

INVACARE CORP  
Form DEF 14A  
April 09, 2009

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the**  
**Securities Exchange Act of 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

**Invacare Corporation**

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

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

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

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(1) Amount Previously Paid:

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(2) Form, Schedule or Registration Statement No.:

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(3) Filing Party:

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(4) Date Filed:

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Invacare Corporation

One Invacare Way

Elyria, Ohio 44035

April 9, 2009

To the Shareholders of

INVACARE CORPORATION:

This year's Annual Meeting of Shareholders will be held at 10:00 A.M. (EDT), on Thursday, May 21, 2009, at the Lorain County Community College, Spitzer Conference Center, Grand Room, 1005 North Abbe Road, Elyria, Ohio. We will be reporting on Invacare's activities and you will have an opportunity to ask questions about its operations.

We hope that you are planning to attend the annual meeting personally and we look forward to seeing you. **Whether or not you expect to attend in person, the return of the enclosed proxy as soon as possible would be greatly appreciated and will ensure that your shares will be represented at the annual meeting. If you do attend the annual meeting, you may, of course, withdraw your proxy should you wish to vote in person.**

On behalf of the Board of Directors and management of Invacare Corporation, I would like to thank you for your continued support and confidence.

Sincerely yours,

A. MALACHI MIXON, III

*Chairman and*

*Chief Executive Officer*

## Invacare Corporation

### Notice of Annual Meeting of Shareholders

To Be Held On May 21, 2009

The Annual Meeting of Shareholders of Invacare Corporation (the Company) will be held at the Lorain County Community College, Spitzer Conference Center, Grand Room, 1005 North Abbe Road, Elyria, Ohio on Thursday, May 21, 2009, at 10:00 A.M. (EDT), for the following purposes:

1. To elect three directors to the class whose three-year term will expire in 2012;
2. To approve and adopt amendments to the Company's Amended 2003 Performance Plan;
3. To approve and adopt amendments to the Company's Code of Regulations to establish majority voting director resignation procedures;
4. 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;
5. To 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. To ratify the appointment of Ernst & Young LLP as our independent auditors for our 2009 fiscal year;
7. To consider and vote upon one shareholder proposal, if properly presented at the annual meeting; and
8. To transact any other business as may properly come before the annual meeting.

Holders of common shares and Class B common shares of record as of the close of business on Thursday, March 26, 2009 are entitled to vote at the annual meeting. It is important that your shares be represented at the annual meeting. For that reason, we ask that you promptly sign, date and mail the enclosed proxy card in the return envelope provided. Shareholders who attend the annual meeting may revoke their proxy and vote in person.

By Order of the Board of Directors,

ANTHONY C. LAPLACA  
*Secretary*

April 9, 2009

**Important Notice Regarding the Availability of Proxy Materials**

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for the Shareholder Meeting to Be Held on May 21, 2009:

The Proxy Statement and the 2008 Annual Report are also available

at [www.invacare.com/annualreport](http://www.invacare.com/annualreport).

**Invacare Corporation**

**Proxy Statement**

**For the Annual Meeting of Shareholders**

**May 21, 2009**

***Why am I receiving these materials?***

This proxy statement is furnished in connection with the solicitation of proxies by the Board of Directors of Invacare for use at the Annual Meeting of Shareholders to be held on May 21, 2009 and any adjournments or postponements that may occur. The time, place and purposes of the annual meeting are set forth in the Notice of Annual Meeting of Shareholders, which accompanies this proxy statement. This proxy statement is being mailed to shareholders on or about April 9, 2009.

***Who is paying for this proxy solicitation?***

We will pay the expense of soliciting proxies, including the cost of preparing, assembling and mailing the notice, proxy statement and proxy. In addition to the solicitation of proxies by mail, our directors, officers or employees, without additional compensation, may make solicitations personally and by telephone. We may also reimburse brokerage firms, banks and other agents for the cost of forwarding proxy materials to beneficial owners. Invacare has retained Morrow & Co., LLC, 470 West Ave., Stamford, CT 06902, to assist in the solicitation of proxies for a fee of \$15,000 plus reimbursement of certain disbursements and expenses.

***Who is entitled to vote?***

Only shareholders of record at the close of business on March 26, 2009, the record date for the meeting, are entitled to receive notice of and to vote at the annual meeting. On this record date, there were 31,025,638 common shares and 1,109,685 Class B common shares outstanding and entitled to vote.

***How many votes do I have?***

On each matter to be voted on, you have one vote for each outstanding common share you own as of March 26, 2009 and ten votes for each outstanding Class B common share you own as of March 26, 2009.

***How do I vote?***

If you are a shareholder of record, you can vote in person at the annual meeting or you can vote by signing and mailing in your proxy card in the enclosed envelope. If you are a shareholder of record, the proxy holders will vote your shares based on your directions.

If you sign and return your proxy card, but do not properly direct how your shares should be voted on a proposal, the proxy holders will vote **FOR** each of the director nominees named in proposal 1, **FOR** proposals 2, 3, 4, 5 and 6, and **AGAINST** proposal 7 and will use their discretion on any other proposals and other matters that may be brought before the annual meeting.

If you hold common shares through a broker or nominee, you may vote in person at the annual meeting only if you have obtained a signed proxy from your broker or nominee giving you the right to vote your shares.

***How do I vote my common shares held in the Invacare Retirement Savings Plan?***

If you are a participant in the Invacare Retirement Savings Plan, the voting instruction card should be used to vote the number of common shares that you are entitled to vote under the plan. If you do not vote timely, your shares will not be counted.

***What are the voting recommendations of the Board of Directors?***

Our Board of Directors recommends that you vote:

**For** the election of the three nominated directors to the class whose three-year term will expire in 2012;

**For** the amendments to the Company's Amended 2003 Performance Plan;

**For** the amendments to the Company's Code of Regulations to establish majority voting director resignation procedures;

**For** the 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;

**For** the 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;

**For** ratifying the appointment of Ernst & Young LLP as our independent auditors for our 2009 fiscal year; and

**Against** the shareholder proposal.

***What vote is required to approve each proposal?***

Except as otherwise provided by Invacare's amended and restated articles of incorporation or code of regulations, or required by law, holders of common shares and Class B common shares will at all times vote on all matters, including the election of directors, together as one class. The holders of common shares and Class B common shares will vote together as one class on all seven proposals described in this proxy statement. No holder of shares of any class has cumulative voting rights in the election of directors.

Election of Directors (Proposal No. 1). The nominees receiving the greatest number of votes will be elected. A proxy card marked **Withhold Authority** with respect to the election of one or more directors will not be voted with respect to the director or directors indicated. Abstentions and broker non-votes will have no effect on the election of directors.



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~~Approval and adoption of amendments to the Company's Amended 2003 Performance Plan (Proposal No. 2). The approval and adoption of amendments to the Company's Amended 2003 Performance Plan to provide for an increase by 3,000,000 shares, the number of Common~~

Shares of the Company currently authorized and reserved for issuance thereunder and certain other modifications described in this proxy statement. The proposal requires the affirmative vote of the holders of a majority of the votes cast, so long as the total vote cast on the proposal represents over 50% of the total voting power of the Company. A proxy card marked as *Abstain* with respect to this proposal will not be voted, although it will be counted for purposes of determining the number of shares entitled to vote at the meeting. Accordingly, if you *Abstain* from voting, it will have the same effect as an *Against* vote. Broker non-votes also will have the same effect as a vote *Against* this proposal. However, if the total votes cast for or against the proposal represent more than 50% of the interest in all shares entitled to vote on the proposal, abstentions and broker non-votes will have no effect on the outcome of the vote.

Approval and adoption of amendments to the Company's Code of Regulations to establish majority voting director resignation procedures (Proposal No. 3). The approval and adoption of an amendment to the Company's Code of Regulations to establish majority voting director resignation procedures requires the affirmative vote of the holders of record entitled to exercise a majority of the voting power of the Company. A proxy card marked as *Abstain* with respect to this proposal will not be voted, although it will be counted for purposes of determining the number of shares entitled to vote at the meeting. Accordingly, if you *Abstain* from voting, it will have the same effect as an *Against* vote. Broker non-votes also will have the same effect as a vote *Against* this proposal.

Approval and adoption of 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 (Proposal No. 4). The approval and adoption of an amendment 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 requires the affirmative vote of the holders of record entitled to exercise a majority of the voting power of the Company. A proxy card marked as *Abstain* with respect to this proposal will not be voted, although it will be counted for purposes of determining the number of shares entitled to vote at the meeting. Accordingly, if you *Abstain* from voting, it will have the same effect as an *Against* vote. Broker non-votes also will have the same effect as a vote *Against* this proposal.

Approval and adoption of 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 (Proposal No. 5). The approval and adoption of an amendment 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 requires the affirmative vote of the holders of record entitled to exercise a majority of the voting power of the Company. A proxy card marked as *Abstain* with respect to this proposal will not be voted, although it will be counted for purposes of determining the number of shares entitled to vote at the meeting. Accordingly, if you *Abstain* from voting, it will have the same effect as an *Against* vote. Broker non-votes also will have the same effect as a vote *Against* this proposal.

Ratification of Auditors (Proposal No. 6). Ratification of the appointment of Ernst & Young LLP as our independent auditors requires the affirmative vote of the holders of a majority of the votes cast. A proxy card marked as *Abstain* with respect to the ratification of the appointment of Ernst & Young LLP will not be voted, although it will be counted for purposes of determining the number of shares entitled to vote at the meeting. Accordingly, if you *Abstain* from voting, it will have the same effect as an *Against* vote. Broker non-votes will have no effect on the ratification.

Shareholder Proposal (Proposal No. 7). If properly presented at the annual meeting, the approval of the shareholder proposal for the adoption of an amendment to the Company's

articles of incorporation to require a majority voting standard for uncontested director elections requires the affirmative vote of a majority of the voting power of the Company. A proxy card marked as *Abstain* with respect to the shareholder proposal will not be voted, although it will be counted for purposes of determining the number of shares entitled to vote. Accordingly, if you *Abstain* from voting, it will have the same effect as an *Against* vote. Broker non-votes will have the same effect as an *Against* vote for the shareholder proposal.

***What constitutes a quorum?***

A quorum of shareholders will be present at the annual meeting if at least a majority of the aggregate voting power of common shares and Class B common shares outstanding on the record date are represented, in person or by proxy, at the annual meeting. On the record date, 42,122,488 votes were outstanding; therefore, shareholders representing at least 21,061,245 votes will be required to establish a quorum. Abstentions and broker non-votes will be counted towards the quorum requirement.

***Can I revoke or change my vote after I submit a proxy?***

Yes. You can revoke your proxy or change your vote at any time before the proxy is exercised at the annual meeting. This can be done by either submitting another properly completed proxy card with a later date, sending a written notice to our Secretary, or by attending the annual meeting and voting in person. You should be aware that simply attending the annual meeting will not automatically revoke your previously submitted proxy; rather you must notify an Invacare representative at the annual meeting of your desire to revoke your proxy and vote in person.

***Can I access the Notice of Annual Meeting, Proxy Statement and the 2008 Annual Report on the Internet?***

The Notice of Annual Meeting, Proxy Statement and 2008 Annual Report are available on the Internet at [www.invacare.com/annualreport](http://www.invacare.com/annualreport). We also will provide a copy of any of these documents to any shareholder free of charge, upon request by writing to: Shareholder Relations Department, Invacare Corporation, One Invacare Way, P.O. Box 4028, Elyria, Ohio 44036-2125.

If you hold your shares in a bank or brokerage account, your bank or broker may also provide you copies of these documents electronically. Please check the information provided in the proxy materials mailed to you by your bank or broker regarding the availability of this service.

**ELECTION OF DIRECTORS**

**(Proposal No. 1)**

At the annual meeting, three directors will be elected to serve a three-year term until the annual meeting in 2012 or until their successors have been elected and qualified. Each of the nominees is presently a director of Invacare and has indicated his or her willingness to serve another term as a director if elected.

At Invacare's 2008 Annual Meeting of Shareholders, a shareholder proposal requesting that the Board of Directors take the necessary steps to declassify the Board and establish the annual election of directors for the reelection of any incumbent director whose term under the current classified board structure subsequently expires, was supported by a majority of the votes cast at the meeting. The Board of Directors is aware of the trend toward the declassification of boards based on shareholders' general desire for increased accountability on the part of the directors. After substantial consideration and discussion with the shareholder proponent, and in light of shareholders' apparent desire to declassify the Board, the Board of Directors has committed to submitting and recommending to shareholders a management proposal at the Company's 2010 Annual Meeting of Shareholders to amend the Company's Code of Regulations and provide for declassification of the Board of Directors as requested by the proposal.

### Nominees for Terms Expiring in 2012

**James C. Boland**, 69, has been a director since 1998 and was appointed as Invacare's Lead Director in February 2008. Mr. Boland, prior to his retirement in 2007, served for nine years as President, Chief Executive Officer and Vice Chairman of the Cavaliers Operating Company, LLC (formerly Cavaliers/Gund Arena Company) operator of the Cleveland Cavaliers professional basketball team and Quicken Loans Arena. Prior to his time with the Cavaliers, Mr. Boland served for 22 years as a partner of Ernst & Young LLP in various roles, including Vice Chairman and Regional Managing Partner as well as a member of the firm's Management Committee from 1988 to 1996, and as Vice Chairman of National Accounts from 1997 to his retirement from the firm in 1998. Mr. Boland also is a director of The Sherwin-Williams Company (NYSE), Cleveland, Ohio, a manufacturer and distributor of coatings and related products and The Goodyear Tire & Rubber Company (NYSE), Akron, Ohio, one of the world's leading manufacturers of tires and rubber products.

**Gerald B. Blouch**, 62, has been President and a director of Invacare since November 1996. Mr. Blouch has been Chief Operating Officer since December 1994 and Chairman-Invacare International since December 1993. Previously, Mr. Blouch was President-Homecare Division from March 1994 to December 1994 and Senior Vice President-Homecare Division from September 1992 to March 1994. Mr. Blouch served as Chief Financial Officer of Invacare from May 1990 to May 1993 and Treasurer of Invacare from March 1991 to May 1993.

**William M. Weber**, 69, has been a director since 1988. In August 2005, Mr. Weber became President and CEO of Air Enterprises L.L.C., which designs and manufactures custom high end air handling equipment for critical areas in the hospital, drug and educational markets. Mr. Weber also serves as a director of Air Enterprises L.L.C. From 1994 to 2005, Mr. Weber was President of Roundcap L.L.C. and a principal of Roundwood Capital L.P., a partnership that invested in public and private companies. From 1968 to 1994, Mr. Weber was President of Weber, Wood, Medinger, Inc., Cleveland, Ohio, a commercial real estate brokerage and consulting firm.

### Directors whose Terms Will Expire in 2010

**John R. Kasich**, 56, has been a director since 2001. Mr. Kasich has served as an associate of Schottenstein Stores Corp. since 2008, after having served as a managing director of Lehman Brothers' investment banking group from 2001 to 2008. He spent 18 years as a member of the House of Representatives of the United States Congress, and served as head of the House Budget Committee from 1995 to 2000. He was the chief architect of the Balanced Budget Act of 1997, which eliminated the federal budget deficit. As a committee chairman, he was the House's top negotiator with the White House over details of the plan, setting spending limits for all federal government agencies and cutting taxes. Mr. Kasich is the honorary chairman of ReCharge Ohio, a political action committee. Mr. Kasich serves as a director of Worthington Industries, Inc. (NYSE), Columbus, Ohio, a diversified steel processor that focuses on steel processing and metals-related businesses. Mr. Kasich is also a contributor to the Fox News Channel.

**Dan T. Moore, III**, 69, has been a director since 1980. Mr. Moore has been President of Dan T. Moore Co. since 1979 and is Chairman of seven advanced materials manufacturing companies: Flow Polymers, Inc., Soundwich, Inc., Team Wendy LLC, Impact Armor Technologies LLC, Sleep Optima LLC, Tennessee Iron Products and ePIFNI/SONIC. He is a director of Hawk Corporation (NYSE Alternext US), Cleveland, Ohio, a supplier of friction products for brakes, clutches, and transmissions used in aerospace, industrial and specialty applications, and is a director of Park-Ohio Holdings Corp (NASDAQ), Cleveland, Ohio, a provider of supply chain logistics services and a manufacturer of engineered products. Mr. Moore is also a Trustee of the Cleveland Clinic Foundation.

**Joseph B. Richey, II**, 72, has been a director since 1980. Mr. Richey has been President-Invacare Technologies and Senior Vice President-Electronic and Design Engineering since 1992. Previously, Mr. Richey was Senior Vice President-Product Development from 1984 to 1992, and Senior Vice President and General Manager-North American Operations from September 1989 to September 1992. Mr. Richey also serves as a director of Steris Corporation (NYSE), Cleveland, Ohio, a manufacturer and distributor of medical sterilizing equipment and is a member of the Board of Trustees for Case Western Reserve University and The Cleveland Clinic Foundation.

**Dale C. LaPorte**, 67, has been a director since February 2009. Mr. LaPorte served as Senior Vice President Business Development and General Counsel of the Company from December 2005 to December 2008. Prior to that, Mr. LaPorte was a partner at Calfee, Halter & Griswold LLP from 1974 to 2005 and served as chairman of that firm from 2000 to 2004. Mr. LaPorte serves as member of the board of trustees of Allegiant Mutual Funds and the board of directors of Morrison Products, Inc., a manufacturer of air moving equipment for original equipment manufacturers in the heating, ventilation, air conditioning and refrigeration industry.

#### **Directors whose Terms Will Expire in 2011**

**Michael F. Delaney**, 60, has been a director since 1986. From 1983 to October 2003, Mr. Delaney served as the Associate Director of Development of the Paralyzed Veterans of America, a national veterans service organization in Washington, D.C. Since October 2003, Mr. Delaney has served Associate Director of Corporate Marketing of the Paralyzed Veterans of America.

**C. Martin Harris, M.D.**, 52, has been a director since 2003. Since 1996, Dr. Harris has been the Chief Information Officer and Chairman of the Information Technology Division of The Cleveland Clinic Foundation in Cleveland, Ohio and a Staff Physician for The Cleveland Clinic Hospital and The Cleveland Clinic Foundation Department of General Internal Medicine. Additionally, since 2000, he has been Executive Director of e-Cleveland Clinic, a series of e-health clinical programs offered over the internet. Nationally, Dr. Harris serves as the Chairman of the National Health Information Infrastructure (NHII) Task Force of the Healthcare Information and Management Systems Society (HIMSS), the largest information and management systems society in the world. He is also the Chairman of the Foundation Board for the e-Health Initiative, a public policy and advocacy group that encourages the interoperability of information technology in healthcare.

**Bernadine P. Healy, M.D.**, 64, has been a director since 1996. Dr. Healy has been a columnist and Health Editor for *U.S. News & World Report* since September 2002. She has served on The President's Council of Advisors on Science and Technology (PCAST) since 2001, and served as a chair of the Ohio Commission to Reform Medicaid in 2003. Dr. Healy was President and CEO, American Red Cross from September 1999 to December 2001. From 1995 to August 1999, Dr. Healy served as the Dean and Professor of Medicine of the College of Medicine and Public Health of The Ohio State University, Columbus, Ohio. Dr. Healy is a Trustee of the Battelle Memorial Institute in Columbus, Ohio. She also serves as a director of Ashland, Inc. (NYSE), Covington, Kentucky, a specialized chemicals company and The Progressive Corporation (NYSE), Cleveland, Ohio, an automobile insurance company.

**A. Malachi Mixon, III**, 68, has been a director since 1979. Mr. Mixon has been Chief Executive Officer since 1979 and Chairman of the Board since 1983 and also served as President until 1996, when Gerald B. Blouch, Chief Operating Officer, was elected as our President. Mr. Mixon serves as a director of The Sherwin-Williams Company (NYSE), Cleveland, Ohio, a manufacturer and distributor of coatings and related products. Mr. Mixon also serves as Chairman of the Board of Trustees of The Cleveland Clinic Foundation, Cleveland, Ohio, one of the world's leading academic medical centers. Mr. Mixon also serves on the board of Park-Ohio Holdings Corp (NASDAQ), Cleveland, Ohio, a provider of supply chain logistics services and a manufacturer of highly engineered products.

**Invacare's Board of Directors recommends that shareholders vote FOR the election of the three directors to the class whose three-year term will expire in 2012.**

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**APPROVAL AND ADOPTION OF AMENDMENTS TO THE COMPANY S AMENDED 2003 PERFORMANCE PLAN**

**(Proposal No. 2)**

**General**

The Invacare Corporation Amended 2003 Performance Plan (the 2003 Plan ) was originally adopted and approved by shareholders on May 21, 2003. The shareholders adopted and approved an amendment to the 2003 Plan on May 25, 2006. The 2003 Plan is designed to advance the interests of the Company and its shareholders by strengthening its ability to attract, retain and reward highly qualified non-employee directors, executive officers and other employees, to motivate them to achieve business objectives established to promote the Company s long term growth, profitability and success, and to encourage their ownership of common shares.

In general, the 2003 Plan empowers the Company to grant stock options and stock appreciation rights and to make restricted stock grants, and other stock and performance-based grants and awards, to non-employee directors, executive officers and other employees of the Company and its subsidiaries. The maximum number of common shares currently reserved for issuance under the 2003 Plan is 3,800,000 common shares, which includes 300,000 shares that may be granted as restricted awards and 200,000 that may be granted at a price of not less than 75% of the fair market value on the date of grant. Pursuant to the 2003 Plan, none of the awards can be transferred to third parties for consideration. As of March 15, 2009, restricted share awards and options to purchase up to an aggregate of 3,040,775 of the Company s common shares (97,336 of which had been exercised and 587,302 of which had been cancelled or forfeited and made available for issuance again under the 2003 Plan as of that date) have been granted under the 2003 Plan out of the 3,800,000 common shares currently reserved for issuance, which includes awards granted at a discount totaling 89,304 shares, plus an additional 291,761 restricted share awards have been granted. Hence, only 759,225 common shares remain available for future grants under the 2003 Plan of which 8,239 may be issued as restricted awards and 110,696 may be issued at a discount.

**Proposed Amendment to the 2003 Plan**

*Proposed Amendment.* On March 3, 2009, the Compensation and Management Development Committee of the Board of Directors (the Compensation Committee ) unanimously approved and recommended to the Board of Directors, and the Board of Directors subsequently approved and recommended to the shareholders, an amendment to the 2003 Plan that would, if approved by the shareholders, (1) increase the number of common shares authorized and reserved for issuance under the 2003 Plan by 3,000,000 shares from 3,800,000 to 6,800,000 common shares, which would include 1,300,000 shares that may be granted as awards other than stock options, (2) modify the definition of a change in control of the Company under the 2003 Plan to make it more restrictive, and (3) modify the terms of the 2003 Plan to eliminate the availability for future grant under the plan of shares transferred or surrendered for the payment of option exercise prices or taxes (the 2003 Plan Amendment ).

*Purpose of the Amendment.* Equity compensation has been a long-standing and vital component of the Company s overall compensation philosophy; and the Company believes that equity based awards have helped to successfully incentivize key employees and non-employee directors to promote the interests of the Company and its shareholders. Therefore, in order to enable the Company to continue to provide appropriate incentives in accordance with its compensation philosophy, the Company is seeking shareholder approval of the 2003 Plan Amendment. The Board of Directors believes that the 2003 Plan Amendment is in the best interests of the Company and its shareholders and recommends that the shareholders approve and adopt the 2003 Plan Amendment.

## Summary of the 2003 Plan

The principal features of the 2003 Plan are summarized below. The summary does not contain all information that may be important to you. You should read the complete text of the 2003 Plan, as proposed to be amended, which is attached as Appendix A to this proxy statement.

*Plan Administration.* The 2003 Plan is administered by the Compensation Committee, a standing committee comprised entirely of non-employee directors that satisfy the requirements for disinterested persons under Rule 16b-3 of the Exchange Act; provided, however, that the Board of Directors may in its discretion administer the 2003 Plan, in which case the term Compensation Committee shall be deemed to be the Board of Directors. All employees and non-employee directors of Invacare and its subsidiaries are eligible to be selected by the Compensation Committee for participation in the 2003 Plan.

*Authority of Committee.* The Compensation Committee has authority to: select the participants who will receive awards, grant awards, determine the terms, conditions, and restrictions applicable to the awards (including the forms of agreements for such awards); determine how the exercise price is paid, modify or replace outstanding awards within the limits of the 2003 Plan, accelerate the date on which awards become exercisable, waive the restrictions and conditions applicable to awards, defer payout on awards and establish rules governing the 2003 Plan, including special rules applicable to awards made to participants who are foreign nationals or are employed outside the United States.

The 2003 Plan establishes certain limits on the exercise price of awards, but not on the earn-out or vesting periods, or termination provisions in the event of termination of employment. Instead, the Committee is given broad authority to establish these terms in order to best achieve the purposes of the 2003 Plan.

Within certain limits, the Compensation Committee may delegate its authority under the 2003 Plan to any other person or persons. Any decision made by the Compensation Committee in connection with the administration, interpretation and implementation of the 2003 Plan and of its rules and regulations will be, to the extent permitted by law, final and binding upon all persons. Neither the Compensation Committee nor any of its members is liable for any act taken by the Compensation Committee pursuant to the 2003 Plan. No member of the Compensation Committee is liable for the act of any other member.

*Number of Common Shares.* The aggregate number of common shares that currently may be subject to awards, including incentive stock options, granted under the 2003 Plan is 3,800,000 common shares, subject to certain adjustments. If the 2003 Plan Amendment is approved by the shareholders, that number will increase to 6,800,000 common shares. Class B common shares are not issuable under the 2003 Plan. Common shares issued under the 2003 Plan may be either newly-issued shares or treasury shares. The assumption of obligations in respect of awards granted by an organization acquired by the Company, or the grant of awards under the 2003 Plan in substitution for any such awards, will not reduce the number of common shares available in any fiscal year for the grant of awards under the 2003 Plan.

Common shares subject to an award that is forfeited, terminated, or canceled without having been exercised (other than shares subject to a stock option that are canceled upon the exercise of a related stock appreciation right) will be available again for grant under the 2003 Plan, without reducing the number of common shares available in any fiscal year for grant of awards under the 2003 Plan. The 2003 Plan currently provides that common shares transferred or surrendered to pay option exercise prices or taxes associated with an Award will be available again for grant under the plan. If the 2003 Plan Amendment is approved by shareholders, such transferred or surrendered shares will not be available again for grant under the 2003 Plan.

*Adjustments.* In the event of a recapitalization, stock dividend, stock split, reverse stock split, distribution to shareholders (other than cash dividends), or similar transaction, the Compensation Committee can adjust, in any manner that it deems equitable, the number and class of shares that may be issued under the 2003 Plan and the number and class of shares, and the exercise price, applicable to outstanding awards.

*Performance Based Awards.* The 2003 Plan is designed to enable the Company to provide certain forms of performance based compensation to senior executive officers that will meet the requirements for tax deductibility under Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code). Section 162(m) of the Code provides that, subject to certain exceptions, the Company may not deduct compensation paid to any one of certain executive officers in excess of \$1 million in any one year. Section 162(m) excludes from the \$1 million limitation on tax deductibility compensation that qualifies as performance based compensation meeting certain requirements.

*Types of Awards.* The 2003 Plan provides for the grant of stock options (incentive stock options or non-qualified stock options), restricted stock, stock appreciation rights, stock equivalent units, and other stock or performance-based incentives. These awards are payable in cash or common shares, or any combination thereof, as determined by the Compensation Committee.

*Grant of Awards.* Awards may be granted singly or in combination or tandem with other awards. Awards also may be granted in replacement of other awards granted by the Company. If a participant pays all or part of the exercise price or taxes associated with an award by the transfer of common shares or the surrender of all or part of an award (including the award being exercised), the Compensation Committee may, in its discretion, grant a new award to replace the award or common shares that were transferred or surrendered. The Company also may assume awards granted by an organization acquired by the Company or may grant awards in replacement of any such awards.

*No Repricing.* The repricing of any stock options or stock appreciation rights at a lower exercise price, whether by cancellation or amendment of the original grant, is expressly prohibited under the 2003 Plan.

*Certain Limits on Awards Under the 2003 Plan.* The maximum aggregate number of common shares that may be granted under the 2003 Plan pursuant to all awards (i.e., restricted stock, stock appreciation rights, stock equivalent units, etc.), other than stock options, is 300,000 common shares. If the 2003 Plan Amendment is approved by the shareholders, that number will increase to 1,300,000 common shares. The 2003 Plan currently provides that the term of each stock option shall be fixed by the Compensation Committee, but in no event shall the term exceed ten years after the date of grant. If the 2003 Plan Amendment is approved by the shareholders, the 2003 Plan also will provide that the term of each stock appreciation right shall be fixed by the Compensation Committee, but in no event shall the term exceed ten years after the date of grant. The exercise price of a stock option may not be less than 100% of the fair market value on the date of grant; provided, that up to 200,000 common shares for which non-qualified stock options may be granted may have an exercise price of not less than 75% of the fair market value on the date of grant, which is primarily intended to allow for the continuation of the non-employee directors' deferred compensation program described under Compensation of Directors. The foregoing limits are subject to adjustment as described above.

*Certain Limits on Individual Awards.* The maximum aggregate number of common shares for which stock options may be granted to any particular employee during any calendar year is 400,000 common shares. The maximum aggregate number of common shares for each of (i) stock appreciation rights, and (ii) other stock-based awards, respectively, which may be granted to any particular employee during any calendar year is 50,000 common shares (or 100,000 common shares in the aggregate). The foregoing limits also are subject to adjustment as described above.



*Payment of Exercise Price.* The exercise price of a stock option (other than an incentive stock option), and any other stock award for which the Compensation Committee has established an exercise price may be paid in cash, by the transfer of common shares, by the surrender of all or part of an award (including the award being exercised), or by a combination of these methods, as and to the extent permitted by the Compensation Committee. The exercise price of an incentive stock option may be paid in cash, by the transfer of common shares, or by a combination of these methods, as and to the extent permitted by the Compensation Committee, but may not be paid by the surrender of an award. The Compensation Committee may prescribe any other method of paying the exercise price that is determined to be consistent with applicable law and the purpose of the 2003 Plan. The 2003 Plan currently provides that common shares transferred or surrendered to pay option exercise prices or taxes associated with an Award will be available again for grant under the plan. If the 2003 Plan Amendment is approved by shareholders, such transferred or surrendered shares will not be available again for grant under the 2003 Plan.

*Deferrals.* The Compensation Committee may defer the payment of any grant or award, or permit participants to defer their receipt of payment, for such period or periods and on such terms and conditions as the Compensation Committee may specify, so long as such deferral complies with Code Section 409A. Deferrals may be in the form of cash or stock equivalent units, which may earn interest at a rate or rates specified by the Compensation Committee.

*Termination of Awards.* The Compensation Committee may cancel any awards if the participant, without the Company's prior written consent, (i) within 18 months after the date a participant terminates employment with the Company renders services for an organization, or engages in a business, that is (in the judgment of the Compensation Committee) in competition with the Company, or (ii) discloses to anyone outside of Invacare, or uses for any purpose other than Invacare's business, any confidential information relating to the Company. In addition, the Compensation Committee may, subject to certain conditions in the 2003 Plan and in its discretion, require the participant to return the economic value of any award that the participant realized or obtained prior to and after such participant engaged in any of the above activities.

*Change in Control.* In the event of a change in control of the Company, as defined in the 2003 Plan, unless the Board of Directors determines otherwise, immediately prior to such change in control (i) all outstanding stock options and stock appreciation rights will become fully exercisable, and (ii) all restrictions and conditions applicable to restricted stock and other awards exercisable for Common Shares will be deemed to have been satisfied. Any other determination by the Board of Directors that is made after the occurrence of the change in control will not be effective unless a majority of the Directors then in office are continuing directors and the determination is approved by a majority of the continuing directors for this purpose (or is approved by a committee comprised solely of such continuing directors). Continuing directors are Directors who were in office prior to the change in control or were recommended or elected to succeed continuing directors by a majority of the continuing directors then in office (or by a committee comprised solely of such continuing directors then in office). If the 2003 Plan Amendment is approved by shareholders, the definition of a change in control of the Company will be amended to a more strict definition than is currently provided under the 2003 Plan. See the text of the 2003 Plan, as proposed to be amended, attached as Appendix A to this proxy statement.

*Amendment, Effective Date, and Termination.* The Board of Directors may amend, suspend, or terminate the 2003 Plan at any time. Shareholder approval for any such amendment will be required if the amendment results in an increase, subject to certain exceptions, in the maximum number of common shares that may be subject to awards granted under the 2003 Plan. The Compensation Committee may not amend any outstanding award under the 2003 Plan to reduce the exercise price of any stock option or stock appreciation right, except in accordance with an adjustment described above.

*Federal Income Tax Consequences of Awards.* The anticipated income tax treatment, under current provisions of the Code, of the grant and exercise of awards is as follows:

*Incentive Stock Options.* In general, an employee will not recognize taxable income at the time an incentive stock option is granted or exercised provided the employee has been employed by the Company at all times from the date of grant until the date three months before the date of exercise (one year in the case of permanent disability). However, the excess of the fair market value of the common shares acquired upon exercise of the incentive stock option over the exercise price is an item of tax preference for purposes of the alternative minimum tax. If the employee exercises an incentive stock option without satisfying the employment requirement, the income tax treatment will be the same as that for a non-qualified stock option, described below. Upon disposition of the common shares acquired upon exercise of an incentive stock option, capital gain or capital loss will be recognized in an amount equal to the difference between the sale price and the exercise price, provided that the employee has not disposed of the common shares within two years of the date of grant or within one year from the date of exercise (a Disqualifying Disposition). If the employee disposes of the shares in a Disqualifying Disposition, the employee will recognize ordinary income at the time of the Disqualifying Disposition to the extent of the difference between the exercise price and the lesser of the fair market value of the shares on the date the incentive stock option is exercised or the amount realized in the Disqualifying Disposition. Any remaining gain or loss is treated as a capital gain or capital loss.

The Company is not entitled to a tax deduction either upon the exercise of an incentive stock option or upon the disposition of the common shares acquired thereby, except to the extent that the employee recognizes ordinary income in a Disqualifying Disposition and subject to the applicable provisions of the Code.

*Non-Qualified Stock Options.* In general, participants will not recognize taxable income at the time a stock option that does not qualify as an incentive stock option (a Non-qualified Stock Option) is granted. However, an amount equal to the difference between the exercise price and the fair market value, on the date of exercise, of the common shares acquired upon exercise of the Non-qualified Stock Option will be included in the participant's ordinary income in the taxable year in which the Non-qualified Stock Option is exercised. Upon disposition of the common shares acquired upon exercise of the Non-qualified Stock Option, appreciation or depreciation from the tax basis of the shares acquired after the date of exercise will be treated as either capital gain or capital loss.

Non-qualified Stock Options that are granted at an exercise price that is less than the fair market value on the date of grant are subject to Section 409A of the Code, which applies to arrangements involving the deferral of compensation for employees and directors. Such grants are generally intended to comply with Section 409A and are made under such terms and conditions as are deemed necessary in order for the grant to comply with Section 409A.

Subject to the applicable provisions of the Code, including the deductibility limitations under Section 162(m) of the Code, the Company generally will be entitled to a tax deduction in the amount of the ordinary income realized by the participant in the year the Nonqualified Stock Option is exercised. Any amounts includable as ordinary income to a participant in respect of a Non-qualified Stock Option will be subject to applicable withholding for federal income and employment taxes.

*Stock Appreciation Rights.* The grant of stock appreciation rights will have no immediate tax consequences to the Company or the participant receiving the grant. In general, the amount of compensation that will be realized by a participant upon exercise of a stock appreciation right is equal to the difference between the grant date valuation of the common shares underlying the stock appreciation right and the fair market value of the stock or cash received on the date of exercise. The amount received by the participant upon the exercise of the stock appreciation rights will be included in

the participant's ordinary income in the taxable year in which the stock appreciation rights are exercised. Subject to the applicable provisions of the Code, including the deductibility limitations under Section 162(m) of the Code, the Company generally will be entitled to a deduction in the same amount in that year.

*Restricted Stock.* Unless a participant makes an election under Section 83(b) of the Code, the participant will recognize no income, and the Company will be entitled to no deduction at the time restricted stock is awarded to the participant. When the restrictions on the restricted stock lapse or are otherwise removed, the participant will recognize compensation income equal to the excess of the fair market value of the restricted stock on the date the restrictions lapse or are otherwise removed over the amount, if any, paid by the participant for the restricted stock, and, generally, the Company will be entitled to a deduction in the same amount subject to the applicable provisions of the Code, including the possible limitations under Section 162(m) of the Code. Dividends paid on restricted stock during any restriction period will, unless the participant has made an election under Section 83(b) of the Code, constitute compensation income to the participant receiving the dividends; and the Company generally will be entitled to a deduction in the same amount. Upon disposition of common shares after the restrictions lapse or are otherwise removed, any gain or loss realized by a participant will be treated as short-term or long-term capital gain or loss depending upon the period of time between the disposition and the earlier lapse or removal of the restrictions on those common shares.

If a participant files an election under Section 83(b) of the Code with the Internal Revenue Service within 30 days after the grant of restricted stock, the participant will, on the date of the grant, recognize compensation income equal to the excess of the fair market value of the common shares on that date over the price paid for those common shares, and the Company generally will be entitled to a deduction in the same amount, subject to the applicable provisions of the Code. Dividends paid on the stock thereafter will be treated as dividends for tax purposes, includable in the gross income of the participant and not deductible by the Company. Any gain or loss recognized by the participant on a disposition of restricted stock which was the subject of a Section 83(b) election, other than on a redemption by the Company, will be capital gain or loss. However, if the disposition is a forfeiture by the participant or a redemption by the Company at the initial price of the restricted stock, the disposition may constitute a forfeiture within the meaning of Section 83(b), in which event the participant would not be entitled to deduct any loss which otherwise would have been allowable. The potential for a nondeductible forfeiture loss on the forfeiture of restricted property is a risk a participant assumes by making a Section 83(b) election.

*Stock Equivalent Units.* The grant of stock equivalent units will not have any immediate tax consequences to the participant receiving the stock equivalent units or to the Company. In general, at the time the Company pays any amount to the participant with respect to the stock equivalent units, the participant will recognize compensation income equal to the amount of that payment, and the Company will be entitled to a deduction in that amount, subject to the other applicable provisions of the Code, including the limitations under Section 162(m).

*Withholding Taxes.* Prior to the payment of an award, the Company may withhold, or require a participant to remit to the Company, an amount of cash sufficient to pay any federal, state, and local taxes associated with the award. In addition, the Compensation Committee may permit participants to pay the taxes associated with an award (other than an incentive stock option) by the transfer of common shares, by the surrender of all or part of an award (including the award being exercised), or by a combination of cash and/or one of these methods. The 2003 Plan currently provides that common shares transferred or surrendered to pay option exercise prices or taxes associated with an Award will be available again for grant under the plan. If the 2003 Plan Amendment is approved by shareholders, such transferred or surrendered shares will not be available again for grant under the 2003 Plan.

The discussion set forth above does not purport to be a complete analysis of all potential tax consequences relevant to recipients of awards under the 2003 Plan or the Company or to describe tax consequences based on particular circumstances. It is based on United States federal income tax law and interpretational authorities as of the date of this proxy statement, which are subject to change at any time. The discussion does not address state or local income tax consequences or income tax consequences for taxpayers who are not subject to taxation in the United States.

### **Certain Benefits**

As of April 7, 2009, approximately 6,100 persons were eligible to receive awards under the 2003 Plan, including the Company's seven executive officers and eight non-employee directors. The granting of awards under the 2003 Plan is discretionary, and the Company cannot now determine the number or type of awards to be granted in the future to any particular person or group.

On April 7, 2009 the last reported sale price of the Company's common shares on the New York Stock Exchange was \$16.04.

**Invacare's Board of Directors unanimously recommends that shareholders vote**

**FOR the approval and adoption of the amendment to the 2003 Performance Plan.**

### **APPROVAL AND ADOPTION OF AMENDMENTS TO THE COMPANY'S CODE OF REGULATIONS**

#### **TO ESTABLISH MAJORITY VOTING DIRECTOR RESIGNATION PROCEDURES**

#### **(Proposal No. 3)**

The Company is asking its shareholders to approve amendments to the Company's Code of Regulations to establish majority voting director resignation procedures applicable to the election of directors in uncontested elections. The Board has considered this topic carefully and is aware of the trend toward the adoption of majority voting regimes based on shareholders' general desire for increased accountability on the part of directors. The Board believes that the proposed Regulations will reinforce the Board's accountability to the interests of the majority of the Company's shareholders. Accordingly, the Board of Directors unanimously recommends that shareholders vote **FOR** this Proposal.

Under the proposed procedures, any director nominee who receives a greater number of votes **WITHHELD** or **AGAINST** than **FOR** his or her election in an uncontested election of directors would be required to promptly tender his or her resignation following certification of the shareholder vote. Abstentions and broker non-votes would not be considered votes cast **FOR** or **AGAINST** a nominee.

An **uncontested election** is generally any election of directors at a meeting of shareholders at which the number of nominees does not exceed the number of directors to be elected and for which no shareholder has submitted notice of an intent to nominate a candidate for election at such meeting. If the Company's Proposal 4 in this proxy statement is approved and adopted by shareholders at the annual meeting, an **uncontested election** generally will be any meeting of shareholders at which the number of nominees does not exceed the number of directors to be elected and for which no shareholder has submitted notice of an intent to nominate a candidate for election at such meeting in accordance with the Company's Code of Regulations (as proposed to be amended under Proposal 4), or, if such a notice has been submitted, on or before the 10th day prior to the date that the Company files its definitive proxy statement relating to such meeting with the SEC, each such notice has been (a) withdrawn, (b) determined by the Board or a final court order not to be a valid and effective notice of nomination, or (c) determined by the Board not to create a bona fide election contest. Proposal 4, below, proposes an appropriate procedure that a shareholder would use to provide notice of the shareholder's intention to nominate a candidate for election at a meeting of shareholders.

Under the proposed director resignation procedures in this Proposal 3, the Company's Governance Committee, or another committee comprised entirely of independent directors or the Board of Directors, will, within 90 days following the certification of the shareholder vote, consider and determine whether to accept the resignation offer of any director nominee who receives a greater number of votes WITHHELD than FOR his or her election in an uncontested election of directors. In considering whether to accept the resignation offer, the committee (or the Board) will consider all relevant factors, and the director tendering the resignation offer will be entitled to present such information or arguments as he or she may consider relevant to the determination by the committee or the Board. Any director who has tendered his or her resignation in accordance with the proposed procedures will not be entitled to vote on the determination as to whether to accept such resignation, or the tendered resignation of any other director. After the committee (or the Board) has determined whether to accept any resignation, the Company will publicly disclose the determination promptly thereafter.

The Board has concluded that the adoption of the proposed procedures will give shareholders a greater voice in determining the composition of the Board by requiring a nominee to receive a majority of votes cast in an uncontested election in order to avoid being required to tender his or her resignation. The adoption of these procedures with respect to uncontested elections is intended to reinforce the Board's accountability to the interests of a majority of the Company's shareholders. The Board believes, however, that the resignation requirement should not apply in contested elections. In a contested election, the votes cast in the election are allocated among more candidates than could be elected to the available number of Board seats, reducing the likelihood that any one or more nominees will actually receive a majority of the votes cast. If this Proposal is approved by shareholders, the proposed procedures will be effective with respect to elections of directors occurring after the annual meeting.

As described in Proposal 7 in this proxy statement, a shareholder of the Company has proposed amendments to the Company's Articles of Incorporation to implement a majority voting standard for the election of directors in uncontested elections. The Company's Articles of Incorporation currently do not address the voting standard that applies to director elections, which means under Ohio law that the plurality voting standard applies unless the Articles of Incorporation are amended. For the reasons discussed under the caption "Statement of Board of Directors Opposing Shareholder Proposal" in Proposal 7 in this proxy statement, the Board feels that the majority voting director resignation procedures that are proposed by the Company in this Proposal 3, operating on a stand-alone basis in lieu of the shareholder-proposed amendments to the Articles of Incorporation, are more appropriate for Invacare. Accordingly, the Board of Directors unanimously recommends that shareholders vote FOR this Proposal 3 and vote AGAINST Proposal 7 in this proxy statement.

In contrast to the amendments to the Code of Regulations proposed by the Company, the Board believes that the majority voting standard requested in Proposal 7 causes uncertainty.

Under the procedure proposed in Proposal 7, a director who continues as a member of the Board after receiving less than a majority of votes cast in an election would be considered a hold-over director and the Board believes that there is sufficient uncertainty with respect to the status of such hold-over directors under Ohio law that the adoption of the Company's proposed majority voting director resignation protocol in Proposal 3 is more appropriate for Invacare than the adoption of this shareholder proposal.

If, however, this Proposal 3 and the shareholder-proposed amendments to the Articles of Incorporation in Proposal 7 in this proxy statement are both approved by shareholders, the director resignation procedures proposed in this Proposal 3 will operate in tandem with the shareholder proposed amendments to the Articles of Incorporation to address the treatment of hold over terms for

any incumbent director who fails to be re-elected under the majority voting standard that would be established under the shareholder proposed amendments to the Articles of Incorporation. Under Ohio law, an incumbent director who is not re-elected remains in office until his or her successor is elected and qualified, continuing as a hold over director. In such a case, the procedures proposed in this Proposal 3 would require an incumbent director who does not receive more votes cast FOR than AGAINST his or her election in an uncontested election to tender his or her resignation in accordance with the process described above.

The actual text of the new Section 1 of Article IIA of the Company's Code of Regulations is attached to this proxy statement as Appendix B. The description of the proposed amendments to the Company's Code of Regulations is only a summary of the material terms of those provisions and is qualified by reference to the actual text as set forth in Appendix B. The amendments to the Code of Regulations will become effective at the time of the shareholder vote.

The Board feels that the majority voting director resignation procedures that the Company has put forth in this Proposal 3 strike the relative balance of accountability and flexibility that is appropriate for Invacare. Accordingly, the Board unanimously recommends that shareholders adopt the Company's proposed amendments to the Code of Regulations by voting FOR Proposal 3 and reject the shareholder proposed majority voting standard by voting AGAINST Proposal 7 in this proxy statement.

**The Board of Directors unanimously recommends that shareholders vote FOR**

**the adoption of amendments to the Company's Code of Regulations to establish majority voting director resignation procedures.**

**APPROVAL AND ADOPTION OF AN AMENDMENT 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**

**(Proposal No. 4)**

The Company is asking its shareholders to approve amendments to the Company's Code of Regulations to establish procedures for advance notice of director nominations and other proposals and related administrative matters at shareholder meetings. The Company's Code of Regulations currently does not expressly provide procedural requirements or safeguards regarding a shareholder's ability to nominate a candidate for election to the Board of Directors or to propose other business at shareholder meetings. The proposed amendments set forth the time period in which a shareholder must provide notice to the Company and the procedure to be followed in order to nominate a candidate for election to the Board or to propose other business at shareholder meetings. The proposed amendments will not affect any rights of shareholders to request inclusion of proposals in our proxy statement pursuant to Rule 14a-8 under the Securities Exchange Act of 1934, as amended, by satisfying the notice and other requirements of Rule 14a-8 in lieu of satisfying the requirements in the proposed amendments.

Under the proposed amendments, a shareholder may nominate a candidate for director or propose other business at an annual meeting by delivering notice of a nomination or a proposal for other business to the Company not later than the 60th day nor earlier than the 90th day prior to the first anniversary of the prior year's annual meeting. If, however, the date of the annual meeting is more than 30 days before or more than 60 days after the first anniversary of the previous year's annual meeting, shareholders would instead be required to deliver such notice not earlier than the 90th day prior to the annual meeting and not later than the day that is the 60th day prior to the annual meeting. In the event

a special meeting is called for the purpose of electing one or more directors, a shareholder would be permitted to nominate a candidate for election to any director position specified in the notice of meeting, by delivering notice of such nomination to the Company's principal executive offices by not later than the 10th day following the notice of the special meeting. The proposed amendments also specify detailed information regarding stock ownership and any contracts or other arrangements that a shareholder has with the nominees or business proposed to be introduced, that will be required in any notice of a nomination for director or other business to be brought before a shareholder meeting, and specify representations and agreements that the Company may request from a proposed director nominee. If the proposed amendments are approved by shareholders, the advance notice provisions that will be included in the Code of Regulations may be amended by the Board of Directors.

The Board has concluded that the adoption of these procedures will facilitate an orderly process for shareholder proposals and nominations and the conduct of shareholder meetings by providing shareholders and the Company a reasonable opportunity to consider nominations and other business proposed to be brought before a meeting of shareholders and allowing sufficient time, and a process, for full, accurate and complete information to be distributed to shareholders. The Board has determined that the 60-day notice period provides an appropriate time period during which the Board, in the exercise of its fiduciary duties, can evaluate the business and nominees proposed to be presented by a shareholder and, if a resolution is not reached with the shareholder, can prepare and disseminate proxy materials to all shareholders that clearly articulate the Board's position on the matters. The Company would expect to disclose to all shareholders the information furnished by the shareholder who intends to nominate a candidate for director or propose other business, unless such information is unlikely to be relevant to other shareholders' voting decisions. This process also will allow shareholders who wish to nominate a candidate or propose business to be represented at a meeting while ensuring that all other shareholders have sufficient time to consider the matters to be presented prior to casting their vote. In addition, the advance notice provision for director nominations complements the majority voting director resignation procedures proposed in Proposal 3 by providing a deadline for determining whether an election will be an uncontested election for purposes of applying the majority voting director resignation procedures. Together, these provisions promote and ensure an orderly meeting and clearer communications with shareholders.

If this Proposal 4 is approved by shareholders, new Section 2 will be added to Article IIA of the Company's Code of Regulations to include the advance notice provisions and Section 2(c) of Article III of the Code of Regulations will be amended. The actual text of the new Article IIA, Section 2 and the amendment to Section 2(c) of Article III of the Company's Code of Regulations is attached to this proxy statement as Appendix C. The description of the proposed amendment to the Company's Code of Regulations is only a summary of the material terms of those provisions and is qualified by reference to the actual text as set forth in Appendix C. The amendment to the Code of Regulations will become effective at the time of the shareholder vote, subject to shareholder approval.

**The Board of Directors unanimously recommends that shareholders vote**

**FOR the approval and adoption of the amendments to the Company's Code of Regulations.**

**APPROVAL AND ADOPTION OF AN AMENDMENT 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**

**(Proposal No. 5)**

The Board of Directors unanimously recommends that the Company's Code of Regulations be amended so that (i) in addition to the shareholders' ongoing right to authorize amendments, the Board also would be authorized to make future amendments to the Code of Regulations, but only to the

extent permitted by the Ohio General Corporation Law, and (ii) the shareholders' ongoing right to amend the Code of Regulations be conformed to the Ohio corporate law default methodology, as described below. For Ohio corporations, the Code of Regulations is the equivalent of By-Laws for other corporations.

Article XI of the Code of Regulations provides that an amendment of the Code of Regulations requires the affirmative vote of shareholders holding at least a majority of the outstanding voting power of the Company. The Board of Directors is not currently permitted to amend the Code of Regulations in any respect because the traditional law of Ohio did not allow for boards to authorize Code of Regulations amendments.

However, the Ohio General Corporation Law was amended in October 2006 to allow boards of directors of Ohio corporations to amend the Code of Regulations without shareholder approval, within certain statutory limitations, thus bringing Ohio law into line with the law of most other states. The Ohio statute requires shareholder approval of an amendment to the Code of Regulations authorizing the Board to make future amendments to the Code of Regulations.

Under the Ohio General Corporation Law, the Board is not permitted to amend the Code of Regulations in various areas that are deemed to impact fundamental shareholder rights. Specifically, the Board may not amend the Code of Regulations to do any of the following: (1) change the authority of the shareholders themselves; (2) establish or change the percentage of shares that must be held by shareholders in order to call a shareholders' meeting or change the time period required for notice of a shareholders' meeting; (3) establish or change the quorum requirements at shareholder meetings; (4) prohibit the shareholders or directors from taking action by written consent without a meeting; (5) change directors' terms of office or provide for the classification of directors; (6) require more than a majority vote of shareholders to remove directors without cause; (7) change the quorum or voting requirements at director meetings; or (8) remove the requirement that a control share acquisition of an issuing public corporation must be approved by the shareholders of the corporation to be acquired; or (9) allow the board to delegate to a board committee the authority to amend the Code of Regulations. This proposal does not seek to change in any way these limitations placed on the Board under the Ohio General Corporation Law with respect to amendments of the Code of Regulations.

Under Ohio law, the shareholders can always override amendments made by the Board, and the Code of Regulations may never divest the shareholders of the power to adopt, amend or repeal the Code of Regulations.

The existing Code of Regulations provides that an amendment to the Code of Regulations may be adopted by the written consent of a simple majority of the voting power without a meeting. The proposed amendments to the Code of Regulations require that future amendments to the Code of Regulations must be approved by a majority of the voting power of the Company at a meeting, but will follow Ohio law with respect to action without a meeting, which requires written consent of two-thirds of the voting power to amend the Code of Regulations. The Board believes this to be a better practice from a corporate governance perspective.

The Board of Directors unanimously recommends that Article XI of the Code of Regulations be amended to add the following underlined language, with deleted text struck through:

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 written consent of the Shareholders of record entitled to exercise of the



~~holders of a majority of the voting power on such proposal, provided, however, that if an amendment is adopted by written consent without a meeting of the shareholders, it shall be the duty of the Secretary to enter the amendment in the records of the Corporation and to mail a copy of such amendment to each shareholder of record who would be entitled to vote thereon and did not participate in the adoption thereof. of the Corporation; and 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)~~

Adoption of the amendment to the Code of Regulations proposed in this Proposal 5 requires the affirmative vote of the holders of a majority of outstanding voting power of the Company.

**The Board of Directors unanimously recommends that shareholders vote FOR the approval and adoption of the amendment to the Code of Regulations.**

#### **RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS**

##### **(Proposal No. 6)**

The Audit Committee has appointed Ernst & Young LLP to continue as our independent auditors and to audit our financial statements for the year ended December 31, 2009. The Audit Committee and the Board of Directors are asking you to ratify this appointment. During the year ended December 31, 2008, Ernst & Young LLP served as our principal auditors and provided tax and other services. See Independent Auditors. Representatives of Ernst & Young LLP are expected to be present at the annual meeting and will have an opportunity to make a statement if they so desire and will be available to respond to appropriate questions.

**Invacare s Board of Directors unanimously recommends that shareholders vote FOR  
the ratification of the appointment of Ernst & Young LLP as our independent auditors.**

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**SHAREHOLDER PROPOSAL ON MAJORITY VOTING STANDARD FOR DIRECTORS**

**(Proposal No. 7)**

We expect the following proposal (Proposal 7 on the proxy card) to be presented at the annual meeting by The Amalgamated Bank LongView SmallCap 600 Index Fund, a shareholder of the Company (or the shareholder's designated proxy or representative). The Company will furnish to any person, orally or in writing as requested, the address of, and the number of Common Shares held by, the shareholder proponent promptly upon any written or oral request. The Board of Directors takes the concerns of its shareholders seriously and believes that the Board and management has been responsive to such concerns in the past; however the Board of Directors has recommended a vote against this proposal for the broader policy reasons set forth following the proposal. For the reasons stated, the Board of Directors does not support this proposal.

**Shareholder Proposal**

RESOLVED, that pursuant to Title XVII, section 1701.71 of the Ohio Revised Code, the shareholders of Invacare Corporation hereby amend the Second Amended and Restated Articles of Incorporation of Invacare Corporation by adopting the following subdivision D to Article IV thereof:

**Subdivision D**

**Majority Voting For Directors**

1. Except as provided in paragraph 2 below, each director shall be elected by the vote of the majority of the votes cast with respect to that director's election at any meeting for the election of directors at which a quorum is present. For purposes of this Subdivision, a majority of votes cast means that the number of votes for a director's election must exceed 50% of the votes cast with respect to that director's election. Votes against or to withhold support for a director's election will count as a vote cast, but abstentions and broker non-votes will not count as a vote cast with respect to that director's election.
2. If, as of the last date by which stockholders may submit notice to nominate a person for election as a director, the number of nominees for any election of directors, exceeds the number of directors to be elected (a Contested Election), the nominees receiving a plurality of the votes cast by holders of shares entitle to vote in the election at a meeting at which a quorum is present shall be elected.
3. The Board of Directors shall take any and all other actions to carry out and render effective the intent and purposes of this Subdivision, including steps for the adoption of suitable regulations and, if necessary, policies whereby (a) candidates nominated by the Board of Directors or a committee thereof for election to the Board of Directors shall provide a letter of resignation in the event that they do not receive a majority of the votes cast in an election that is not a Contested Election; and (b) at its first meeting following certification of the shareholder vote, the Board of Directors shall determine whether to accept any such resignation and shall publicly and promptly thereafter disclose its decision.

The following statement was submitted in support of the resolution:

At the 2008 annual meeting Invacare's shareholders adopted a resolution urging the Board of Directors to adopt a majority vote policy for selecting directors in uncontested elections. In place of the current plurality vote standard, a nominee would have to receive a majority of the votes cast in order to be elected or re-elected to the board. In other words, the number of votes cast for a nominee must exceed the number of votes cast against a nominee or withheld from supporting a nominee.