



## INVACARE CORPORATION

### Corporate Governance Guidelines (As Amended March 23, 2009)

The following principles have been approved by the Board of Directors, along with the charters of the committees of the Board and the responsibilities of the Lead Director (attached hereto as Exhibit C), providing the framework for the corporate governance of Invacare Corporation. The Board recognizes that ensuring that the Company maintains good corporate governance practices is an ongoing and continuous process, and will periodically review these guidelines and other aspects of Invacare's corporate governance.

#### 1. Composition of the Board

*Board Size.* The Board believes that, given the size and breadth of the Company and the need for diversity of directors' views, the size of the Board should be in the range of nine to fifteen directors. The Governance Committee (the "Governance Committee") periodically reviews the Board's size and recommends to the Board the most effective size for the Company.

*Board Selection.* In considering possible candidates for election as a director, the Nominating Committee, after consultation with the Board, should be guided by the principles and qualifications that it may adopt from time to time as part of its charter.

*Independence of Directors.* Independent directors must comprise a majority of the Board. An independent director is one who minimally meets the definition of independence as set forth on Exhibit A attached hereto, which may be revised from time to time by the Governance Committee, and who also meets the definitions or standards of independence under the relevant NYSE listing standards. The Board will affirmatively make and disclose in the Company's annual proxy statement, as required, its determination based on all relevant facts and circumstances known to it that each Board member who it has identified as independent has no material relationship, directly or indirectly, with the Company.

*Term Limits.* The Board does not believe that term limits are appropriate. While term limits and the resulting rotation of directors may permit differing and potentially new viewpoints to be presented to the Board, the loss of an experienced director who has had the opportunity to develop insight into the Company, its practices and its operations over time and, thus, can contribute substantially to the Board, is potentially a greater disadvantage to the Company than the advantages presented by term limits.

*Retirement.* Directors shall retire at the expiration of their term following attaining age 75.

*Number of Other Company Boards.* No director may serve on more than five (5) other public company boards of directors, in addition to the Board of the Company. Further, the CEO of the Company may not serve on more than two (2) other public company boards of directors in addition to the Board of the Company. To monitor independence and to reduce the likelihood of conflicts of interest, each director shall advise the CEO and the Chairman of the Governance Committee in advance of accepting an invitation to serve on another public company board of directors.

## **2. Responsibilities and Functions of the Board**

*Responsibilities.* The Board of Directors is elected by the shareholders to oversee management and to assure that the long-term interests of the shareholders are being served. The basic responsibility of the directors is to exercise their business judgment and act in what they reasonably believe to be the best interests of the Company and its shareholders and other relevant constituents. In discharging that obligation, directors should be entitled to rely on the honesty and integrity of the Company's senior executives and its outside advisors and auditors. The directors recognize that the long-term interests of the shareholders are advanced by responsibly addressing the concerns of other stakeholders and interested parties, including employees, suppliers, creditors and customers.

*Board Agenda and Materials.* The Chairman of the Board sets the agenda for Board meetings, with input from the Lead Director, with the understanding that certain items necessary for appropriate Board oversight, such as annual budgets and long range plans, must appear periodically on the agenda. Board members are encouraged to recommend items to be placed on the agenda. Information and data is important to the Board's understanding of the business, and management will seek to provide appropriate presentation materials that are brief and to the point, yet communicate the essential information. Under normal circumstances, materials should be delivered several days in advance of the meeting, unless pressing needs dictate otherwise.

*Frequency of Meetings.* The Board has four regularly scheduled meetings per year. In addition, special meetings may be called as needed.

*Attendance at Meetings.* It is the responsibility of the directors to attend Board meetings and meetings of committees on which they serve, and to spend the time needed and meet as frequently as necessary to properly discharge their duties. Directors should review in advance of any meeting all materials distributed in writing to directors. While the Board recognizes that unavoidable conflicts may occasionally prevent a Director from attending an entire meeting, a Director will not be counted as attending any meeting in which he or she is present, either in person or by telephone, for less than 50% of the meeting time. Additionally, Directors are expected to attend the Company's Annual Meeting of Shareholders.

*Access to Advisors.* The Board and each Board committee may hire independent advisors, as they deem necessary, without consulting or obtaining advance approval of any officer of the Company.

*Corporate Strategy.* The Board regularly reviews the Company's long-term strategic and business plans and fundamental financial and business strategies.

*Director Orientation and Continuing Education.* The Company's director orientation program is designed to familiarize new directors with the Company's history, strategies, plans, significant financial issues, compliance programs, Code of Business Conduct and Ethics and Insider Trading Policy. Generally, new directors are encouraged to complete the Company's orientation program within two months after their election, including, if possible, a visit to the Company's headquarters and to meet the senior leadership team and internal and independent auditors. All directors are welcome to participate in part or all of the orientation program. From time to time, directors will receive information and updates on legal and regulatory changes that affect the Company, its employees and the operation of the Board. The Governance Committee will from time to time also make other recommendations regarding further educational opportunities for directors, including educational classes, seminars and conferences for directors of public companies.

### **3. Selection and Responsibilities of the Chairman and the Chief Executive Officer**

The Board selects the Chairman of the Board and the Chief Executive Officer in accordance with the Code of Regulations of the Company and upon the criteria that the Board deems appropriate. The Chairman presides at all meetings of the shareholders and of the Board. The Chief Executive Officer is responsible for the general management of the affairs of the Company and shall perform all duties which may be required by law and such other duties as are properly required by the Board. The Chief Executive Officer shall make reports to the Board and shall assist in overseeing that all orders and resolutions of the Board and of any committee of the Board are carried into effect.

The Board has no policy with respect to the separation of the offices of Chairman of the Board and the Chief Executive Officer. The Board believes that this issue is part of the succession planning process and that it is in the best interests of the Company for the Board to make a determination whenever it elects a new chief executive officer.

### **4. Board Committees**

*Number and Structure.* The Board has established five standing committees to assist it in effectively discharging its responsibilities: Audit; Compensation and Management Development; Governance; Nominating; and Investment. The Board may establish additional committees as it deems appropriate. The Governance Committee will periodically review the committee structure, with input from the Lead Director, and recommend any changes to the full Board.

The Audit Committee, the Compensation and Management Development Committee, the Governance Committee and the Nominating Committee each shall consist solely of independent directors under the criteria established by the New York Stock Exchange.

*Assignment of Committee Members.* The Governance Committee, in consultation with the Chairman of the Board, recommends to the Board the assignment of directors to the Board's

committees. The Governance Committee, with input from the Lead Director, periodically reviews committee structure and assignments.

*Frequency and Length of Committee Meetings.* The chair of each committee, in consultation with committee members, determines the frequency and length of committee meetings.

*Committee Agenda.* The chair of each committee, in consultation with other committee members and appropriate members of management, develops the committee's agenda. Each Board member may recommend agenda items for any committee meeting. Committee chairs report the highlights of each committee meeting to the full Board.

*Committee Charters.* Each committee has its own charter. The charters set forth the purposes, goals and responsibilities of the committees. The charters are published on the Company's web site.

## **5. Executive Sessions of Non-Management Directors**

The non-management directors meet in executive session at least quarterly after the end of each of the regularly scheduled Board meetings. The Lead Director will coordinate, develop the agenda for and moderate such executive sessions. If any of the non-management directors are not "independent" (as determined pursuant to paragraph 1 above), then at least one of such executive sessions should occur without any such director(s) present. Formal deliberations or decisions concerning the business and affairs of the Company will occur only during regular or special meetings of the full Board and not during executive sessions.

## **6. Succession Planning**

The Compensation and Management Development Committee plans for the succession to the position of Chief Executive Officer. To assist the Compensation and Management Development Committee, the Chief Executive Officer periodically provides the Compensation and Management Development Committee with an assessment of senior managers and their succession potential. The Chief Executive Officer also provides the Compensation and Management Development Committee with an assessment of persons considered potential successors to certain senior management positions, including a review of any development plans recommended for such individuals.

## **7. Board Access to Management**

*General.* Board members have complete access to management, so long as it is not disruptive to the business operations of the Company. The Lead Director will act as principal liaison between the independent directors and the Chairman and Chief Executive Officer on sensitive issues.

*Attendance of Non-Directors at Board Meetings.* The Board encourages the Chief Executive Officer to bring members of management from time to time into Board meetings to:

- (a) provide management insight into items being discussed by the Board that involve the manager;
- (b) make presentations to the Board on matters which involve the manager; and
- (c) bring managers with high potential for future development and growth in the Company into contact with the Board.

## **8. Board Evaluation; Chief Executive Officer Evaluation**

*Board Self-Assessment.* The Governance Committee periodically directs an assessment of the Board's performance, the results of which are discussed with the full Board. The assessment includes a review of any areas in which the Board or management believes the Board can make a better contribution to the governance of the Company. The purpose of the review is to improve the performance of the Board as a unit. The Governance Committee and the Nominating Committee utilize the results of the Board evaluation process in assessing and determining the characteristics and critical skills required of prospective candidates for election to the Board. In addition, the Governance Committee, with input from the Lead Director, leads each committee in reviewing its performance.

*Annual Evaluation of Chief Executive Officer.* The Compensation and Management Development Committee, with input from the Lead Director, shall conduct an annual evaluation of the Chief Executive Officer's performance and compensation. The evaluation should be based on criteria established by the Compensation and Management Development Committee, including performance of the business, accomplishment of long-term strategic objectives and development of management. The evaluation that is presented to the Board includes such goals and objectives and the Chief Executive Officer's performance in relation thereto. The Lead Director is authorized to meet with the Chairman and Chief Executive Officer to discuss the Board's evaluation of performance.

## **9. Director Compensation Review**

An independent compensation consultant, engaged by the Compensation and Management Development Committee, reports periodically to that committee on the status of the Company's director compensation practices in relation to other public companies of comparable size as well as to the Company's competitors, to the extent information is publicly available. Changes in director compensation, if any, should come upon the recommendation of the Compensation and Management Development Committee, but with full discussion and concurrence by the Board. The Compensation and Management Development Committee determines the form and amount of director compensation, and conducts periodic reviews of director compensation.

## **10. Board Interaction with Interested Parties**

The Board believes that management speaks for the Company. Individual Board members may from time to time informally communicate with various constituencies that are involved with the Company, such as the press, investors and customers. However, it is expected that this

communication would be made with the knowledge and concurrence of management, in advance when feasible.

#### **11. Communication with Board of Directors and Process for Engagement Following Majority Vote on Shareholder Proposal**

Additionally, the Board has established a process for shareholders and other interested parties to communicate their concerns directly to the entire Board or specifically to non-management directors of the Board. Such communications may be confidential or anonymous, if so designated, and may be submitted in writing to the following address: Shareholder Communication, c/o Executive Offices, Invacare Corporation, One Invacare Way, Elyria, Ohio 44036. The status of all outstanding concerns that have been addressed to the entire Board or only non-management directors will be reported to the Chairman of the Board, the Lead Director or the chair of the Governance Committee, respectively, on a quarterly basis.

If a shareholder proposal receives the support of a majority of the votes cast, excluding abstentions and broker non-votes, at an annual meeting of the Company's shareholders, then, within four months after such annual meeting, the Governance Committee, or an alternative Board committee comprised of independent directors designated by the Board, will schedule a meeting (which may be held telephonically) with the proponent of such proposal, to obtain any additional information to provide to the Board for its further consideration of the proposal. The meeting with the proponent will be coordinated with the timing of a regularly scheduled Board meeting. Following the meeting with the proponent, the Governance Committee (or alternative committee) will present the proposal with the committee's recommendation, and information relevant to the proposal, to the full Board for action consistent with the Company's articles of incorporation and code of regulations, including consideration of the interests of the Company's shareholders.

#### **12. Periodic Review of Corporate Governance Guidelines**

The Governance Committee periodically reviews these Corporate Governance Guidelines, with input from the Lead Director, and considers other corporate governance principles that may merit consideration by the Board.

#### **13. Share Ownership of Executive Officers and Directors**

The Board believes that the Company's executive officers and directors should be shareholders and have a financial stake in the Company through an ownership position in the Company over time. In furtherance of this belief, the Compensation and Management Development Committee has developed Share Ownership Guidelines for Executive Officers and Directors, which may be amended from time to time, and which shall be attached hereto as Exhibit B.

## Exhibit A

### **Independent Director**

To be considered independent under the New York Stock Exchange independence criteria under Section 303A (the “NYSE Standards”), the Board must determine that a director does not have a direct or indirect material relationship with the Company. The Board has adopted the following guidelines to assist it in making such determinations:

A director will be considered independent if he or she, at any time that is considered relevant under current NYSE Standards (subject to any applicable transition rules of the NYSE Standards):

- (i) has not been employed by the Company or its affiliates;
- (ii) has not had an immediate family member who has been employed by the Company or its affiliates as an executive officer;
- (iii) has not received, and has not had an immediate family member who has received, more than such annual amount of direct compensation from the Company as may be considered relevant from time to time under the NYSE Standards (excluding from the calculation of such compensation director and committee fees and pension or other forms of deferred compensation for prior service [provided such deferred compensation is not in any way contingent on continued service]);
- (iv) has not been a partner of the Company’s present internal or external auditor, or a partner or employee of a present or former internal or external auditor of the Company who worked on the Company’s audit;
- (v) has not had an immediate family member who has been a partner of the Company’s present internal or external auditor, or a partner or employee of a present or former internal or external auditor of the Company who worked on the Company’s audit;
- (vi) has not been employed, and has not had an immediate family member who has been employed, as an executive officer of another company where any of the Company’s present executives serve on that company’s compensation committee; and
- (vii) has not been an executive officer or an employee of another company, and has not had an immediate family member who has been an executive officer of another company, that does business with the Company and makes payments to, or receives payments from, the Company for property or services in an amount that, in the most recent fiscal year, exceeds the greater of \$1 million or 2% of such other company’s consolidated gross revenues.

Additionally, the following commercial and charitable relationships will be considered immaterial relationships and a director will be considered independent if he or she does not have any of the relationships described in clauses (i) - (vii) above, and:

- (i) is not an executive officer of another company, and does not have an immediate family member who is an executive officer of another company, that is indebted to the Company, or to which the Company is indebted, where the total amount of either company's indebtedness to the other is more than 5% of the total consolidated assets of the other company and exceeds \$100,000 in the aggregate; and
- (ii) does not serve, and does not have an immediate family member who serves, as an officer, director or trustee of a foundation (other than the Company's foundation), university, charitable or other not for profit organization, and the Company's, or the Company foundation's, annual discretionary charitable contributions (any matching of employee charitable contributions will not be included in the amount of contributions for this purpose) to the organization, in the aggregate, are more than 5% percent of that organization's total annual revenues (or charitable receipts in the event such organization does not generate revenues).

In the event that a director has a relationship of the type described in clauses (i) or (ii) in the immediately preceding paragraph that falls outside of the "safe harbor" thresholds set forth in such clauses (i) and (ii), or if the director had any such relationship during the prior three years that fell outside of such "safe harbor" thresholds, then in any such case, the Board annually shall determine whether the relationship is material or not, and therefore, whether the director would be independent or not. The Company will explain in its next proxy statement the basis for any Board determination that a relationship is immaterial despite the fact that it does not meet the categorical standards of immateriality set forth in clauses (i) and (ii) in the immediately preceding paragraph.

In addition, any director serving on the Audit Committee of the Company may not be considered independent if he or she directly or indirectly receives any compensation from the Company other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not in any way contingent on continued service).

**Exhibit B**

**Invacare Stock Ownership Guidelines**

**Who will be part of the program?**

CEO  
President & COO  
CFO  
Sr. V.P. & General Counsel  
Sr. V.P. – Electronic & Design Engineering  
Sr. V.P. – Global Marketing Development  
Sr. V.P. Human Resources

**What are the ownership requirements?**

CEO	5X Base Salary
President & COO	3X Base Salary
CFO	2X Base Salary
Sr. V.P.'s	2X Base Salary

These levels to be achieved over five (5) years and maintained afterward beginning February 28, 2005, or from their hire date thereafter.

**How will the program be administered?**

The holding requirement will be established bi-annually, starting February 28, 2005, and measured in number of equivalent shares based on average share price in the previous year times the multiple of the executive's base salary.

Example - CEO

Base Salary	X	Multiple	/	Avg. share price previous year	=	# of shares to be held
\$1,075,900	X	5	/	\$17.35	=	310,057

## **Invacare Stock Ownership Guidelines (con't)**

### **What is included for the purposes of stock ownership?**

- ◆ Direct and indirect shares held
- ◆ Unvested restricted stock
- ◆ 30% of unexercised stock options that are in the money by 20%

### **Who will administer this program?**

The Sr. V.P. – Human Resources is responsible for interpreting and administering the program for compliance and will report to the CEO and Compensation and Management Development Committee on a bi-annual basis.

### **Director's Minimum Share Ownership Guidelines**

The Board has established a minimum share ownership requirement to ensure that the interest of each director is aligned with the interest of the shareholder. Each director will be required to own a minimum of 2,500 Invacare common shares and will have a transition period to achieve that ownership level which must be accomplished by the date that is five (5) years after they first become a Board Member. For the purposes of obtaining the minimum shares, the following will be included: Directly or indirectly held shares, unvested restricted stock and 30% of unexercised options that are in the money by 20%. Directors who have deferred director compensation they would have received in a year into the grant of discounted stock options shall receive credit henceforth for owning that number of shares as is determined by dividing 50% of that year's deferred compensation by the closing sale price (FMV) of the Invacare common shares at the end of the prior fiscal year. (This credit shall be given in lieu of such options being counted pursuant to the preceding sentence). Thus, for example, if a director deferred \$20,000 of director compensation that he or she would have received in 2008, then he or she would be treated for 2008 and afterwards as if he or she had acquired \$10,000 of shares at the FMV at the end of fiscal 2007, or \$25.20 per share, or 397 shares.

## Exhibit C

### **Responsibilities of Lead Director**

- The Chairman and Chief Executive Officer is the senior executive of the Company and is responsible for:
  - providing management of the day-to-day operations of the Company;
  - recommending policy and strategic direction of the Company for ultimate approval by the Board of Directors;
  - setting the Board agenda and chairing Board meetings; and
  - acting as the senior spokesperson of the Company.
  
- In contrast, the Lead Director is responsible for coordinating the activities of the independent directors. In addition to those mandatory duties of all Board members as and to the extent specifically set forth in Ohio law, the Company's Corporate Governance Guidelines and the Charters of the Committees established by the Board, the Lead Director is authorized, in his or her discretion, to undertake any one or more of the following responsibilities:
  - advise the Chairman and Chief Executive Officer as to an appropriate schedule of Board meetings, seeking to ensure that the independent directors can perform their duties responsibly while not interfering with the flow of Company operations;
  - provide the Chairman and Chief Executive Officer with suggestions for possible agenda items for Board and Committee meetings;
  - advise the Chairman and Chief Executive Officer as to the quality, quantity and timeliness of the flow of information from Company management that is necessary for the independent directors to effectively and responsibly perform their duties; although Company management is responsible for the preparation of materials for the Board, the Lead Director may specifically request the inclusion of certain material;
  - interview, along with the chair of the Nominating Committee, all Board candidates, and make recommendations to the Nominating Committee and the Board;
  - assist the Board and Company officers in assuring compliance with the Company's Corporate Governance Guidelines;
  - recommend revisions to the Corporate Governance Guidelines as appropriate;
  - coordinate, develop the agenda for and moderate executive sessions of the Board's independent directors; act as principal liaison between the independent directors and the Chairman and Chief Executive Officer on sensitive issues;
  - evaluate, along with the members of the Compensation and Management Development Committee, the Chairman and Chief Executive Officer's performance; meet with the Chairman and Chief Executive Officer to discuss the Committee's evaluation of performance;
  - discuss with the Chairman and Chief Executive Officer and the Governance Committee the membership of the various Board Committees, as well as selection of the Committee chairs;
  - respond to the concerns of any directors, whether or not these concerns are discussed with the full Board;
  - assist the Governance Committee in its role in connection with the annual self-evaluation process of the Board and its committees;
  - act as a resource for, and counsel to, the Chairman and Chief Executive Officer; and
  - perform other responsibilities as delegated by the Board.