compared to 27.8% and 27.5%, respectively, in the same periods last year. The margin improvement for the quarter was the result of cost reduction activities, selective price increases implemented in the second half of 2008 and reduced freight costs which were partially offset by unfavorable product mix and reimbursement pressures in Europe and unfavorable foreign currency impact from the weakness of the Euro as compared to the U.S. dollar and the British pound as compared to the Euro.

For the first half of the year, NA/HME margins as a percentage of net sales increased to 32.6% compared with 30.1% in the same period last year primarily due to cost reduction activities, selective price increases implemented in the second half of 2008 and reduced freight costs. ISG gross margins increased by .7 of a percentage point primarily due to benefits from cost reduction activities including freight reduction programs. IPG gross margin increased by 4.6 percentage points primarily as a result of benefits from freight recovery programs and a favorable foreign currency impact. In Europe, gross margin as a percentage of net sales declined by 1.7 percentage points primarily due to an unfavorable sales mix away from higher margin product and unfavorable foreign currency impact from the weakness of the British pound as compared to the Euro and the Euro as compared to the U.S. dollar. Gross margin, as a percentage of net sales in Asia/Pacific, decreased by 7.5 percentage points, primarily due to unfavorable foreign currency impact due to the strengthening of the U.S. dollar.

**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, 2009 was 23.7% in each period compared to 23.4% for the same periods a year ago. The dollar decreases were \$6,581,000 and \$10,143,000, or 6.3% and 5.0%, respectively, for the quarter and first half of the year, as compared to the same period a year ago. Acquisitions increased these expenses by \$568,000 in the quarter and \$1,230,000 in the first half of the year, while foreign currency translation decreased these expenses by \$7,870,000 in the quarter and \$15,138,000 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 .7% for the quarter and 1.9% for the first half of 2009 as compared to the same periods a year ago. The dollar increase, excluding foreign currency translation and acquisitions, was \$721,000 and \$3,765,000 for the quarter and first half of the year, as compared to the same periods a year ago. The year to date increase is primarily attributable to increases in bad debt and stock compensation expense as well as unfavorable foreign currency transactions related to the Canadian dollar, Euro and British Pound.

North American/HME SG&A expense increased \$141,000, or 0.3%, for the quarter and \$2,628,000, or 2.7%, in the first half of 2009 compared to the same periods a year ago. For the quarter, foreign currency translation decreased SG&A expense by \$489,000 or .9% while acquisitions increased SG&A expense by \$568,000 or 1.1%. For the first half of 2009, foreign currency translation decreased SG&A expense by \$1,353,000 or 1.4% while acquisitions increased SG&A by \$1,230,000 or 1.2%. Excluding the impact of foreign currency translation and acquisitions, SG&A expense increased by .1% for the quarter and increased by 2.7% year to date. The year to date increase is primarily attributable to increased bad debt expense and stock compensation expense.

Invacare Supply Group SG&A expense increased \$600,000, or 9.4%, for the quarter and increased by \$556,000, or 4.3%, in the first half of 2009 compared to the same periods a year ago with the year to date increase primarily due to higher administrative costs.

Institutional Products Group SG&A expense increased \$439,000, or 10.6%, for the quarter and decreased \$63,000, or .8%, in the first half of 2009 compared to the same periods a year ago. Foreign currency translation decreased SG&A expense by \$161,000 or 3.9% for the quarter and \$192,000 or 2.4% for the first half of the year. Excluding the impact of foreign currency translation, SG&A expense increased 14.6% and 1.6% for the quarter and first half of 2009, respectively, as compared to last year as a result of the unfavorable foreign currency exchange rate movement of the Canadian Dollar.

European SG&A expense decreased \$6,933,000, or 19.9%, for the quarter and \$11,268,000, or 16.7%, for the first half of 2009 compared to the same periods a year ago. For the quarter, foreign currency translation decreased SG&A by \$5,498,000, or 15.8%. For the first half of 2009, foreign currency translation decreased SG&A expense by \$9,288,000, or 13.8%, respectively. Excluding the impact of foreign currency translation, SG&A expense decreased by 4.1% and 2.9% for the quarter and first half of the year, respectively, as compared to the same periods a year ago.

Asia/Pacific SG&A expense decreased \$828,000, or 11.2%, for the quarter and \$1,996,000, or 13.6%, in the first half of the year compared to the same periods a year ago. For the quarter, foreign currency translation decreased SG&A expense by \$1,722,000, or 23.3%. For the first half of 2009, foreign currency translation decreased SG&A by \$4,305,000, or 29.3%. Excluding the impact of foreign currency translation, SG&A expense increased 12.1% and 15.7% for the quarter and first half of 2009, respectively as compared to last year due primarily to the strengthening of the U.S. dollar and increased sales, marketing and advertising costs for people and marketing programs to drive future sales growth.

**CHARGE RELATED TO RESTRUCTURING ACTIVITIES**

In 2005, 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 and general expense reductions. 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 \$1,124,000 and \$1,900,000 were incurred in the three and six month periods ended June 30, 2009, none of which was recorded in cost of products sold, since none related to inventory markdowns. The entire charge amount is included on the Charge Related to Restructuring Activities in the Condensed Consolidated Statement of Operations as part of operations.

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For the first half of 2009, restructuring charges included \$335,000 in NA/HME, \$171,000 in IPG, \$624,000 in Europe and \$770,000 in Asia/Pacific. Of the total charges incurred to date, \$699,000 remained unpaid as of June 30, 2009 with \$255,000 unpaid related to NA/HME; \$115,000 unpaid related to IPG; \$324,000 unpaid related to Europe; and \$5,000 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, 2009 during 2009. With additional actions to be undertaken during the remainder of 2009, the company anticipates recognizing pre-tax restructuring charges of approximately \$6,000,000 for the year.

## **INTEREST**

Interest expense decreased \$1,806,000 and \$3,154,000 for the second quarter and first half of 2009, respectively, compared to the same periods last year due to lower debt levels and lower interest rates. Interest income for the second quarter and first half of 2009 decreased \$540,000 and \$797,000, respectively, compared to the same periods last year, which was primarily on the result of maintaining lower average foreign cash balances.

## **INCOME TAXES**

The Company had an effective tax rate of 27.5% and 33.0% on earnings before tax for the three and six month periods ended June 30, 2009, respectively, compared to an expected rate at the US statutory rate of 35%. For the three and six month periods ended June 30, 2008, the company had an effective rate of 41.2% and 45.6%, respectively, compared to an expected rate at the US statutory rate of 35%. The company's effective tax rate for the three and six month periods ended June 30, 2009 was lower than the U.S. federal statutory rate 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 and earnings abroad being taxed at rates generally lower than the U.S. federal statutory rate. For the three and six month periods ended June 30, 2008, the effective tax rate was higher than the U.S. federal statutory rate 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 valuation allowances.

## **LIQUIDITY AND CAPITAL RESOURCES**

The company's debt decreased by \$34,125,000 from December 31, 2008 to \$444,695,000 at June 30, 2009, excluding the impact of adoption of FSP APB 14-1, as a result of improved cash flow generation. The company's balance sheet reflects the adoption of FSP APB 14-1. As a result of adopting FSP APB 14-1, the company recorded a debt discount, which reduced debt and increased equity by \$50,402,000 and \$52,414,000 as of June 30, 2009 and December 31, 2008, respectively.

The company's cash and cash equivalents were \$49,709,000 at June 30, 2009, up from \$47,516,000 at the end of the year.

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. There are three significant financial covenants: leverage ratio, interest coverage ratio and fixed charge ratio. As of June 30, 2009, the company was in compliance with all covenant requirements. Under the most restrictive covenant of the company's borrowing arrangements as of June 30, 2009, the company had the capacity to borrow up to an additional \$150,000,000.

The leverage ratio is defined as Consolidated Funded Indebtedness at the balance sheet date as compared to Consolidated Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) for the previous twelve months. As of June 30, 2009, the maximum leverage ratio permitted by the borrowing arrangements was 5.0 to 1.0. The actual leverage ratio as of June 30, 2009 was 3.15 to 1.0. As of October 1, 2009, the maximum leverage ratio permitted by the borrowing arrangements reduces to 4.0 to 1.0.

The interest coverage ratio is defined as Consolidated EBITDA for the previous twelve months as compared to Consolidated Interest Charges for the previous twelve months. As of June 30, 2009, the minimum interest coverage ratio permitted by the borrowing arrangements was 2.5 to 1.0. The actual interest coverage ratio as of June 30, 2009 was 3.97 to 1.0. As of October 1, 2009, the minimum interest coverage ratio permitted by the borrowing arrangements increases to 3.0 to 1.0.

The fixed charge ratio takes into consideration several items including: Consolidated EBITDA, rent and lease expense, capital expenditures, interest charges, regularly scheduled principal payments and federal, state and local taxes paid. As of June 30, 2009, the minimum fixed charge ratio permitted by the borrowing arrangements was 1.4 to 1.0. The actual fixed charge ratio as of June 30, 2009 was 2.08 to 1.0. As of October 1, 2009, the minimum interest coverage ratio permitted by the borrowing arrangements increases to 1.6 to 1.0.

## **CAPITAL EXPENDITURES**

The company had no individually material capital expenditure commitments outstanding as of June 30, 2009. The company estimates that capital investments for 2009 could approximate \$20,000,000 to \$22,000,000 as compared to \$19,957,000 in 2008. 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 provided by operating activities were \$39,112,000 for the first half of 2009 compared to cash used for operating activities of \$2,968,000 in the first half of 2008. Operating cash flows for the first half of 2009 were significantly improved compared to the same period a year ago primarily due to improved profitability and better working capital management as accounts receivable collections were higher and inventory levels were reduced primarily in NA/HME as a result of improved asset management.

Cash used for investing activities was \$7,429,000 for the first half of 2009 compared to \$7,693,000 used in the first half of 2008. Purchases of property, plant and equipment in the first half of 2009 were less than in the first half of 2008 while the first half of 2008 included a benefit of cash received from company-owned life insurance policies.

Cash used by financing activities was \$32,804,000 for the first half of 2009 compared to cash used of \$12,897,000 in the first half of 2008. The improvement is the result of cash flow generated in the first half of the year of 2009 used to pay down debt.

During the first half of 2009, the company generated free cash flow of \$35,114,000 compared to \$12,512,000 used by the company in the first six months of 2008. The increase 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,	
	2009	2008
Net cash provided (used) by operating activities	\$ 39,112	\$ (2,968)
Net cash impact related to restructuring activities	2,139	2,056
Less: Purchases of property and equipment - net	(6,137)	(11,600)
Free Cash Flow	<u>\$ 35,114</u>	<u>\$ (12,512)</u>

## **DIVIDEND POLICY**

On May 21, 2009, 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, 2009, which was paid on July 10, 2009. 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 and all wholly-owned subsidiaries. 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.

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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.

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 De Lage Landen, Inc. ("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 home health care dealers, 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.

Invacare has an agreement with DLL, a third party financing company, to provide the majority of future lease financing to Invacare's North America customers. The DLL agreement provides for direct leasing between DLL and the Invacare customer. The company retains a recourse obligation for events of default under the contracts. The company monitors the collections status of these contracts and has provided amounts for estimated losses in its allowances for doubtful accounts.

**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.

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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. The assumptions used are based on a market participant's point of view and yielded a discount rate of 8.90% to 9.90% in 2008 compared to 9.25% to 10.25% in 2007. The discount rate has fluctuated in the last 3 years by less than 50 basis points. If the discount rate used were 50 basis points higher for the 2008 impairment analysis, the company would still not have an impairment for any of the reporting units.

While there was no indication of impairment in 2008 related to goodwill or intangibles for any reporting units, a future potential impairment is possible for any of the company's reporting units should actual results differ materially from forecasted results used in the valuation analysis. Furthermore, the company's annual valuation of goodwill can differ materially if the market inputs used to determine the discount rate change significantly. For instance, higher interest rates or greater stock price volatility would increase the discount rate and thus increase the chance of impairment.

### **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**

The company accounts for share based compensation under the provisions of Statement of Financial Accounting Standard No. 123 (Revised 2004), *Share Based Payment* ("SFAS 123R"). The company has not made any modifications to the terms of any previously granted options and no changes have been made regarding the valuation methodologies or assumptions used to determine the fair value of options granted since 2005 and the company continues to use a Black-Scholes valuation model. As of June 30, 2009, there was \$10,598,000 of total unrecognized compensation cost from stock-based compensation arrangements granted under the plans, which is related to non-vested options and shares, and includes \$3,663,000 related to restricted stock awards. The company expects the compensation expense to be recognized over a weighted-average period of approximately two 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.

### **RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS**

In December 2007, the FASB issued SFAS 141(R), *Business Combinations* (SFAS 141R), which changed the accounting for business acquisitions. SFAS 141R 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 141R also requires expanded disclosure regarding the nature and financial effects of a business combination. The company adopted SFAS 141R as of January 1, 2009 and the adoption had no material impact on the company's financial position, results of operations or cash flows. SFAS 141R could have a material impact on the company's financial statements in future periods if the company completes significant acquisitions in the future.

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. The company adopted SFAS 161 effective January 1, 2009 and the adoption had no material impact on the company's financial position, results of operations or cash flows.

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 that was being applied for convertible debt prior to FSP APB 14-1 did not fully reflect the true economic impact on the issuer since the conversion option was not captured as a borrowing cost and its full dilutive effect was not included in earnings per share. FSP APB 14-1 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. Accordingly, the company had to bifurcate a component of its convertible debt as a component of stockholders' equity (\$59,012,000 as of the retrospective adoption date of February 12, 2007) and will accrete the resulting debt discount as interest expense. The company adopted FSP APB 14-1 effective January 1, 2009 and, as a result, reported interest expense increased and net earnings decreased by \$1,020,000 (\$0.03 per share) and \$910,000 (\$0.03 per share) for the quarters ended June 30, 2009 and 2008, respectively; by \$2,012,000 (\$0.06 per share) and \$1,794,000 (\$0.06 per share) for the six month periods ended June 30, 2009 and 2008, respectively and by \$3,695,000 (\$0.12 per share) and \$2,904,000 (\$0.09 per share) for the years 2008 and 2007, respectively. FSP APB 14-1 required retrospective application upon adoption and accordingly, amounts for 2008 and 2007 are being and will continue to be restated in the 2009 financial statements.

In May 2009, the FASB issued SFAS 165, *Subsequent Events* (SFAS 165). SFAS 165 provides authoritative guidance regarding subsequent events as this guidance was previously only addressed in auditing literature. The company adopted SFAS 165 effective June 30, 2009 and the adoption had no material impact on the company's financial position, results of operations or cash flows. The company has evaluated subsequent events through the date of filing of this report with the Securities and Exchange Commission.

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On July 1, 2009, the FASB issued SFAS No. 168, *The FASB Accounting Standards Codification and the hierarchy of Generally Accepted Accounting Principles – a replacement of SFAS No. 162* (SFAS 168). With the issuance of SFAS 168, the Accounting Standards Codification (Codification) becomes the single source of authoritative U.S. accounting and reporting standards, with the exception of guidance issued by the SEC. Although the Codification is not intended to change U.S. GAAP, it does reorganize and supersede current U.S. GAAP and therefore all references to U.S. GAAP in future filings will be changed to Codification references, beginning with the Company's third quarter Form 10-Q.

**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, 2009 debt levels, a 1% change in interest rates would not impact interest expense. 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; adverse changes in government and other third-party payor reimbursement levels and practices; 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; the uncertain impact on our providers, on our suppliers and on the demand for our products of the recent global economic downturn and general volatility in the credit and stock markets; difficulties in implementing an 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; increased security concerns and potential business interruption risks associated with political and/or social unrest in foreign countries where the company's facilities or assets are located; exchange rate and tax 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.

**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, 2009, 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, 2009, 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, 2008.

**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, 2009. In the quarter ended June 30, 2009, no shares were repurchased and 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>
4/1/2009-4/30/09	-	\$ -	-	1,362,900
5/1/2009-5/31/09	-	-	-	1,362,900
6/1/2009-6/30/09	-	-	-	1,362,900
Total	-	\$ -	-	1,362,900

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

On May 21, 2009, the company held its 2009 Annual Meeting of Shareholders to act on proposals to: (1) elect three directors to the class whose three-year term will expire in 2012, (2) approve and adopt amendments to the company's Amended 2003 Performance Plan, (3) approve and adopt amendments to the Company's Code of Regulations to establish majority voting director resignation procedures, (4) approve and adopt amendments to the Company's Code of Regulations to adopt procedures for shareholders to propose business to be considered and to nominate directors for election at shareholder meetings, (5) approve and adopt amendments to the Company's Code of Regulations to permit amendments to the Code of Regulations by the Board of Directors to the extent permitted by Ohio law, (6) ratify the appointment of Ernst & Young LLP as its independent auditors for the company's 2009 fiscal year, and (7) consider and vote upon a shareholder proposal to amend the Company's Articles of Incorporation to require a majority voting standard for uncontested director elections.

James C. Boland, Gerald B. Blouch and William M. Weber were each elected for a three-year term of office expiring in 2012 with 28,140,964; 28,729,561; and 28,617,197 affirmative votes and 12,063,320; 11,474,723; and 11,587,087 votes withheld, respectively.

John R. Kasich, Dan T. Moore, III, Joseph B. Richey, II, Dale C. LaPorte, Michael F. Delaney, C. Martin Harris, M.D., Bernadine P. Healy, M.D. and A. Malachi Mixon, III are directors with continuing terms.

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The proposal to approve and adopt amendments to the company's Amended 2003 Performance Plan received 31,167,613 affirmative votes and 7,428,284 negative votes, and 81,050 votes abstained.

The proposal to approve and adopt amendments to the Company's Code of Regulations to establish majority voting director resignation procedures received 39,969,825 affirmative votes and 157,870 negative votes, and 76,590 votes abstained.

The proposal to approve and adopt amendments to the Company's Code of Regulations to adopt procedures for shareholders to propose business to be considered and to nominate directors for election at shareholder meetings received 34,616,083 affirmative votes and 5,510,532 negative votes, and 77,674 votes abstained.

The proposal to approve and adopt amendments to the Company's Code of Regulations to adopt procedures for shareholders to propose business to be considered and to nominate directors for election at shareholder meetings received 34,616,083 affirmative votes, 5,510,532 negative votes and 77,674 abstained votes.

The proposal to ratify the appointment of Ernst & Young LLP as the company's independent auditors for its 2009 fiscal year received 39,725,122 affirmative votes and 423,635 negative votes, and 55,533 votes abstained.

The shareholder proposal to adopt an amendment to the Company's Articles of Incorporation to require a majority voting standard for uncontested director elections received 16,457,213 affirmative votes and 22,141,607 negative votes, and 79,125 votes abstained.

**Item 6. Exhibits.**

Exhibit No.

- 3.1 Code of Regulations, as amended on May 21, 2009 (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).  
Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
- 32.1 Sarbanes-Oxley Act of 2002 (furnished herewith).  
Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
- 32.2 Sarbanes-Oxley Act of 2002 (furnished herewith).

**SIGNATURES**

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

**INVACARE CORPORATION**

Date: August 6, 2009

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)

CODE OF REGULATIONS  
OF  
INVACARE CORPORATION

Adopted December 28, 1979  
Amended and Restated as of April 7, 1984  
Amended May 22, 1996  
Amended May 21, 2009

ARTICLE I

Fiscal Year

The fiscal year of the Corporation shall be the calendar year, or such other period as the Board of Directors may designate by resolution.

ARTICLE II

Shareholders

Section 1. Meetings of Shareholders.

(a) Annual Meeting. The annual meeting of the Shareholders of this Corporation, for the election of Directors, the consideration of financial statements and other reports, and the transaction of such other business as may properly be brought before such meeting, shall be held at such time on such date within six (6) months after the close of the Corporation's fiscal year as the Board of Directors shall designate by appropriate notice. Upon due notice there may also be considered and acted upon at an annual meeting any matter which could properly be considered and acted upon at a special meeting, in which case and for which purpose the annual meeting shall also be considered as, and shall be, a special meeting. In the event that the annual meeting is not held or if Directors are not elected thereat, a special meeting may be called and held for that purpose. (1701.39, 1701.38(A))

(b) Special Meeting. Special meetings of the Shareholders may be held on any business day when called by any person or persons who may be authorized by law to do so. Calls for special meetings shall specify the purpose or purposes thereof, and no business shall be considered at any such meeting other than that specified in the call therefor. (1701.40(A), 1701.41)

(c) Place of Meetings. Any meeting of Shareholders may be held at such place within or without the State of Ohio as may be designated in the Notice of said meeting. (1701.40(B))

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(d) Notice of Meeting and Waiver of Notice.

(1) Notice. Written notice of the time, place and purposes of any meeting of Shareholders shall be given to each Shareholder entitled thereto not less than seven (7) days nor more than sixty (60) days before the date fixed for the meeting and as prescribed by law. Such notice shall be given either by personal delivery or mailed to each Shareholder entitled to notice of or to vote at such meeting. If such notice is mailed, it shall be directed, postage prepaid, to the Shareholders at their respective addresses as they appear upon the records of the Corporation, and notice shall be deemed to have been given on the day so mailed. If any meeting is adjourned to another time or place, no notice as to such adjourned meeting need be given other than by announcement at the meeting at which such an adjournment is taken. No business shall be transacted at any such adjourned meeting except as might have been lawfully transacted at the meeting at which such adjournment was taken. (1701.41(A), 1701.02)

(2) Notice to Joint Owners. All notices with respect to any shares to which persons are entitled by joint or common ownership may be given to that one of such persons who is named first upon the books of this Corporation, and notice so given shall be sufficient notice to all the holders of such shares.

(3) Waiver. Notice of any meeting, however, may be waived in writing by any Shareholder either before or after any meeting of Shareholders, or by attendance at such meeting without protest prior to the commencement thereof. (1701.42)

(e) Shareholders Entitled to Notice and to Vote. If a record date shall not be fixed or the books of the Corporation shall not be closed against transfers of shares pursuant to statutory authority, the record date for the determination of Shareholders entitled to notice of or to vote at any meeting of Shareholders shall be the close of business on the twentieth day prior to the date of the meeting and only Shareholders of record at such record date shall be entitled to notice of and to vote at such meeting. Such record date shall continue to be the record date for all adjournments of such meeting unless a new record date shall be fixed and notice thereof and of the date of the adjourned meeting be given to all Shareholders entitled to notice in accordance with the new record date so fixed. (1701.45(A)(C)(E))

(f) Quorum. At any meeting of Shareholders, the holders of shares entitling them to exercise a majority of the voting power of the Corporation, present in person or by proxy, shall constitute a quorum for such meeting; provided, however, that no action required by law, the Articles, or these Regulations to be authorized or taken by the holders of a designated proportion of the shares of the Corporation may be authorized or taken by a lesser proportion. The Shareholders present in person or by proxy, whether or not a quorum be present, may adjourn the meeting from time to time without notice other than by announcement at the meeting. (1701.51)

(g) Organization of Meetings.

(1) Presiding Officer. The Chairman of the Board, or in his absence, the President, or in the absence of both of them, a Vice President of the Corporation shall call all meetings of the Shareholders to order and shall act as Chairman thereof. If all are absent, the Shareholders shall select a Chairman.

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(2) Minutes. The Secretary of the Corporation, or, in his absence, an Assistant Secretary, or, in the absence of both, a person appointed by the Chairman of the meeting, shall act as Secretary of the meeting and shall keep and make a record of the proceedings thereat.

(h) Order of Business. The order of business at all meetings of the Shareholders, unless waived or otherwise determined by a vote of the holder or holders of the majority of the number of shares entitled to vote present in person or represented by proxy, shall be as follows:

1. Call meeting to order.
2. Selection of Chairman and/or Secretary, if necessary.
3. Proof of notice of meeting and presentment of affidavit thereof.
4. Roll call, including filing of proxies with Secretary.
5. Upon appropriate demand, appointment of inspectors of election. (1701.50)
6. Reading, correction and approval of previously unapproved minutes.
7. Reports of officers and committees.
8. If annual meeting, or meeting called for that purpose, election of Directors.
9. Unfinished business, if adjourned meeting.
10. Consideration in sequence of all other matters set forth in the call for and written notice of the meeting.
11. Adjournment.

(i) Voting. Except as provided by statute or in the Articles, every Shareholder entitled to vote shall be entitled to cast one vote on each proposal submitted to the meeting for each share held of record by him on the record date for the determination of the Shareholders entitled to vote at the meeting. At any meeting at which a quorum is present, all questions and business which may come before the meeting shall be determined by a majority of votes cast, except when a greater proportion is required by law, the Articles, or these Regulations. (1701.44 (A))

(j) Proxies. A person who is entitled to attend a Shareholders' meeting, to vote thereat, or to execute consents, waivers and releases, may be represented at such meeting or vote thereat, and execute consents, waivers, and releases, and exercise any of his rights, by proxy or proxies appointed by a writing signed by such person, or by his duly authorized attorney, as provided by the laws of the State of Ohio. (1701.48)

(k) List of Shareholders. At any meeting of Shareholders a list of Shareholders, alphabetically arranged, showing the number and classes of shares held by each on the record date applicable to such meeting shall be produced on the request of any Shareholder. (1701.37(B))

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Section 2. Action of Shareholders Without a Meeting.

Any action which may be taken at a meeting of Shareholders may be taken without a meeting if authorized by a writing or writings signed by all of the holders of shares who would be entitled to notice of a meeting for such purpose, which writing or writings shall be filed or entered upon the records of the Corporation. (1701.54)

ARTICLE IIA.

Section 1. Majority Vote Director Resignation Procedures.

(a) Majority Vote Director Resignations. Any nominee for Director in an Uncontested Election (as defined below) who receives a greater number of votes "withheld" or "against" his or her election than votes "for" such election, with "abstentions" and Broker Non-Votes (as defined below) not counted as votes cast with respect to such nominee's election, shall, promptly following certification of the Shareholder vote, offer his or her resignation to the Board to be conditioned upon acceptance by the Board. Such resignation shall be considered in accordance with the following procedures of this Section 1.

(b) Procedures.

(1) Committee Consideration of Resignation. The Committee (as defined below) shall consider whether accepting the resignation is in the best interests of the Corporation and shall recommend to the Board the action to be taken with respect to such offered resignation (which action can include accepting the resignation, maintaining the Director but addressing what the Committee believes to be the underlying cause of the withhold votes, resolving that the Director will not be re-nominated in the future for election, or rejecting the resignation). In reaching its recommendation, the Committee shall consider all factors it deems relevant, including, as it deems appropriate, any stated reasons why Shareholders withheld votes from such Director; any alternatives for curing the underlying cause of the withheld votes; the Director's tenure; the Director's qualifications; the Director's past and expected future contributions to the Corporation; the overall composition of the Board, including whether accepting the resignation would cause the Corporation to fail to meet any applicable regulatory or stock exchange listing requirements (including, for example, board composition regarding independence or financial expertise qualifications); whether the resignation would trigger defaults or other adverse consequences under material contracts or acceleration of change in control provisions or other rights in severance, employment or other compensation arrangements, or under other agreements entered into by the Corporation, and under the Corporation's charter documents; whether the quorum present and voting in the Uncontested Election was significantly less than the quorum present and voting in prior elections; and whether accepting the resignation is in the best interests of the Corporation.

(2) Participation. A Director who is required to offer his or her resignation in accordance with this Section 1 shall not be present during deliberations or voting of the Committee or the Board regarding whether to accept his or her resignation or, except as otherwise provided below, a resignation offered by any other Director in accordance with this Section 1 with respect to the same Uncontested Election. Prior to voting, the Committee and the Board will afford the affected Director an opportunity to provide the Committee or the Board with any information or statement that he or she deems relevant to such deliberations.

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(3) Timing/Board Action. Subject to any applicable legal or regulatory requirements, the members of the Board will take action on the Committee's recommendation within 90 days following the submission of the Director's resignation. In considering the Committee's recommendation, the Board will consider the factors considered by the Committee and such additional information and factors the Board deems to be appropriate. If the Board is unable to reach a decision on a timely basis, it will promptly publicly disclose the reasons therefor in the manner prescribed in Section 1(b)(4). The Board also may elect to delay acceptance of a resignation for a specified period to provide it with an opportunity to address the underlying Shareholder concerns, to recruit a new Director or for any other reason it believes appropriate.

(4) Disclosure. Following the Board's determination, the Corporation shall promptly publicly disclose in a widely-disseminated press release or a document furnished or filed with the Securities and Exchange Commission the Board's decision of whether to accept the resignation offer including, if applicable, the reasons for rejecting the offered resignation.

(c) Definitions. For purposes of this Section 1, the following terms shall have the meanings ascribed to them as follows:

"Broker Non-Votes" means proxies received from brokers or nominees holding shares for a beneficial owner indicating that the broker or nominee is not voting on a particular proposal because the broker or nominee has not received instructions from the beneficial owner(s) and does not have discretionary voting power with respect to that item.

"Committee" means (i) the Governance Committee of the Board, provided such committee then consists of at least three Directors, each of whom is an "independent Director" (as defined in accordance with the Corporation's Corporate Governance Guidelines) and none of whom is a Director who is required to offer his or her resignation in accordance with this Section 1 with respect to the same Uncontested Election or (ii) if clause (i) is not satisfied, a committee of at least three Directors designated by the Board, each of the members of which committee is an independent Director and none of the members of which is a Director who is required to offer his or her resignation in accordance with this Section 1 with respect to the same Uncontested Election; provided, however, that if there are fewer than three independent Directors then serving on the Board who are not required to offer their resignations in accordance with this Section 1 with respect to the same Uncontested Election then the entire Board (other than the Director whose resignation is being considered who shall recuse himself or herself from the Board's deliberations and voting with respect to his or her individual offer to resign) will make the determination to accept or reject each respective tendered resignation without any recommendation from the Committee and without the creation of a Committee.

"Uncontested Election" means any meeting of Shareholders at which Directors are to be elected and with respect to which the number of nominees for election, as of the last date by which Shareholders may submit notice to nominate a person for election as a Director, does not exceed the number of Directors to be elected.

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(d) Status. If any incumbent Director's offer of resignation is not accepted by the Board, such Director shall continue to serve until the expiration of such Director's then current term and until his or her successor is duly elected and qualified, subject only to such Director's earlier death, resignation, disqualification or removal in accordance with Article III, Section 2 of these Regulations. If a Director's offer of resignation is accepted by the Board pursuant to this Section 1 or if a nominee for Director is not elected and the nominee is not an incumbent Director, then the remaining Directors may fill any resulting vacancy. If the Board does not accept one or more such resignations, it may elect to address any specific stated reasons why Shareholders "withheld" votes from or voted "against" the Directors or take such other actions that the Board deems appropriate and in the best interests of the Corporation.

Section 2. Notice of Shareholder Business and Nominations.

(a) Annual Meetings. (1) Nominations of persons for election to the Board of Directors and the proposal of other business to be considered by the Shareholders may be made at an annual meeting of the Shareholders only as follows: (A) pursuant to the Corporation's notice of meeting, (B) by or at the direction of the Board of Directors or (C) by any Shareholder who (i) was a Shareholder of record at the time of giving of notice provided for in this Section 2 and at the time of the annual meeting, (ii) is entitled to vote at the meeting and (iii) complies with the notice procedures set forth in this Section 2 as to such business or nomination. In order to assure that Shareholders and the Corporation have a reasonable opportunity to consider nominations and other business proposed to be brought before a meeting of Shareholders and to allow for full information to be distributed to Shareholders, clause (C) of this Section 2(a)(1) shall be the exclusive means for a Shareholder to make nominations or submit other business (other than matters properly brought under Rule 14a-8 under the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), and included in the Corporation's notice of meeting) before an annual meeting of the Shareholders.

(2) Without qualification, for any nominations or any other business to be properly brought before an annual meeting by a Shareholder pursuant to Section 2(a)(1)(C), the Shareholder must have given timely notice thereof in proper written form to the Secretary of the Corporation and such other business must otherwise be a proper matter for Shareholder action. To be timely, a Shareholder's notice shall be delivered to the Secretary of the Corporation at the principal executive offices of the Corporation not later than the close of business on the 60th day nor earlier than the close of business on the 90th day prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is more than 30 days before or more than 60 days after such anniversary date, notice by the Shareholder to be timely must be so delivered not earlier than the close of business on the 90th day prior to such annual meeting and not later than the close of business on the later of the 60th day prior to such annual meeting or the 10th day following the day on which public announcement of the date of such meeting is first made by the Corporation. In no event shall any adjournment of an annual meeting or the announcement thereof commence a new time period for the giving of a Shareholder's notice as described above. To be in proper written form, a Shareholder's notice (whether given pursuant to this Section 2(a)(2) or Section 2(b)) to the Secretary of the Corporation must:

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(A) set forth, as to the Shareholder giving the notice and the beneficial owner(s), if any, on whose behalf the nomination or proposal is made (i) the name and address of such Shareholder, as they appear on the Corporation's books, and the name and address of such beneficial owner(s), (ii) the class and number of shares of the Corporation which are held of record by such Shareholder as of the date of the notice, (iii) the class and number of shares of the Corporation which are held of record or are beneficially owned (within the meaning of Section 13(d) of the Exchange Act) by each such beneficial owner as of the date of the notice, (iv) any other information relating to such Shareholder and beneficial owner(s), if any, that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for, as applicable, the proposal and/or for the election of Directors in a contested election pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder, and (v) the written consent of such Shareholder and beneficial owner(s) to the public disclosure of information provided to the Corporation pursuant to this Section 2;

(B) set forth, as to the Shareholder giving the notice or, if given on behalf of a beneficial owner or owners, as to each beneficial owner on whose behalf the nomination or proposal is made (i) any agreements, arrangements or understandings entered into by the Shareholder or beneficial owner(s), as appropriate, and its affiliates and associates with respect to equity securities of the Corporation, including any put or call arrangements, derivative securities, short positions, borrowed shares, swap or similar arrangements or other transactions the value of which are determined by reference to the price, value or volatility of any class of shares of, the Corporation or which provide the opportunity to profit from any increase or decrease in the price or value of any class of shares of the Corporation, specifying in each case the effect of such agreements, arrangements or understandings on any voting or economic rights of equity securities of the Corporation, in each case as of the date of the notice and in each case describing any changes in voting or economic rights which may arise pursuant to the terms of such agreements, arrangements or understandings, (ii) any pending or threatened litigation in which the Shareholder or beneficial owner(s), as appropriate, and its affiliates and associates is a party or material participant involving the Corporation or any of its officers or directors, or any affiliate of the Corporation, (iii) any material transaction occurring during the prior twelve months between the Shareholder or beneficial owner(s), as appropriate, and its affiliates and associates, on the one hand, and the Corporation, any affiliate of the Corporation or any principal competitor of the Corporation, on the other hand, and (iv) to the extent not covered in clauses (i), (ii) and (iii) of this Section 2(a)(2)(B), any disclosures that would be required pursuant to Item 5 or Item 6 of Schedule 13D (regardless of whether the requirement to file a Schedule 13D is applicable to the Shareholder or beneficial owner);

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(C) if the notice relates to any business other than a nomination of a Director or Directors that the Shareholder proposes to bring before the meeting, set forth (i) a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such Shareholder and each beneficial owner, if any, in such business and (ii) a reasonably detailed description of all agreements, arrangements and understandings between such Shareholder and each beneficial owner, if any, and any other person or persons (including their names) in connection with the proposal of such business by such Shareholder;

(D) set forth, as to each person, if any, whom the Shareholder proposes to nominate for election or reelection to the Board of Directors (i) all information relating to such person that is (or would be) required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of Directors in a contested election pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder (including such person's written consent to being named in the proxy statement as a nominee and to serving as a Director if elected) and (ii) a reasonably detailed description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three years, and any other material relationships, between or among such Shareholder and each beneficial owner, if any, and their respective affiliates and associates, or others acting in concert therewith, on the one hand, and each proposed nominee, and his or her respective affiliates and associates, or others acting in concert therewith, on the other hand, including without limitation all information that would be required to be disclosed pursuant to Rule 404 promulgated under Regulation S-K if the Shareholder making the nomination and any beneficial owner on whose behalf the nomination is made, if any, or any affiliate or associate therewith or person acting in concert therewith, were the "registrant" for purposes of such rule and the nominee were a director or executive officer of such registrant;

(E) set forth a representation that such Shareholder intends to appear at the annual meeting to bring such nomination or other business before the annual meeting; and

(F) set forth such other information as may reasonably be required by the Board of Directors as described in the Corporation's proxy statement for the preceding year's annual meeting.

The Shareholder giving notice shall further update and supplement such notice, if necessary, so that the information provided or required to be provided in such notice pursuant to this Section 2 shall be true and correct as of the record date for the meeting and as of the date that is 10 business days prior to the meeting or any adjournment or postponement thereof, and such update and supplement shall be delivered to the Secretary of the Corporation at the principal executive offices of the Corporation not later than five business days after the record date for the meeting (in the case of the update and supplement required to be made as of the record date), and not later than eight business days prior to the date of the meeting, if practicable (or, if not practicable, on the first practicable date prior to) any adjournment or postponement thereof (in the case of the update and supplement required to be made as of ten business days prior to the meeting or any adjournment or postponement thereof).

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The Corporation may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as an independent Director of the Corporation or that could be material to a reasonable Shareholder's understanding of the independence, or lack thereof, of such nominee. The Corporation also may require any proposed nominee to provide to the Corporation a written questionnaire with respect to the background and qualification of such proposed nominee and a written representation and agreement (in a form provided by the Secretary of the Corporation) that such proposed nominee (i) is not and will not become a party to (x) any agreement, arrangement or understanding with, and has not given any commitment or assurance to, any person or entity as to how such proposed nominee, if elected as a Director, will act or vote on any issue or question (a "Voting Commitment") that has not been disclosed to the Corporation or (y) any Voting Commitment that could limit or interfere with such proposed nominee's ability to comply, if elected as a Director, with such proposed nominee's fiduciary duties under applicable law, (ii) is not, and will not become a party to, any agreement, arrangement or understanding with any person or entity other than the Corporation with respect to any direct or indirect compensation, reimbursement or indemnification in connection with service or action as a Director that has not been disclosed to the Corporation and (iii) in such proposed nominee's individual capacity and on behalf of the Shareholder (or the beneficial owner(s), if different) on whose behalf the nomination is made, would be in compliance, if elected as a Director, and will comply with applicable publicly disclosed corporate governance, conflict of interest, confidentiality and stock ownership and trading policies and guidelines of the Corporation.

(3) Notwithstanding anything in the second sentence of Section 2(a)(2) to the contrary, in the event that the number of Directors to be elected to the Board of Directors at an annual meeting is increased and there is no public announcement by the Corporation naming all of the nominees for Director or specifying the size of the increased Board of Directors at least 100 days prior to the first anniversary of the preceding year's annual meeting, a Shareholder's notice required by this Section 2 also shall be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary of the Corporation at the principal executive offices of the Corporation not later than the close of business on the 10th day following the day on which such public announcement is first made by the Corporation.

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(b) Special Meetings. Only such business shall be conducted at a special meeting of the Shareholders as shall have been brought before the meeting pursuant to the notice of meeting and, other than nominations for election to the Board of Directors made in accordance with the following provisions, no Shareholder may bring before a special meeting of the Shareholders any business other than the business specified by the person or persons calling such special meeting in accordance with this Code of Regulations. Nominations of persons for election to the Board of Directors may be made at a special meeting of Shareholders at which Directors are to be elected pursuant to the notice of meeting (1) by or at the direction of the Board of Directors or (2) provided that the election of Directors is a matter specified in such notice of meeting, by any Shareholder who (A) is a shareholder of record at the time of giving of notice provided for in this Section 2 and at the time of the special meeting, (B) is entitled to vote at the meeting and (C) complies with the notice procedures set forth in this Section 2 as to such nomination. In the event the Corporation calls a special meeting of the Shareholders for the purpose of electing one or more Directors to the Board of Directors, any such Shareholder may nominate a person or persons (as the case may be), for election to such position(s) as specified in the Corporation's notice of meeting, if the Shareholder's notice required by Section 2(a)(2) (with respect to an annual meeting) with respect to any nomination by such Shareholder shall be delivered to the Secretary of the Corporation at the principal executive offices of the Corporation not earlier than the close of business on the 90th day prior to such special meeting and not later than the close of business on the later of the 60th day prior to such special meeting or the 10th day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed to be elected at such meeting by the person or persons calling such meeting. In no event shall any adjournment of a special meeting or the announcement thereof commence a new time period for the giving of a Shareholder's notice as described above.

(c) General. (1) Notwithstanding any other provisions of this Code of Regulations to the contrary, only such persons who are nominated in accordance with the procedures set forth in this Section 2 shall be eligible to be elected by the Shareholders to serve as Directors and only such business shall be conducted at a meeting of Shareholders as shall have been brought before the meeting in accordance with all of the applicable procedures set forth in this Section 2. Except as otherwise provided by law, the Articles or these Regulations, the presiding officer shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made, or proposed, as the case may be, in accordance with all of the procedures set forth in this Section 2 and, if any proposed nomination or business is not in compliance with any applicable requirement of this Section 2, to declare that such non-compliant proposal or nomination shall be disregarded.

(2) For purposes of this Section 2, "public announcement" shall mean disclosure in a press release reported by a national news service or in a document publicly filed or furnished by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act and the rules and regulations promulgated thereunder.

(3) Notwithstanding the foregoing provisions of this Section 2, a Shareholder also shall comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 2; provided, however, that any references in this Section 2 to the Exchange Act or the rules promulgated thereunder are not intended to and shall not limit the requirements applicable to nominations or proposals as to any other business to be considered pursuant to Section 2(a)(1)(C) or Section 2 (b). Nothing in this Section 2 shall be deemed to affect any rights of Shareholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act by satisfying the notice and other requirements of Rule 14a-8 in lieu of satisfying the requirements of this Section 2.

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## ARTICLE III

### Directors

#### Section 1. General Powers.

The business, power and authority of this Corporation shall be exercised, conducted and controlled by a Board of Directors, except where the law, the Articles or these Regulations require action to be authorized or taken by the Shareholders. (1071.59)

#### Section 2. Number, Classification, Election and Qualification of Directors.

(a) Number. The Board of Directors shall consist of not less than five nor more than fifteen members. At any Shareholders meeting called for the purpose of electing Directors, the Shareholders, by a vote of the holders of a majority of the voting power represented at the meeting, may fix or change the total number of Directors within the above limitation. In the event that the Shareholders fail to fix or change the number of Directors, the number of Directors then serving in office shall constitute the total number of Directors until further changed in accordance with this Section. In addition to the authority of the Shareholders to fix or change the number of Directors, the total number of Directors so determined may be increased or decreased by not more than two between Shareholders' meetings by the Board of Directors at a meeting or by action without a meeting, and the total number of Directors as so changed shall be the total number of Directors until further changed in accordance with this Section. In the event that the Directors increase the total number of Directors, the Directors who are then in office may fill any vacancy created thereby. No reduction in the total number of Directors shall of itself have the effect of shortening the term of any incumbent Director.

(b) Classification. The Directors shall be classified in respect of the time for which they shall severally hold office by dividing them into three classes, each class to be as nearly equal in number as possible. Subject to the preceding sentence, in the event the total number of Directors (whether determined by the Shareholders or by the Directors in accordance with Section 2(a)) is not divisible by three (3), the extra Director or Directors shall be assigned to a particular class or classes, at the time of election of such Director or Directors, by the Shareholders or by the Directors, whichever have elected the new Director or Directors. The term of any Director elected to fill a vacancy in a class, however created, shall end at the expiration of the term of such class and upon the election and qualification of the successor of such Director.

(c) Election. Subject to the rights of Directors to elect additional Directors in accordance with Section 2(a) or Section 3(d), the Directors of the appropriate class shall be elected at the Annual Meeting of Shareholders, or if not so elected, at a Special Meeting of Shareholders called for that purpose. The Directors to be elected at each such Annual or Special Meeting of Shareholders shall be the class whose term in office then expires; provided, however that the Shareholders may, in their discretion, also elect Directors to fill any vacancies in other classes without regard to how such vacancies were created. At any meeting of Shareholders at which Directors are to be elected, only persons nominated as candidates in accordance with the procedures set forth in Article IIA, Section 2 of this Code of Regulations shall be eligible for election, and the candidates receiving the greatest number of votes shall be elected.

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- (d) Qualification. Directors need not be Shareholders of the Corporation.

Section 3. Term of Office of Directors.

(a) Term. The term of office of each class of Directors shall be three (3) years (so that the term of one class of Directors shall expire each year), and the Directors shall hold office for the respective terms to which elected and until their respective successors are elected and qualified, subject only to prior resignation, death or removal by the Directors as provided by law, and subject to the provisions of the Articles.

(b) Removal. Other than as heretofore stated, no Director may be removed from office except for cause. With prior notice thereof, all the Directors or all the Directors of a particular class, or any individual Director may be removed for cause by a majority vote at any Special Meeting of Shareholders properly called for that purpose, provided that unless all the Directors, or all the Directors of a particular class, are removed, no individual Director shall be removed in case the votes of a sufficient number of shares are cast against his removal which, if cumulatively voted at an election of all the Directors, or all the Directors of a particular class, as the case may be, would be sufficient to elect at least one Director.

(c) Resignation. A resignation from the Board of Directors shall be deemed to take effect immediately or at such other time as the Director may specify.

(d) Vacancy. If any vacancy shall occur in the Board of Directors by death, resignation or as provided by law, the Articles or these Regulations, the remaining Directors shall constitute the Board of Directors until such vacancy is filled. The remaining Directors may fill any vacancy in the Board for the unexpired term.

Section 4. Meetings of Directors.

(a) Regular Meetings. A regular meeting of the Board of Directors shall be held immediately following the adjournment of the annual meeting of the Shareholders or a special meeting of the Shareholders at which Directors are elected. The holding of such Shareholders' meeting shall constitute notice of such Directors' meeting and such meeting may be held without further notice. Other regular meetings shall be held at such other times and places as may be fixed by the Directors. (1701.61)

(b) Special Meetings. Special meetings of the Board of Directors may be held at any time upon call of the Chairman of the Board, the President, any Vice President, or any two Directors. (1701.61(A))

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(c) Place of Meeting. Any meeting of Directors may be held at any place within or without the State of Ohio in person and/or through any communications equipment if all persons participating in the meeting can hear each other. (1701.61(B))

(d) Notice of Meeting and Waiver of Notice. Notice of the time and place of any regular or special meeting of the Board of Directors (other than the regular meeting of Directors following the adjournment of the annual meeting of the Shareholders or following any special meeting of the Shareholders at which Directors are elected) shall be given to each Director by personal delivery, telephone, mail, telegram or cablegram at least forty-eight (48) hours before the meeting, which notice need not specify the purpose of the meeting. Such notice, however, may be waived in writing by any Director either before or after any such meeting, or by attendance at such meeting (including attendance (presence) by means of participation through any communications equipment as above provided) without protest prior to the commencement thereof. (1701.61(B)(C), 1701.42)

#### Section 5. Quorum and Voting.

At any meeting of Directors, not less than one-half of the whole authorized number of Directors is necessary to constitute a quorum for such meeting, except that a majority of the remaining Directors in office constitutes a quorum for filling a vacancy in the Board. At any meeting at which a quorum is present, all acts, questions and business which may come before the meeting shall be determined by a majority of votes cast by the Directors present at such meeting, unless the vote of a greater number is required by the Articles, Regulations or By-Laws. (1701.62)

#### Section 6. Committees.

(a) Appointment. The Board of Directors may from time to time appoint certain of its members (but in no event less than three) to act as a committee or committees in the intervals between meetings of the Board and may delegate to such committee or committees powers to be exercised under the control and direction of the Board. Each such committee and each member thereof shall serve at the pleasure of the Board.

(b) Executive Committee. In particular, the Board of Directors may create from its membership and define the powers and duties of an Executive Committee. During the intervals between meetings of the Board of Directors the Executive Committee shall possess and may exercise all of the powers of the Board of Directors in the management and control of the business of the Corporation to the extent permitted by law. All action taken by the Executive Committee shall be reported to the Board of Directors at its first meeting thereafter.

(c) Committee Action. Unless otherwise provided by the Board of Directors, a majority of the members of any committee appointed by the Board of Directors pursuant to this Section shall constitute a quorum at any meeting thereof and the act of a majority of the members present at a meeting at which a quorum is present shall be the act of such committee. Action may be taken by any such committee without a meeting by a writing signed by all its members. Any such committee shall prescribe its own rules for calling and holding meetings and its method of procedure, subject to any rules prescribed by the Board of Directors, and shall keep a written record of all action taken by it. (1701.63)

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Section 7. Action of Directors Without a Meeting.

Any action which may be taken at a meeting of Directors may be taken without a meeting if authorized by a writing or writings signed by all the Directors, which writing or writings shall be filed or entered upon the records of the Corporation. (1701.54)

Section 8. Compensation of Directors.

The Board of Directors may allow compensation for attendance at meetings or for any special services, may allow compensation to members of any committee, and may reimburse any Director for his expenses in connection with attending any Board or committee meeting. (1701.60)

Section 9. Attendance at Meetings of Persons Who Are Not Directors.

Unless waived by a majority of Directors in attendance, not less than twenty-four (24) hours before any regular or special meeting of the Board of Directors any Director who desires the presence at such meeting of not more than one person who is not a Director shall so notify all other Directors, request the presence of such person at the meeting, and state the reason in writing. Such person will not be permitted to attend the Directors' meeting unless a majority of the Directors in attendance vote to admit such person to the meeting. Such vote shall constitute the first order of business for any such meeting of the Board of Directors. Such right to attend, whether granted by waiver or vote, may be revoked at any time during any such meeting by the vote of a majority of the Directors in attendance.

ARTICLE IV

Officers

Section 1. General Provisions.

The Board of Directors shall elect a President, a Secretary and a Treasurer, and may elect a Chairman of the Board, one or more Vice-Presidents, and such other officers and assistant officers as the Board may from time to time deem necessary. The Chairman of the Board, if any, and the President shall be Directors, but no one of the other officers need be a Director. Any two or more offices may be held by the same person, but no officer shall execute, acknowledge or verify any instrument in more than one capacity if such instrument is required to be executed, acknowledged or verified by two or more officers. (1701.64(A))

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## Section 2. Powers and Duties.

All officers, as between themselves and the Corporation, shall respectively have such authority and perform such duties as are customarily incident to their respective offices, and as may be specified from time to time by the Board of Directors, regardless of whether such authority and duties are customarily incident to such office. In the absence of any officer of the Corporation, or for any other reason the Board of Directors may deem sufficient, the Board of Directors may delegate for the time being, the powers or duties of such officer, or any of them, to any other officer or to any Director. The Board of Directors may from time to time delegate to any officer authority to appoint and remove subordinate officers and to prescribe their authority and duties. Since the lawful purposes of this Corporation include the acquisition and ownership of real property, personal property and property in the nature of patents, copyrights, and trademarks and the protection of the Corporation's property rights in its patents, copyrights and trademarks, each of the officers of this Corporation is empowered to execute any power of attorney necessary to protect, secure, or vest the Corporation's interest in and to real property, personal property and its property protectable by patents, trademarks and copyright registration and to secure such patents, copyrights and trademark registrations. (1701.64(B)(1))

## Section 3. Term of Office and Removal.

(a) Term. Each officer of the Corporation shall hold office during the pleasure of the Board of Directors, and unless sooner removed by the Board of Directors, until the meeting of the Board of Directors following the date of their election and until his successor is elected and qualified. (1701.64(A))

(b) Removal. The Board of Directors may remove any officer at any time, with or without cause by the affirmative vote of a majority of Directors in office. (1701.64(B)(2))

## Section 4. Compensation of Officers.

Unless compensation is otherwise determined by a majority of the Directors at a regular or special meeting of the Board of Directors, or unless such determination is delegated by the Board of Directors to another officer or officers, the President of the Corporation from time to time shall determine the compensation to be paid to all officers and other employees for services rendered to the Corporation. (1701.60)

## ARTICLE V

### Indemnification of Directors, Officers, Employees, and Others

(a) Right of Indemnification. The Corporation shall indemnify any Director, officer, employee or other person, to the fullest extent provided by, or permissible under, Section 1701.13(E), Ohio Revised Code; and the Corporation is hereby specifically authorized to take any and all further action to effectuate any indemnification of any person which any Ohio corporation may have power to take (permissible under Section 1701.13(E)(6) or under any other statute or under general law), by any vote of the Shareholders, vote of disinterested Directors, by any Agreement, or otherwise. This Section of the Code of Regulations of the Corporation shall be interpreted in all respects to expand such power to indemnify to the maximum extent permissible to any Ohio Corporation with regard to the particular facts of each case, and not in any way to limit any statutory or other power to indemnify, or right of any individual to indemnification.

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(b) Insurance for Indemnification. The Corporation may purchase and maintain insurance for protection of the Corporation and for protection of any Director, officer, employee and/or any other person for whose protection, and to the fullest extent, such insurance may be purchased and maintained under Section 1701.13(E)(7), Ohio Revised Code, or otherwise. Such policy or policies of insurance may provide such coverage and be upon such terms and conditions as shall be authorized or approved from time to time by the Board of Directors or the Shareholders of the Corporation.

## ARTICLE VI

### Securities Held by the Corporation

#### Section 1. Transfer of Securities Owned by the Corporation.

All endorsements, assignments, transfers, stock powers, share powers or other instruments of transfer of securities standing in the name of the Corporation shall be executed for and in the name of the Corporation by the President, by a Vice President, by the Secretary or by the Treasurer or by any other person or persons as may be thereunto authorized by the Board of Directors.

#### Section 2. Voting Securities Held by the Corporation.

The Chairman of the Board, President, any Vice President, Secretary or Treasurer, in person or by another person thereunto authorized by the Board of Directors, in person or by proxy or proxies appointed by him, shall have full power and authority on behalf of the Corporation to vote, act and consent with respect to any securities issued by other corporations which the Corporation may own. (1701.47(A))

## ARTICLE VII

### Share Certificates

#### Section 1. Transfer and Registration of Certificates.

The Board of Directors shall have authority to make such rules and regulations, not inconsistent with law, the Articles or these Regulations, as it deems expedient concerning the issuance transfer and registration of certificates for shares and the shares represented thereby and may appoint transfer agents and registrars thereof. (1701.14(A), 1701.26)

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## Section 2. Substituted Certificates.

Any person claiming that a certificate for shares has been lost, stolen or destroyed, shall make an affidavit or affirmation of that fact and, if required, shall give the Corporation (and its registrar or registrars and its transfer agent or agents, if any) a bond of indemnity, in such form and with one or more sureties satisfactory to the Board, and, if required by the Board of Directors, shall advertise the same in such manner as the Board of Directors may require, whereupon a new certificate may be executed and delivered of the same tenor and for the same number of shares as the one alleged to have been lost, stolen or destroyed. (1701.27, 1308.35)

## ARTICLE VIII

### Seal

The Directors may adopt a seal for the Corporation which shall be in such form and of such style as is determined by the Directors. Failure to affix any such corporate seal shall not affect the validity of any instrument. (1701.13(B))

## ARTICLE IX

### Consistency with Articles of Incorporation

If any provision of these Regulations shall be inconsistent with the Corporation's Articles of Incorporation (and as they may be amended from time to time), the Articles of Incorporation (as so amended at the time) shall govern.

## ARTICLE X

### Section Headings

The headings contained in this Code of Regulations are for reference purposes only and shall not be construed to be part of and/or shall not affect in any way the meaning or interpretation of this Code of Regulations.

## ARTICLE XI

### Amendments

Except as otherwise provided by law, by the Articles or by these Regulations, this Code of Regulations of the Corporation (and as it may be amended from time to time) may be repealed, amended or added to in any respect (i) by the Board of Directors (to the extent permitted by the Ohio General Corporation Law), or (ii) at any time at any meeting of shareholders by the affirmative vote of the holders of a majority of the voting power of the Corporation; provided, that any amendment or repeal proposed to be acted upon at any such meeting has been described or referred to in the notice of such meeting, or (iii) by the written consent of the shareholders of record in accordance with Ohio General Corporation Law. If an amendment or addition is adopted by written consent without a meeting of the Shareholders, it shall be the duty of the Secretary to enter the amendment or addition in the records of the Corporation, and to mail a copy of such amendment or addition to each Shareholder of record who would be entitled to vote thereon and did not participate in the adoption thereof. (1701.11)

## 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 6, 2009

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 6, 2009

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, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, A. Malachi Mixon, III, Chief Executive 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 6, 2009

By: /s/ A. Malachi Mixon, III

Name: A. Malachi Mixon, III

Title: Chief Executive 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.

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, 2009 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 6, 2009

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.