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INVACARE CORP
Form DEF 14A
April 09, 2007

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 sec.240.14a-11(c) or sec.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)

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- (1) Amount Previously Paid:
- (2) Form, Schedule or Registration Statement No.:
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(4) Date Filed:

[GRAPHIC OMITTED] [GRAPHIC OMITTED]

Invacare Corporation
One Invacare Way
Elyria, Ohio 44035

April 9, 2007

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 24, 2007, 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,

/s/ A. Malachi Mixon, III

A. Malachi Mixon, III
Chairman and
Chief Executive Officer

[GRAPHIC OMITTED] [GRAPHIC OMITTED]

Invacare Corporation

Notice of Annual Meeting of Shareholders
To Be Held On May 24, 2007

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 24, 2007, at 10:00 A.M. (EDT), for the following purposes:

1. To elect four directors to the class whose three-year term will expire

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in 2010;

2. To consider and vote upon amendments to the Company's Amended and Restated Articles of Incorporation to permit the Company to issue non-certificated shares;
3. To ratify the appointment of Ernst & Young LLP as our independent auditors for our 2007 fiscal year;
4. To consider and vote upon a shareholder proposal, if properly presented at the annual meeting; and
5. 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 29, 2007 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,

Dale C. LaPorte
Secretary

April 9, 2007

[GRAPHIC OMITTED] [GRAPHIC OMITTED]

Invacare Corporation

Proxy Statement
For the Annual Meeting of Shareholders
May 24, 2007

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 24, 2007 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, 2007.

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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.

Who is entitled to vote?

Only shareholders of record at the close of business on March 29, 2007, 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 30,864,771 common shares and 1,111,165 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 29, 2007 and ten votes for each outstanding Class B common share you own as of March 29, 2007.

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" proposals 1, 2 and 3, and "AGAINST" proposal 4 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:

- o "For" the election of the four nominated directors to the class whose three-year term will expire in 2010;
- o "For" the amendments to the Company's Amended and Restated Articles of Incorporation to permit the Company to issue non-certificated shares;
- o "For" ratifying the appointment of Ernst & Young LLP as our independent auditors for our 2007 fiscal year; and

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- o "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. No holder of shares of any class has cumulative voting rights in the election of directors.

- o 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.
- o Approval and adoption of the amendments to the Company's Amended and Restated Articles of Incorporation to permit the Company to issue non-certificated shares (Proposal No. 2). The approval and adoption of the amendments to the Company's Amended and Restated Articles of Incorporation to permit the Company to issue non-certificated shares requires the affirmative vote of a majority of the votes cast. A proxy card marked as "Abstain" with respect to the approval and adoption of the amendments to the Company's Amended and Restated Articles of Incorporation 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 no effect on the approval and adoption of the amendment to the plan.
- o Ratification of Auditors (Proposal No. 3). Ratification of the appointment of Ernst & Young LLP as our independent auditors requires the affirmative vote 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. 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.
- o Approval of Shareholder Proposal (Proposal No. 4). If properly presented at the annual meeting, the approval of the shareholder proposal requires the affirmative vote of a majority of the votes cast. 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

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you "Abstain" from voting, it will have the same effect as an "Against" vote. Broker non-votes will have no effect on the approval of 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, 41,976,421 votes were outstanding; therefore, shareholders representing at least 20,988,211 votes will be required to establish a quorum. Abstentions and broker non-votes will be counted towards

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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.

ELECTION OF DIRECTORS (Proposal No. 1)

At the annual meeting, four directors will be elected to serve a three-year term until the annual meeting in 2010 or until their successors have been elected and qualified. Each of the nominees is presently a director of Invacare and has indicated their willingness to serve another term as a director if elected. If any nominee should become unavailable for election, which is not currently expected, it is intended that the shares represented by proxy will be voted for any substitute nominee(s) as may be named by the Board of Directors. In no event will the proxy holders vote for more than four nominees or for persons other than those named below and any substitute nominee for any of them.

Nominees for Terms Expiring in 2010

John R. Kasich, 54, has been a director since 2001. Mr. Kasich is a Managing Director of Lehman Brothers' investment banking group. 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 deficits. 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 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 the host of "Heartland" on the Fox News Channel.

Dan T. Moore, III, 67, has been a director since 1980. Mr. Moore has been President of Dan T. Moore Co. since 1979 and is Chairman of four advanced materials manufacturing companies: Flow Polymers, Inc., Soundwich, Inc., Team Wendy LLC and Impact Ceramics LLC. He is a director of Hawk Corporation (AMEX), 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 (NasdaqNM), Cleveland, Ohio, a provider of supply chain logistics and a manufacturer of engineered products. Mr. Moore is also a Trustee of the Cleveland Clinic Foundation.

Joseph B. Richey, II, 70, 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 as

Chairman of the Board of Directors and CEO of NeuroControl Corporation, North Ridgeville, Ohio, a privately held company, which develops and markets

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electromedical stimulation systems for stroke patients, and is a member of the Board of Trustees for Case Western Reserve University and The Cleveland Clinic Foundation.

General James L. Jones, 63, was unanimously elected to the board by Invacare's current directors effective March 2, 2007. General Jones was commissioned into the Marine Corps in 1967, served in Vietnam as a platoon and company commander and became Commandant of the Marine Corps in 1999. General Jones graduated from the National War College in 1985 and later served as Military Assistant to the U.S. Secretary of Defense. General Jones recently retired as Supreme Allied Commander of NATO (North Atlantic Treaty Organization) and Commander of the United States European Command. General Jones has a Bachelor of Science degree and Honorary Doctorate from Georgetown University.

Invacare's Board of Directors recommends that shareholders vote "FOR" the election of the four directors to the class whose three-year term will expire in 2010.

Directors whose Terms Will Expire in 2009

James C. Boland, 67, has been a director since 1998. Mr. Boland served as President and Chief Executive Officer of CAVS/Gund Arena Company (the Cleveland Cavaliers, a professional team, and Gund Arena) from January 1998 to December 31, 2002, at which time he became Vice-Chairman of the company. The name of the company was changed to Cavaliers Operating Company, LLC in 2005. Before his retirement from Ernst & Young LLP in 1998, Mr. Boland served for 22 years as a partner of Ernst & Young 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. Mr. Boland 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, and is a Trustee of Bluecoats, Inc. and The Harvard Business School Club of Cleveland.

Gerald B. Blouch, 60, 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. Mr. Blouch is also a director of NeuroControl Corporation, North Ridgeville, Ohio, a privately held company, which develops and markets electromedical stimulation systems for stroke patients.

William M. Weber, 67, 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 2008

Michael F. Delaney, 58, has been a director since 1986. Since 1983, Mr. Delaney has been the Associate Director of Development of the Paralyzed Veterans of America, a national veterans' service organization in Washington, D.C. In

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October 2003, Mr. Delaney's title changed to Development Officer, Corporate Marketing.

C. Martin Harris, M.D., 50, 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

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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., 62, has been a director since 1996. Dr. Healy has been a columnist and Health Editor for U.S. News & World Report since October 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 and is a director of Ashland, Inc. (NYSE), Covington, Kentucky, a company in specialized chemicals; The Progressive Corporation (NYSE), Cleveland, Ohio, an automobile insurance company; and National City Corporation (NYSE), Cleveland, Ohio, a financial holding company with assets over \$100 billion, providing a full range of banking and financial services.

A. Malachi Mixon, III, 66, 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 Lamson & Sessions Co. (NYSE), Cleveland, Ohio, a supplier of engineered thermoplastic products, and 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.

APPROVAL AND ADOPTION OF AMENDMENTS TO THE COMPANY'S AMENDED AND RESTATED ARTICLES OF INCORPORATION (Proposal No. 2)

The Board of Directors has approved, subject to the approval and adoption by the Company's shareholders, a certificate of amendment (the "Amendment") containing amendments to the Company's Amended and Restated Articles of Incorporation that would allow the Company to issue shares and provide for transfers of shares without issuing physical certificates to evidence those shares ("non-certificated shares").

We are asking our shareholders to approve and adopt the Amendment to the Amended and Restated Articles of Incorporation. This item requires the affirmative vote of a majority of the votes cast at the Annual Meeting. The

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Board of Directors recommends that you vote "For" this proposal.

The full text of the Amendment to the Amended and Restated Articles of Incorporation is attached to this proxy statement as Appendix A. The following description of the Amendment is qualified in its entirety by reference to Appendix A.

Current Articles of Incorporation Requirements

The Company's Amended and Restated Articles of Incorporation currently can be interpreted to require the Company to issue physical certificates to each shareholder of record evidencing the shares owned by such shareholder. The current version of the Amended and Restated Articles of Incorporation was consistent with the requirements of Ohio law when adopted. However, in view of changes in Ohio law, developments in technology and recordkeeping processes and, in particular, listing requirements recently adopted by the New York Stock Exchange (the "NYSE"), the Board of Directors believes that the Company should have the flexibility to issue non-certificated shares.

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Reason for and Effects of Proposed Amendment

Ohio law now permits the Company, subject to certain restrictions, to issue shares and provide for transfers of shares without issuing physical certificates to evidence those shares. In addition, the NYSE, the exchange on which the Company's shares are traded, recently adopted listing requirements mandating that, effective January 1, 2008, companies listed on the NYSE, such as the Company, be eligible to issue non-certificated shares so that they may participate in a "Direct Registration Program" operated by a security depository. The proposed Amendment to the Amended and Restated Articles of Incorporation is necessary in order for the Company to be eligible to issue non-certificated shares and participate in this program, as required under NYSE rules. Accordingly, the proposed Amendment would permit the Company to issue such non-certificated shares to shareholders of record, while at the same time mandating that the Company continue to comply with all applicable legal requirements and the listing standards of NYSE with respect to issuing shares. In addition, the Amendment also would provide that, with the exception of shares held under certain employee benefit plans (as to which the Company may require, unless prohibited by law, that non-certificated shares be issued), each shareholder of record would have a right, so long as it is required by applicable law and upon request, to have a physical certificate or certificates issued to evidence his or her shares.

If approved by shareholders and implemented by the Company, a non-certificated share program would be administered by the Company's transfer agent, currently National City Bank. Under such a program, the transfer agent would maintain an electronic record of the name of the applicable shareholder of record and the number of shares owned. The transfer agent also would maintain systems and controls designed to track accurately the ownership of non-certificated shares by shareholders of record and, when directed by the shareholder, to provide for the transfer of such shares pursuant to those directions. Except as otherwise may be required by law, and subject to the terms of any applicable employee benefit plan, the rights and obligations of holders of non-certificated shares and holders of physical shares for a particular class and series of shares would be identical.

While the proposed Amendment would make the Company eligible to issue non-certificated shares, the Company does not currently anticipate issuing non-certificated shares to shareholders of record. The Company will consider this issue from time to time and, if the Company determines in the future that the cost savings, ease of administration, technical feasibility or shareholder

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acceptance of such a program justify the use of non-certificated shares for shareholders of record, the Board of Directors may choose to implement such a program in the future. However, as noted above, even if a non-certificated share program were to be implemented in the future, the proposed Amendment to the Amended and Restated Articles of Incorporation provides that each shareholder would have a right, so long as it is required by applicable law and upon request, to have physical certificates issued to evidence his or her shares.

The Company's Board of Directors recommends that shareholders vote "FOR" the approval and adoption of the Amendment to the Amended and Restated Articles of Incorporation.

RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS (Proposal No. 3)

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, 2007. The Audit Committee and the Board of Directors are asking you to ratify this appointment. During the year ended December 31, 2006, 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 recommends that shareholders vote "FOR" the ratification of the appointment of Ernst & Young LLP as our independent auditors.

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SHAREHOLDER PROPOSAL (Proposal No. 4)

The proposal set forth below has been submitted by a group of the Company's shareholders. The Company will furnish to any person, orally or in writing as requested, the name and address of, and the number of Common Shares held by, the shareholder proponents promptly upon any written or oral request.

Shareholder Proposal

A group of shareholders has given notice that it intends to present the proposal set forth below for action at the Annual Meeting.

"BE IT RESOLVED, that the stockholders of Invacare Corporation request that the Board of Directors take the necessary steps to declassify the Board of Directors and establish annual elections of directors, whereby directors would be elected annually and not by classes. This policy would take effect immediately, and be applicable to the re-election of any incumbent director whose term, under the current classified system, subsequently expires."

The following statement was submitted in support of the resolution:

"We believe that the ability to elect directors is the single most important use of the shareholder franchise. Accordingly, directors should be accountable to shareholders on an annual basis. The election of directors by classes, for three-year terms, in our opinion, minimizes accountability and precludes the full exercise of the rights of shareholders to approve or disapprove annually the performance of a director or directors.

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In addition, since only one-third of the Board of Directors is elected annually, we believe that classified boards could frustrate, to the detriment of long-term shareholder interest, the efforts of a bidder to acquire control or a challenger to engage successfully in a proxy contest.

We urge your support for the proposal to repeal the classified board and establish that all directors be elected annually."

Statement of Board of Directors Opposing Shareholder Proposal

The Board of Directors unanimously recommends that you vote AGAINST this shareholder proposal. The Board of Directors does not believe that this proposal will promote the best interests of the Company or its shareholders.

The Company's Code of Regulations provides for the election of directors in three classes. Each class serves for a term of three years, with one class, constituting approximately one-third of the Board of Directors, being elected each year at the Company's Annual Meeting of Shareholders.

The election of directors by classes assures that approximately two-thirds of the Board will have prior experience with and knowledge of Invacare. This provides needed continuity and solid knowledge of the Company's business and the industry in which it operates. Directors familiar with Invacare are able to provide informed oversight of corporate policies and the perspective necessary for the orderly development of sound, long-term strategic planning. An abrupt change in the Board of Directors could impair Invacare's progress in achieving its long-term strategic goals.

It is important that Invacare's employees, shareholders, customers and suppliers, as well as others with whom the Company does business, are able to rely on the continuity and stability of the Company's corporate policies.

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A classified board reduces the Company's vulnerability to certain potentially abusive takeover tactics and encourages potential acquirers to enter into arm's length negotiations with experienced directors as opposed to a few large shareholders. The ability to resist abusive takeover tactics allows the Board of Directors to consider how best to preserve Invacare's long-term value to shareholders as well as its relationships with its customers, suppliers and employees around the globe. A classified board gives the Board of Directors the opportunity to review any takeover proposal, study appropriate alternatives and achieve the best results for all shareholders, both large and small.

The Board of Directors believes that directors elected to a classified board are no less accountable or responsive to shareholders than they would be if elected annually. The same standards of performance apply to all directors regardless of the term of service. Invacare's Code of Regulations permits the removal of directors for cause by majority vote at any special meeting of shareholders properly called for that purpose, subject to certain limitations as described in the Code of Regulations. Accordingly, you have the opportunity as shareholders to express your views regarding the Board's performance and to influence its composition by voting at each annual election of directors and through the removal procedures permitted by Invacare's Code of Regulations.

The Board of Directors remains convinced that a classified board is in the best interest of Invacare and its shareholders and should not be changed.

Accordingly, the Board of Directors unanimously recommends that shareholders vote AGAINST the adoption of the Shareholder Proposal (Proposal No. 4).

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SHARE OWNERSHIP OF PRINCIPAL HOLDERS AND MANAGEMENT

Who are the largest holders of Invacare's outstanding common shares and what is their total voting power?

The following table shows, as of February 23, 2007, the share ownership of each person or group known by Invacare to beneficially own more than 5% of either class of common shares of Invacare:

Name and business address of beneficial owner -----	Common Shares Beneficially owned		Class B Common Shares Beneficially owned*	
	Number of Shares -----	Percentage -----	Number of shares -----	Percentage -----
A. Malachi Mixon, III One Invacare Way, Elyria, Ohio 44035 (1)	2,493,158	7.7%	703,912	63.3%
Joseph B. Richey, II One Invacare Way, Elyria, Ohio 44035 (2)	841,141	2.7%	376,262	33.9%
Ariel Capital Management, LLC 200 E. Randolph Dr., Suite 2900, Chicago, IL 60601 (3)(4)	8,142,169	26.4%	-	-
NFJ Investment Group LP 2100 Ross Avenue, Suite 1840, Dallas, TX 75201 (3)(5)	1,807,450	5.9%	-	-
Lord, Abbett & Co. LLC 90 Hudson Street, Jersey City, NJ 07302 (3)(6)	1,706,671	5.5%	-	-
Wellington Management Company, LLP 75 State Street, Boston, MA 02109 (3)(7)	1,602,260	5.2%	-	-

* All holders of Class B common shares are entitled to convert any or all of their Class B common shares to common shares at any time, on a share-for-share basis. In addition, Invacare may not issue any additional Class B common shares unless the issuance is in connection with share dividends on, or share splits of, Class B common shares.

(1) Includes 1,474,050 common shares that may be acquired upon the exercise of stock options during the 60 days following February 23, 2007. For purposes of calculating the percentage of outstanding common shares beneficially owned by Mr. Mixon and his percentage of total shares beneficially owned, the common shares which he had the right to acquire during that period by exercise of stock options are considered to be outstanding. The number of shares shown as beneficially owned by Mr. Mixon also includes (i) 18,482

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common shares owned by the trustee for Invacare Retirement Savings Plan, (ii) 279,283 common shares owned of record by Mr. Mixon's spouse, (iii) 24,576 common shares owned by the trustee for a 1997 grantor retained annuity trust created by Mr. Mixon, (iv) 24,577 common shares owned by the trustee for a 1997 grantor retained annuity trust created by Mr. Mixon's spouse, (v) 39,866 common shares owned by the trustee for a 2003 grantor retained annuity trust created by Mr. Mixon, and (vi) 39,866 common shares owned by the trustee for a 2003 grantor retained annuity trust created by

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Mr. Mixon's spouse. Mr. Mixon disclaims beneficial ownership of the shares held by his spouse and the grantor retained annuity trusts created by the reporting person's spouse.

- (2) Includes 182,500 common shares, which may be acquired upon the exercise of stock options during the 60 days following February 23, 2007. For purposes of calculating the percentage of outstanding common shares beneficially owned by Mr. Richey and his percentage of total shares beneficially owned, the common shares which he had the right to acquire during that period by exercise of stock options are deemed to be outstanding.
- (3) The number of common shares beneficially owned is based upon a Schedule 13G filed by the holder with the SEC to reflect share ownership as of December 31, 2006.
- (4) The Schedule 13G was filed by Ariel Capital Management, LLC, which has sole voting power with respect to 6,297,272 of the 8,142,169 common shares held, and sole dispositive power with respect to 8,141,299 of the 8,142,169 common shares held.
- (5) The Schedule 13G was filed by NFJ Investment Group LP, which has sole voting power and sole dispositive power with respect to all 1,807,450 of the common shares held.
- (6) The Schedule 13G was filed by Lord Abbett & Co. LLC, which has sole voting power with respect to 1,599,971 of the 1,706,671 common shares held, and sole dispositive power with respect to all 1,706,671 of the common shares held.
- (7) The Schedule 13G was filed by Wellington Management Company, LLP, which has sole voting power and sole dispositive power with respect to none of the 1,602,260 common shares held.

How many common shares do each of Invacare's directors and executive officers hold and what is their level of total voting power?

The following table sets forth, as of February 23, 2007, the share ownership of all directors, our Chief Executive Officer and our four other highest paid executive officers and all directors and executive officers as a group:

Name of beneficial owner	Common Shares Class B beneficially owned		Common Shares beneficially owned**	
	Number of shares	Percentage	Number of shares	Percentage
Gerald B. Blouch(3)	774,043	2.5%	-	-

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James C. Boland (3).....	56,072	*	-	-
Michael F. Delaney (3).....	25,105	*	-	-
C. Martin Harris, M.D. (3).....	23,925	*	-	-
Bernadine P. Healy, M.D. (3).....	47,320	*	-	-
John R. Kasich (3).....	36,419	*	-	-
A. Malachi Mixon, III (1).....	2,493,158	7.7%	703,912	63.3%
Dan T. Moore, III(3).....	115,696	*	-	-
Joseph B. Richey, II(2).....	841,141	2.7%	376,262	33.9%
Louis F.J. Slangen(3).....	205,394	*	-	-
Gregory C. Thompson (3).....	187,661	*	-	-
William M. Weber(3).....	123,278	*	-	-
All executive officers and Directors as a group (14 persons) (3).....	5,009,262	14.8%	1,080,174	97.2%

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* Less than 1%.

** All holders of Class B common shares are entitled to convert any or all of their Class B common shares to common shares at any time, on a share-for-share basis. In addition, Invacare may not issue any additional Class B common shares unless the issuance is in connection with share dividends on, or share splits of, Class B common shares.

(1) See Footnote 1 to the preceding table.

(2) See Footnote 2 to the preceding table.

(3) The common shares beneficially owned by Invacare's executive officers and directors as a group include an aggregate of 2,879,668 common shares which may be acquired upon the exercise of stock options during the 60 days following February 23, 2007. For purposes of calculating the percentage of outstanding common shares beneficially owned by each of Invacare's executive officers and directors, and all of them as a group, and their percentage of total shares beneficially owned, common shares which they had the right to acquire by exercise of stock options within 60 days of February 23, 2007, are considered to be outstanding. The number of common shares that may be acquired by the exercise of such stock options for the noted individuals is as follows: Mr. Blouch, 625,900 shares; Mr. Boland, 53,064 shares; Mr. Delaney, 14,105 shares; Dr. Harris, 23,925 shares; Dr. Healy, 36,437 shares; Mr. Kasich, 36,419 shares; Mr. Moore, 29,953 shares; Mr. Slangen, 173,000 shares; Mr. Thompson, 159,100 shares; and Mr. Weber, 18,365 shares.

Section 16(a) Beneficial Ownership Compliance

The rules of the SEC require us to disclose late filings of reports of stock ownership, and changes in stock ownership, by our directors and executive officers. To the best of Invacare's knowledge, all of the filings were made on a timely basis in 2006.

CORPORATE GOVERNANCE

How many times did the Board meet in 2006?

The Board of Directors held five meetings during the fiscal year ended December 31, 2006. Each director attended at least 75% of the aggregate of (1) the total number of meetings of the Board of Directors held during the period he or she served as a director and (2) the total number of meetings held by committees of the Board on which he or she served. Board members are expected to attend Invacare's annual meeting of shareholders, and each director attended last year's annual shareholder meeting. The non-management directors meet in

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executive sessions after the end of each of the regularly scheduled Board meetings. The chairpersons of the four standing committees of the Board rotate presiding over such sessions.

What codes of ethics apply to directors, officers and employees?

We have adopted a Code of Business Conduct and Ethics that applies to all directors, officers and employees. We also have adopted a separate Financial Code of Ethics that applies to our Chief Executive Officer (our principal executive officer) and our Chief Financial Officer (our principal financial officer and principal accounting officer). You can find both codes on our website at www.invacare.com by clicking on the link for Investor Relations. We will post any amendments to the codes, as well as any waivers that are required to be disclosed pursuant to the rules of the Securities and Exchange Commission and the New York Stock Exchange, on our website. You also can obtain a printed copy of these documents, free of charge, by writing to: Shareholder Relations Department, Invacare Corporation, One Invacare Way, P.O. Box 4028, Elyria, OH 44036-2125.

Has the Board adopted corporate governance guidelines?

The Board has adopted Corporate Governance Guidelines. This document can be found on our website at www.invacare.com by clicking on the link for Investor Relations. You also can obtain a printed copy of this document, free of charge,

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by writing to: Shareholder Relations Department, Invacare Corporation, One Invacare Way, P.O. Box 4028, Elyria, OH 44036-2125.

Who are the current members of the different Board committees?

Director	Audit Committee	Compensation, Management Development and Corporate Governance Committee	Nominating Committee
Gerald B. Blouch			
James C. Boland	*	**	
Michael F. Delaney			
C. Martin Harris, M.D.			
Bernadine P. Healy, M.D.		*	
General James L. Jones			*
John R. Kasich			**
A. Malachi Mixon, III			
Dan T. Moore, III	*		*
Joseph B. Richey, II			
William M. Weber	**	*	*

 * Member
 ** Chairperson

What are the principal functions of the Board committees?

The Board has an Audit Committee; a Compensation, Management Development and Corporate Governance Committee; a Nominating Committee; and an Investment Committee.

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Audit Committee. The Audit Committee assists the Board in monitoring (i) Invacare's compliance with legal and regulatory requirements, (ii) the integrity of Invacare's financial statements, and (iii) the independence, performance and qualifications of Invacare's internal and independent auditors. The specific functions and responsibilities of the Audit Committee are set forth in the Audit Committee Charter adopted by the Board of Directors, a copy of which is available at www.invacare.com by clicking on the link for Investor Relations. You also can obtain a printed copy of this document, free of charge, by writing to: Shareholder Relations Department, Invacare Corporation, One Invacare Way, P.O. Box 4028, Elyria, OH 44036-2125. The Audit Committee met eight times during 2006.

Our Board has determined that each member of the Audit Committee satisfies the current independence standards of the New York Stock Exchange listing standards and Section 10A(m)(3) of the Securities Exchange Act of 1934, as amended. The Board also has determined that each of James C. Boland and William M. Weber qualify as an "audit committee financial expert" as that term is defined in Item 407(d)(5) of Regulation S-K. As audit committee financial experts, each of Messrs. Boland and Weber satisfy the New York Stock Exchange accounting and financial management expertise requirements.

Compensation, Management Development and Corporate Governance Committee. The Compensation, Management Development and Corporate Governance Committee assists the Board in developing and implementing (i) executive compensation programs that are fair and equitable and that are effective in the recruitment, retention and motivation of executive talent required to successfully meet Invacare's strategic objectives, (ii) a management succession plan that meets Invacare's present and future needs, and (iii) Invacare's corporate governance policies and guidelines. See "Compensation Discussion and Analysis" below for additional information on the committee and its activities. Each of the current members of the Compensation, Management Development and Corporate Governance Committee is independent within the meaning of the New York Stock Exchange listing standards and Invacare's Corporate Governance Guidelines. The Board of Directors has adopted a charter for the Compensation, Management Development and Corporate Governance Committee, which is available at www.invacare.com by clicking on the link for Investor Relations. You also can obtain a printed copy

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of this document, free of charge, by writing to: Shareholder Relations Department, Invacare Corporation, One Invacare Way, P.O. Box 4028, Elyria, OH 44036-2125. The Committee met four times during 2006.

Nominating Committee. The Nominating Committee assists the Board in identifying and recommending individuals qualified to become directors and will consider all qualified nominees recommended by shareholders. Each of the current members of the Nominating Committee is independent within the meaning of the New York Stock Exchange listing standards and Invacare's Corporate Governance Guidelines. The Board of Directors has adopted a charter for the Nominating Committee, which is available at www.invacare.com by clicking on the link for Investor Relations. You also can obtain a printed copy of this document, free of charge, by writing to: Shareholder Relations Department, Invacare Corporation, One Invacare Way, P.O. Box 4028, Elyria, OH 44036-2125. The Nominating Committee met one time during 2006.

Investment Committee. The Investment Committee assists the Board in monitoring the investments of the Invacare Retirement Savings Plan and other plans designated by the Board or the Investment Committee. Each of the current members of the Investment Committee is independent within the meaning of the New York Stock Exchange listing standards and Invacare's Corporate Governance Guidelines. The Board of Directors has adopted a charter for the Investment Committee, which is available at www.invacare.com by clicking on the link for

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Investor Relations. You also can obtain a printed copy of this document, free of charge, by writing to: Shareholder Relations Department, Invacare Corporation, One Invacare Way, P.O. Box 4028, Elyria, OH 44036-2125. The Investment Committee met one time during 2006.

How does the Board determine whether non-employee directors are independent?

To be considered independent under the New York Stock Exchange independence criteria under Section 303A (the "NYSE Standards"), the Board of Directors must determine that a director does not have a direct or indirect material relationship with Invacare. The Board of Directors has adopted the following guidelines (set forth in the Corporate Governance 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 the NYSE Standards (subject to any applicable transition rules of the NYSE Standards):

- (i) has not been employed by Invacare or its affiliates;
- (ii) has not had an immediate family member who has been employed by Invacare or its affiliates as an executive officer;
- (iii) has not received, and has not had an immediate family member who has received, more than \$100,000 per year in direct compensation from Invacare, 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);
- (iv) has not been affiliated with or employed by a present or former internal or external auditor of Invacare; (v) has not had an immediate family member who has been affiliated with or employed in a professional capacity (partner, principal or manager) by a former internal or external auditor of Invacare;
- (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 Invacare'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 Invacare and makes payments to, or receives payments from, Invacare 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:

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- (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 Invacare 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 Invacare's foundation), university, charitable or other not for profit organization, and Invacare's, or Invacare foundation's, annual discretionary charitable contributions (any matching of employee charitable contributions will not be included in the amount of

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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 of Directors annually shall determine whether the relationship is material or not, and therefore, whether the director would be independent or not. Invacare will explain in its next proxy statement the basis for any Board of Directors 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 Invacare may not be considered independent if he or she directly or indirectly receives any compensation from Invacare 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).

The Board examined the transactions and relationships between Invacare and its affiliates and each of the directors, any of their immediate family members and their affiliates. Based on this review, the Board affirmatively determined that each of Messrs. Delaney, Boland, Weber, Kasich and Moore, Dr. Harris, Dr. Healy and General Jones is independent and do not have any direct or indirect material relationship with Invacare pursuant to the categorical standards set forth in Invacare's Corporate Governance Guidelines.

How are proposed director nominees identified, evaluated and recommended for nomination?

The Nominating Committee will seek candidates for an open director position by soliciting suggestions from Committee members, the Chairman of the Board, incumbent directors, senior management or others. The Committee also may retain a third-party executive search firm to identify candidates from time to time. Additionally, the Committee will consider any unsolicited recommendation for a potential candidate to the Board from Committee members, the Chairman of the Board, other Board members, management and shareholders. The Committee will accept shareholder recommendations regarding potential candidates for the Board, provided that shareholders send their recommendations to the Chairperson of the Committee, c/o Executive Officers, Invacare Corporation, One Invacare Way, Elyria, Ohio 44036, with the following information:

- o The name and contact information for the candidate;
- o A brief biographical description of the candidate, including his or her employment for at least the last five years, educational history, and a statement that describes the candidate's qualifications to serve as a director;
- o A statement describing any relationship between the candidate and the nominating shareholder, and between the candidate and any employee, director, customer, supplier, vendor or competitor of Invacare; and

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- o The candidate's signed consent to be a candidate and to serve as a director if nominated and elected, including being named in Invacare's proxy statement.

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Once the Nominating Committee has identified a prospective candidate, the Committee makes a determination whether to conduct a full evaluation of the candidate. This initial determination is based primarily on the Board's need to fill a vacancy or desire to expand the size of the Board, the likelihood that the candidate can meet the Nominating Committee's evaluation criteria set forth below, as well as compliance with all other legal and regulatory requirements. The Nominating Committee will rely on public information about a candidate, personal knowledge of any committee or Board member or member of management regarding the candidate, as well as any information submitted to the Committee by the person recommending a candidate for consideration. The Nominating Committee, after consultation with the Chairman of the Board, will decide whether additional consideration of the candidate is warranted.

If additional consideration is warranted, the Nominating Committee may request the candidate to complete a questionnaire that seeks additional information about the candidate's independence, qualifications, experience and other information that may assist the Committee in evaluating the candidate. The Committee may interview the candidate in person or by telephone and also may ask the candidate to meet with senior management. The Committee then evaluates the candidate against the standards and qualifications set out in the Nominating Committee's charter. Additionally, the Nominating Committee shall consider other relevant factors as it deems appropriate (including independence issues and familial or related party relationships).

Before nominating an existing director for re-election at an annual meeting, the Committee will consider:

- o The director's value to the Board; and
- o Whether the director's re-election would be consistent with Invacare's governance guidelines.

After completing the Nominating Committee's evaluation of new candidates or existing directors whose term is expiring, if the Committee believes the candidate would be a valuable addition to the Board or the existing director is a valued member of the Board, then the Nominating Committee will make a recommendation to the full Board that such candidate or existing director should be nominated by the Board. The Board will be responsible for making the final determination regarding prospective nominees after considering the recommendation of the Committee. These procedures were adhered to with respect to nominees for election at this meeting, who were unanimously recommended by the Nominating Committee and the entire Board of Directors.

How can shareholders communicate with the Board?

Shareholders may 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 addressed to the entire Board or only to non-management directors will be reported to the Chairman of the Board or to the chair of the Audit Committee, respectively, on a quarterly basis.

Certain Relationships and Related Transactions

The Company has adopted a written policy for the review of transactions with related persons. The policy generally requires review, approval or ratification of transactions involving amounts exceeding \$120,000 in which the Company is a participant and in which a director, director-nominee, executive officer, or a significant shareholder of the Company, or an immediate family

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member of any of the foregoing persons, has a direct or indirect material interest. These transactions must be reported for review by the Compensation, Management Development and Corporate Governance Committee. Following review, the Compensation, Management Development and Corporate Governance Committee determines to approve or ratify these transactions, taking into account, among other factors it deems appropriate, whether they are on terms no less favorable to the Company than those available with other unaffiliated parties and the extent of related person's interest in the transaction. The Chairman of the

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Compensation, Management Development and Corporate Governance Committee has the authority to approve or ratify any related party transaction in which the aggregate amount involved is expected to be less than \$1,000,000. The policy provides for standing pre-approval of certain related party transactions, even if the amounts involved exceed \$120,000, including certain transactions involving: compensation paid to executive officers and directors of the Company; other companies or charitable organizations where the amounts involved do not exceed \$1,000,000 or 2% of the organization's total annual revenues or receipts; proportional benefits to all shareholders; rates or charges determined by competitive bids; services as a common or contract carrier or public utility; and banking-related services.

During 2006, Invacare purchased travel services from a third party private aircraft charter company. One of the aircraft available for use by the charter company is owned by an entity owned by Mr. Mixon and Mr. Richey. Invacare paid approximately \$1,013,000 to the charter company in 2006 for use of the aircraft owned by Mr. Mixon and Mr. Richey. Invacare believes that the transactions were on terms no less favorable than those Invacare would expect to obtain from unrelated parties.

Since early 1995, Invacare has made investments in and loans to NeuroControl Corporation ("NeuroControl"), a North Ridgeville, Ohio-based privately-held company that develops and markets electromedical stimulation systems for stroke patients. During 2006, Invacare loaned NeuroControl \$1,600,000 to help support its efforts to obtain FDA approval to market its stimulation systems in the United States. As of December 31, 2006, Invacare had no net exposure related to its investment in and advances to NeuroControl after consideration of cumulative reserves and amounts written-off, totaling approximately \$26 million. A substantial portion of Invacare's investment and advances was made pursuant to a secured credit facility. Mr. Richey is the Chairman of the Board and Chief Executive Officer of NeuroControl and Mr. Blouch serves as a Director of NeuroControl. Each of Dr. Bernadine Healy and Messrs. Evans, Moore, Weber (through his spouse), Mixon and Richey own minority equity interests in NeuroControl Corporation, having invested the following amounts in NeuroControl in 1997 or earlier: \$50,000, \$50,000, \$100,000, \$100,000, \$245,000 and \$7,513, respectively. In addition, (i) a private investment fund, the general partner of which is owned and controlled by Messrs. Mixon and Weber, has invested \$350,000 in NeuroControl, (ii) a different private investment fund, in which Mr. Mixon is one of the three managing members of the general partner, has invested an aggregate of \$750,000 in NeuroControl, and (iii) The Cleveland Clinic, Dr. Martin Harris' employer, has invested an aggregate of \$750,001 in NeuroControl. Collectively, the aforementioned Invacare directors and other related parties own an aggregate of approximately 9.7% of the fully-diluted equity ownership of NeuroControl and Invacare owns an additional 30.1% of NeuroControl's equity. Invacare formed a committee in 2004, comprised of three disinterested directors, to evaluate the appropriateness and/or terms of any additional future advances or other investments in NeuroControl. The committee assessed the status of NeuroControl's research and authorized an additional investment by the Company during 2006. For financial reporting purposes, Invacare started to consolidate its investment in NeuroControl for periods beginning with the quarter ended March 31, 2005. In the fourth quarter of 2006,

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the Company's board of directors made a decision to no longer fund the cash needs of NeuroControl, to commence a liquidation process and cease operations as it was decided that the additional investment necessary to commercialize the business was not in the best interest of the company. Therefore, funding of this investment ceased on December 31, 2006.

The relationships described above have been reviewed and ratified in accordance with the Company's policy for review of transactions with related persons.

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AUDIT COMMITTEE AND RELATED MATTERS

The following Report of the Audit Committee does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other Company filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent the Company specifically incorporates this Report by reference therein.

Report of the Audit Committee

The Audit Committee assists the Board of Directors in its oversight and monitoring of:

- o the integrity of the Company's financial statements;
- o the independence, performance and qualifications of the Company's internal and independent auditors; and
- o the Company's compliance with legal and regulatory requirements.

The Audit Committee's activities are governed by a written charter adopted by the Board of Directors which is available on the Company's website (www.invacare.com) by clicking on the link for Investor Relations.

Each member of the Audit Committee satisfies the independence requirements set forth in the New York Stock Exchange listing standards and Rule 10A-3 of the Securities Exchange Act of 1934, as amended.

Management has the primary responsibility for the Company's financial statements and the reporting process, including the system of internal and disclosure controls. Ernst & Young LLP, the Company's independent registered public accounting firm for 2006, audited the annual financial statements prepared by management and expressed an opinion on the conformity of those financial statements with accounting principles generally accepted in the United States. Ernst & Young LLP also audited management's assessment of the Company's internal control over financial reporting as of December 31, 2006, and expressed an opinion with respect to the Company's internal control over financial reporting as of December 31, 2006.

In December 2002, management established an internal audit function for the Company. The Company engaged a third party to conduct internal audit services and report its analyses, findings and recommendations directly to the Audit Committee. During 2006, the Audit Committee met with this third party and Ernst & Young LLP, with and without management present, to discuss their examinations, their continuing evaluation of the Company's internal and disclosure controls and the overall quality of the Company's internal procedures and controls over financial reporting.

As part of its oversight responsibilities described above, the Audit Committee met and held discussions with management, with Ernst & Young LLP and with its internal auditors relative to the Company's financial reporting.

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Management represented to the Audit Committee that the Company's financial statements were prepared in accordance with accounting principles generally accepted in the United States, and the Audit Committee reviewed and discussed the audited financial statements with management and Ernst & Young LLP, including a discussion of the quality, not just the acceptability, of the accounting principles, the reasonableness of specific judgments and the clarity of disclosures in the financial statements. The Audit Committee also discussed with Ernst & Young LLP such other matters as are required to be discussed with the Audit Committee by Statement on Auditing Standards No. 61, as amended by Statement on Auditing Standards No. 90, (Communication with Audit Committees).

In addition, Ernst & Young LLP provided to the Audit Committee the written disclosures and letter required by Independence Standards Board Standard No. 1 (Independence Discussions With Audit Committees), and by all relevant professional and regulatory standards, related to the auditors' independence. The Audit Committee discussed with Ernst & Young LLP their independence from the Company and its management and considered the compatibility of non-audit services with the auditors' independence.

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Based on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors, and the Board of Directors has approved, that the audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2006 for filing with the Securities and Exchange Commission.

The Audit Committee has appointed Ernst & Young LLP as the Company's independent auditors for its 2007 fiscal year and the Company is seeking ratification for such appointment at the 2007 Annual Meeting of Shareholders.

AUDIT COMMITTEE

William M. Weber, Chairman
James C. Boland
Dan T. Moore, III

Independent Auditors

The Audit Committee and the Board of Directors have selected Ernst & Young LLP to continue as our independent auditors and to audit the financial statements of Invacare for the fiscal year ending December 31, 2007. The Audit Committee is asking you to ratify this appointment.

Fees for services rendered by Ernst & Young LLP were:

	2006	2005
	----	----
Audit Fees	\$3,607,000	\$4,166,000
Audit-Related Fees	25,000	44,000
Tax Fees		
Tax Compliance Services	518,000	611,000
Tax Advisory Services	522,000	753,000
	-----	-----
All Other Fees	1,040,000	1,364,000
	-	-
	-----	-----
Total	\$4,672,000	\$5,574,000
	=====	=====

Audit Fees. Fees for audit services include fees associated with the audit of our annual financial statements and review of our quarterly financial

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statements, including statutory audits required domestically and internationally, and the auditors' attestation report on internal control over financial reporting as required under Section 404 of the Sarbanes-Oxley Act. Audit fees also include fees associated with providing consents and review of documents filed with the SEC, other services in connection with statutory and regulatory filings or engagements, as well as accounting consultations billed as audit consultations and other accounting and financial reporting consultation and research work necessary to comply with generally accepted auditing standards.

Audit-Related Fees. Audit-related services principally include accounting consultations, audits in connection with proposed or completed acquisitions and advisory assistance.

Tax Fees. Fees for tax services include tax compliance, tax advice and tax planning.

Pre-Approval Policies and Procedures

The Audit Committee has adopted a policy that requires advance approval for all audit, audit-related, tax services, and other services performed by our independent auditors. The policy provides for pre-approval by the Audit Committee of specifically defined audit and non-audit services. Unless the specific service has been previously pre-approved with respect to that year, the Audit Committee must approve the permitted service before the independent auditor is engaged to perform it. The Audit Committee has delegated to the Chairperson of the Audit Committee authority to approve certain permitted services, provided that the Chairperson reports any such decisions to the Audit Committee at its next scheduled meeting.

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EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Introduction

The Compensation, Management Development and Corporate Governance Committee of the Board of Directors (the "Compensation Committee") operates under a written charter adopted by the Board of Directors and is responsible for the approval and administration of the Company's existing and proposed executive compensation plans. This includes determining the contents of the Company's executive compensation plans, authorizing the awards to be made pursuant to such plans and reviewing and approving annually all compensation decisions relating to the Company's officers, including the Chairman and Chief Executive Officer and the other executive officers named in the Summary Compensation Table (the "Named Executive Officers").

The members of the Compensation Committee are James C. Boland, Chairman, Bernadine P. Healy and William M. Weber. Each of the current members of the Compensation Committee meets the definitions of (i) "independent" within the meaning of the New York Stock Exchange listing standards and the Company's Corporate Governance Guidelines, (ii) a "non-employee director" within the meaning of Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended, and (iii) an "outside director" within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended.

Charter

The Board of Directors of the Company has adopted a charter which describes the responsibilities, functions and authority of the Compensation Committee. The

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full text of the charter is available on the Company's website at www.invacare.com by clicking on the link for "Investor Relations." There were three meetings and one telephone conference of the Compensation Committee in 2006.

Compensation Consultant

The Company's Human Resources Department and other members of management assist the Compensation Committee in its administration of the Company's executive compensation program. As part of this assistance, the Company's management engages Towers Perrin as an outside independent compensation consultant to advise management and the Compensation Committee on the Company's compensation philosophy, focusing on the three primary elements of the Company's executive compensation program: annual base salary, annual cash bonus awards and long-term equity incentive awards. Towers Perrin is a global professional services firm that provides human resources consulting services to a majority of the Fortune 1000 U.S. companies.

The independent consultant's primary role is to analyze the competitiveness of, and provide recommendations on, the structure and amounts of annual base salary, annual cash bonus awards and long-term equity incentive awards to be paid to the Company's executives. In order to gauge the competitiveness of the Company's executive compensation levels, the independent consultant provides the Compensation Committee with market data regarding annual base salary, annual cash bonus awards and long-term equity incentive awards paid by competitor companies. The Compensation Committee and the independent consultant believe that the Company's most direct competitors for executive talent are not necessarily the companies included in the peer group established to compare shareholder returns. Accordingly, in identifying the group of surveyed employers, the independent consultant assembles market data on companies having projected revenues similar to that of the Company, with particular emphasis on durable goods manufacturers, on larger employers within the health care industry and on larger employers which may be significant competitors with the Company for executive talent. The Compensation Committee considers compensation information from two groups of competitors in assessing and determining the pay of executive officers. The Company's "primary competitor group" includes healthcare equipment and supply companies with annual revenues ranging from \$1 billion to \$3 billion. The "secondary competitor group" includes companies from across various industries having annual revenue similar to that of the Company. The Compensation Committee relies on the independent consultant to identify the individual companies which make up these competitor groups.

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The assembled data is then reviewed by the CEO, the Senior Vice President of Human Resources and the independent consulting firm and, with respect to each of the top executive officer positions, adjusted for the scope of responsibilities of the position within the Company as compared to the responsibilities of positions within the companies included in the competitor groups. The Compensation Committee then compares the Company's compensation practices with those of the other companies included in the competitor groups and takes the results into account when establishing compensation guidelines for executives.

The independent consultant has been engaged by the Company in the capacity described above for the last three fiscal years and received a fee of \$41,350 as compensation for its services in 2006. A representative of the independent consultant attended two of the Compensation Committee meetings in 2006. Towers Perrin does not provide the Company any other consulting or other services outside of those associated with advising the Company on its executive compensation programs.

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Role of Executives in Establishing Compensation

The Company's CEO assesses the performance of each of the Company's other executive officers and provides recommendations to the Compensation Committee as to the structure and amounts of salary, cash bonus awards and equity incentive awards to be paid to such executive officers. The CEO formulates his recommendations with the assistance of the independent consultant and the Company's Senior Vice President of Human Resources. The CEO also provides the Compensation Committee input regarding the performance requirements associated with the Company's annual cash bonuses and long-term compensation awards.

The CEO and the Senior Vice President of Human Resources both attend each meeting of the Compensation Committee for the purpose of providing insight into the Company's performance, the performance of individual executives and their contribution to the Company's performance and to make recommendations as to the structure and implementation of elements of executive compensation. The CEO and the Senior Vice President of Human Resources each excuses himself from any discussions of his individual compensation by the Compensation Committee. The Compensation Committee believes that the input of these executives provides the Compensation Committee with information necessary to make informed decisions on executive compensation that are consistent with the Compensation Committee's overall philosophy.

General Compensation Philosophy

The Compensation Committee has determined that the Company, as a performance-driven business, should reward outstanding performance with appropriate compensation. The Compensation Committee's strategy for carrying out this philosophy is to:

- o link executive compensation with the Company's annual and long-term financial performance, with a particular focus on earnings per share;
- o understand external market factors which might affect such performance but be outside the control of executives;
- o align the long-term interests of executives with those of shareholders through equity-based compensation elements and stock ownership guidelines; and
- o recognize the importance of maintaining compensation at competitive levels in order to attract and retain talented executives.

In determining appropriate compensation awards for the Company's executives, the Compensation Committee generally does not consider the amount of compensation or awards earned or achieved in prior years. Instead, the Compensation Committee focuses on the current performance and achievements of the Company and the executive as well as the executive's present and potential for future contribution to the Company's success.

The Company's executive compensation program consists of three primary components: base salary, an annual cash bonus and long-term compensation awards in the form of stock awards. In general, base salaries are established at or near market median levels for comparable positions. Cash bonuses are designed to provide executives with cash compensation levels (salary plus bonus) that are at or near the 75th percentile of individuals in similar jobs if the Company meets

demanding annual financial performance objectives. These objectives are established in advance and reflective of the opportunities and challenges present in the Company's industry. In addition, long-term compensation is

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awarded in the form of stock options, restricted stock grants or in other forms deemed appropriate by the Compensation Committee in order to provide key executives with competitive financial benefits, to the extent that shareholder value is enhanced. These awards normally target the median value of long-term incentives received by executives in similar positions at competitor organizations.

The Company also provides its executives with certain other benefits, including the opportunity to participate in a 401(k) retirement savings plan, a non-qualified deferred compensation plan and a supplemental executive retirement plan. Certain compensatory insurance benefits and other perquisites described below and in the Summary Compensation Table also are available to the Company's executives. Each Named Executive Officer also has entered into an agreement with the Company that provides for certain benefits upon a change of control of the Company. The Compensation Committee believes these agreements help retain executives and provide for management continuity in the event of an actual or threatened change-in-control. They also help ensure executive's interests remain aligned with shareholders' interests during a time when their continued employment may be in jeopardy. Finally, they provide some level of income continuity should an executive's employment be terminated without cause. The Company believes that these benefits are an important part of an overall compensation package that helps to attract and retain talented executives.

The Compensation Committee believes these various elements of the executive compensation program further the Company's business objectives and the interests of its shareholders by attracting and retaining the talented executive leadership necessary for the growth and success of the Company's business and motivating its executives to exert the maximum possible effort to further the interests of shareholders.

Elements of Compensation

Annual Base Salary

The Company establishes salary levels which recognize the skills, competencies, experience and individual performance an executive brings to his or her position. As a result, changes in salary focus primarily on changes in the executive's responsibilities and an assessment of their annual performance against pre-established objectives. Generally, the Compensation Committee seeks to establish an annual base salary level for each executive that approximates the 50th percentile of levels established for executives having similar responsibilities by employers surveyed by the independent consultant. The Compensation Committee believes that establishing base salaries at this level helps the Company attract and retain talented executives and, when paired with the opportunity to earn annual cash bonuses and long-term compensation awards, appropriately rewards executives based on performance.

In establishing salary levels for each executive other than the CEO, the Compensation Committee, at its regular meeting early in the fiscal year, considers annual survey information from the independent consultant and also reviews annual recommendations from the CEO. The Compensation Committee also takes into account whether each executive met key financial and individual objectives established at the beginning of each year, and considers each executive's potential future contributions to the Company. Important financial performance objectives that are considered by the Compensation Committee in establishing base salary levels (some of which may not be applicable to all executives) include: net sales, income from operations, cost controls, earnings before income tax, earnings per share, return on assets and return on net assets employed. Individual objectives generally focus on the performance of an executive within his or her area of specific responsibility. Operating and individual objectives vary for each executive and typically change from year-to-year. Financial and individual objectives are considered subjectively in

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the aggregate by the Compensation Committee and the CEO. They are not specifically weighted in assessing performance and determining any changes to base salaries.

The base salary levels established for 2006 were based on the subjective judgment of the Compensation Committee, taking into account the CEO's input regarding each executive's performance and the targeted salary ranges based on market salary information received from the independent consultant. Of the Company's Named Executive Officers other than the CEO, the base salary of Mr. Thompson was at the targeted 50th percentile range, while the base salaries of Messrs. Blouch, Richey and Slangen were at 132%, 140% and 125% of the targeted

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50th percentile range, respectively. In establishing the base salary levels of Messrs. Blouch, Richey and Slangen, the Compensation Committee recognized the particular talents, unique skills, experience, length of service to the Company and depth of industry knowledge of each of these executives and determined that base salary levels above the targeted range would help retain these executives during a time of significant industry uncertainty. On average, the salary level for these four executives increased 4.5% from the average level in 2005.

In determining the CEO's base salary for 2006, the Compensation Committee took into account:

- o survey results regarding the 50th percentile salary of CEOs at comparable employers;
- o certain financial performance objectives as described above;
- o consolidation of key manufacturing facilities in the United States, Europe and Australia under the CEO's leadership;
- o acceleration of various initiatives to improve internal manufacturing capabilities;
- o continued efforts to extend current product lines, complement existing businesses, utilize and enhance its distribution strength, streamline operations and expand its geographic presence;
- o strong commitment to reenergizing the Company's research and development activities which has led to the successful introduction of a number of new and/or improved products;
- o the CEO's role as the leading industry spokesperson on behalf of the home medical equipment industry, which has put the Company in a position to directly impact reimbursement outcomes in a positive way and which has been acknowledged by certain of our customers by their expression of appreciation for our efforts on behalf of the entire industry;
- o progress made in meeting the Company's long-term strategic objectives set by management and reviewed by the Board of Directors each year;
- o the CEO's continuing commitment to geographic expansion and focus on growing the respiratory business, as well as his attention to issues of management succession; and
- o the CEO's length of service and leadership.

These accomplishments and consideration of potential future contributions resulted in the CEO's base salary being set at 129% of the targeted 50th

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percentile salary. This base salary constituted a 1.8% increase from 2005.

Annual Cash Bonus

Consistent with its philosophy, the Compensation Committee provides each executive an opportunity to earn an annual cash bonus resulting in total annual cash compensation (salary plus bonus) that falls at or near the market's 75th percentile of executives in comparable positions at surveyed employers. Annual cash bonuses increase executives' focus on specific short-term corporate financial goals. As a result, cash bonuses balance the objectives of the Company's other pay programs, which focus to a greater extent on individual performance (salaries), long-term financial results and stock price growth (restricted stock and stock options). Finally, annual bonuses allow the Company to manage fixed compensation costs but still provide executives with competitive cash compensation. The terms of the cash bonus program are contained in the Invacare Corporation Executive Incentive Bonus Plan (the "Executive Incentive Bonus Plan"), which was approved by the Company's shareholders in 2005 and is further described under the Grants of Plan-Based Awards For Fiscal Year 2006 Table.

The Compensation Committee annually determines the appropriate target bonuses for each executive officer (as a percentage of the executive's salary) so that total annual cash compensation for such executive officer will reach or slightly exceed the market's 75th percentile, but with the potential to receive additional bonus amounts if such objectives are exceeded (subject to a \$5,000,000 limit). In determining the target amounts, the Compensation Committee takes into account the cash bonus opportunities established by the competitor groups identified by the independent consultant, and also may determine that an executive's individual performance (taking into account the same factors discussed above with respect to base salary) and level of responsibilities warrant a change in the bonus target percentage from the Company's general targeted amounts. The Compensation Committee does not take into account awards

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earned under other reward programs in determining annual bonus opportunities and does not have an established policy on the desired mix between cash and non-cash compensation. Target bonuses for the Named Executive Officers for 2006 were established as 100% of base salary for Mr. Mixon, 95% of salary for Mr. Blouch, and 75% of salary for each of Messrs. Richey, Thompson and Slangen.

Each year, the Compensation Committee considers a recommendation from the CEO regarding the appropriate target for that year's earnings per share at which target bonuses will be earned. The Compensation Committee also takes into account the Company's forecasted annual operating plan, which is thoroughly reviewed and discussed by the entire Board of Directors at its strategic planning retreat early in the fiscal year. Targeted earnings per share before unusual items is generally set at a level which the Compensation Committee believes is challenging but achievable, and when achieved, supports paying executives annual cash compensation at the market's 75th percentile. The Compensation Committee has generally not awarded bonuses to the executives for years in which the Company's earnings per share before unusual or non-recurring charges did not improve over the prior year. As a result, the executives earned bonuses in only one year in the five years from 2002 through 2006. The Compensation Committee may adjust this practice in the future to reflect the realities imposed by external market factors which continue to affect home healthcare. If earnings per share exceeds the minimum level up to the targeted level or higher, annual cash bonuses earned by executives increase on a linear basis.

Pursuant to the Executive Incentive Bonus Plan, the Compensation Committee originally established a cash bonus plan for 2006 under which the Company's

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executive officers would earn cash bonuses if the Company achieved various earnings per share targets for 2006. The Compensation Committee and senior management believe earnings per share represents important bottom-line financial results that investors use to evaluate the Company's stock price value. Individual performance or Compensation Committee discretion has not historically played a role in determining the level of annual cash bonuses paid to executives. For 2006, the following levels of earnings per share (EPS) would result in the following bonus payments:

- o Below Threshold --> EPS <\$1.90 --> No bonuses paid
- o Threshold --> EPS = \$1.90 --> 50% of target bonus paid
- o Target --> EPS = \$2.15 --> 100% of target bonus paid
- o Exceed Target --> EPS = \$2.40 --> 150% of target bonus paid

If the Company reached an earnings per share level between or above the targets, the target bonus was to be adjusted on a straight-line basis up to a maximum amount of \$5,000,000.

The Company experienced disappointing financial results in the first half of 2006 because of several external market factors, including uncertainties resulting from dramatic changes in government reimbursement policies and pricing pressures arising from increased foreign competition. Based on these results, the Compensation Committee determined it was unlikely the earnings per share performance targets established at the start of the year would be achieved. As a result, executives would earn no cash bonuses for 2006, the fifth year in the past six in which the Company had paid no cash bonuses. In light of these circumstances, the Compensation Committee established a new cash bonus plan for the second-half of 2006. In doing so, the Compensation Committee sought to motivate its executives to continue to improve the Company's financial results by establishing challenging, but realistically achievable, earnings per share goals for the remainder of the year. The "second-half 2006" cash bonus plan, which is further described in the Grants of Plan-Based Awards Table, provided each executive with a chance to earn a cash bonus equal to 30% to 50% of their target bonus opportunity under the original 2006 bonus plan. These bonuses could be received if the Company achieved earnings per share results ranging from \$0.90 to \$1.08 per share during the period of July 15, 2006 to December 31, 2006. These goals for the "second-half 2006" bonus equal those of the original 2006 cash bonus plan on an annualized basis.

Earnings per share for 2006 were below the amounts targeted under both the original 2006 cash bonus plan and the second-half 2006 cash bonus plan and, as a result, no bonuses were paid to Named Executive Officers for 2006, including the CEO.

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Long-Term Compensation Awards

The third primary element of the Company's executive compensation program is comprised of long-term compensation awards, which the Compensation Committee has historically delivered in the form of stock options and restricted stock awards. Under the Company's equity incentive plans approved by shareholders, the Company also may grant awards in the form of other equity and performance-based incentives, as may be deemed appropriate by the Compensation Committee. These awards generally have unlimited potential based on the performance of the Company's stock.

Historically, the long-term compensation awards consisted primarily of stock options, with the CEO, the President and the CFO receiving a relatively

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small portion of their long-term awards in the form of restricted stock. The Compensation Committee believes the primary benefit of stock options is to motivate executives to increase shareholder value as options only produce rewards to executives if the Company's stock price increases. In addition, options help executives comply with the Company's ownership guidelines by building stock ownership. While restricted stock awards also align executives' interests with those of shareholders and increase stock ownership, they also help in attracting and retaining executive talent. The latter issue has become more important to the Compensation Committee as the Company continues to address fundamental changes in its industry and its effect on the Company's performance and stock price. Accordingly, the Compensation Committee changed the basis of its long-term compensation awards for 2006. In 2006, one-half of an executive's total long term incentive value was delivered in the form of stock options, with the remaining value delivered in the form of restricted stock. In this manner, the Compensation Committee accomplished its twin goals of increasing shareholder value and retaining key executives. The Compensation Committee also recognized restricted stock would reduce the dilution to the Company's shareholders as compared with the use of stock options and also may decrease the Company's expense for long-term compensation awards. As part of its charter, the Compensation Committee continues to study alternatives to its current allocation of equity compensation awards in light of these and other factors.

In 2006, the independent compensation consultant determined the median value of long term compensation awards to executives in similar positions at companies in the competitor groups. One-half of this value is converted into target stock option grants based on the Black-Scholes option valuation model, the same one used by the Company to determine its accounting cost. Minimum and maximum grant guidelines are developed around target grants according to an executive's salary grade or level, organizational level, reporting relationships and job responsibilities to maintain internal equity in the grants to participants. The other half of an executive's target long-term compensation value is delivered as shares of restricted stock. The estimated value of each restricted share is based on the Company's stock price and the estimated dividends individuals can receive over the vesting period. Outstanding long-term compensation granted in prior years and held by an executive officer is generally not considered when the Compensation Committee determines the new long-term compensation to be granted. Moreover, the Compensation Committee does not have any targeted mix between short- and long-term compensation elements as well as cash and non-cash reward elements.

Actual long-term compensation awards to each executive in 2006 were based on the subjective judgment of the Compensation Committee. In determining these awards, the Compensation Committee took into account several factors. First, it considered the targeted range of long-term incentive compensation based on the independent consultant's assessment of median long-term incentives awarded to similarly situated executives in the competitor groups. Second, it assessed the executive's performance in 2005 relative to the same goals used to determine the executive's base salary levels. Finally, it considered the recommendations of the CEO. No particular weight was assigned to any one of these areas. The long-term compensation granted to each of the Company's executives, including the CEO, in 2006 resulted in a value of long-term compensation at or near the targeted range for each executive.

Stock options are generally issued under the Invacare Corporation 2003 Performance Plan as non-qualified options with an exercise price equal to the Company's closing price on the New York Stock Exchange on the date of grant. Stock options become exercisable in accordance with a schedule established by the Compensation Committee upon grant. Typically options become exercisable ratably over a four year period (25% annually) after the date of grant to support executive retention and expire after ten years to reward long-term stock price appreciation. Restricted stock is generally issued at no cost to the executive and vests in accordance with a schedule established by the

Compensation Committee upon grant. Similar to options, restricted stock awards typically vest ratably each year over the four years. The terms of the restricted stock grants provide that the executive shall cover any tax withholding obligation of the Company upon vesting. The Compensation Committee believes that the value of restricted stock awards to executives would be diminished if the executive was required to pay cash to cover this tax withholding obligation, and, therefore, the terms of the restricted stock awards generally allow the executive, subject to certain restrictions, to surrender a portion of the vested shares to the Company to cover such obligation at a value per share equal to the closing price of the Company's common shares as quoted on the New York Stock Exchange on the date of the surrender of shares. Holders of restricted stock are entitled to receive the same dividends on their unvested shares of stock as are declared and paid by the Company to holders of the Company's outstanding common shares.

The Compensation Committee generally schedules its regular meetings from six to twelve months in advance. The timing of these meetings is dependent primarily on the availability of individual Compensation Committee members and is generally not influenced by the Company's executive officers. In adopting this practice, the Compensation Committee has sought to establish a regular and predictable regimen for the granting of equity incentive awards that minimizes the likelihood of outside influence on the grant process. Until 2006, restricted stock awards to the Company's CEO, President and CFO were typically granted at its March meeting. Stock options to these executives and other employees were typically awarded at the Compensation Committee's meeting in August. In 2006, the Compensation Committee granted restricted stock awards to executive officers in March and August and stock options to executive officers and other employees in August. The Compensation Committee's decision in the middle of 2006 to change the allocation of stock options and restricted stock granted to executives resulted in a deviation from the Compensation Committee's normal practice of granting restricted stock only at its March meeting. The Compensation Committee expects to establish a normal practice of granting restricted stock and stock options only in August of each year. The Company does not attempt to time the grants of options or other stock incentives to the release of material non-public information. Moreover, the Company does not foresee ever adopting such a practice.

In addition to the annual grants described above, equity-based grants are also made occasionally during the course of the year to new hires or to current employees in connection with a promotion. The terms of outstanding stock options or restricted stock also may be amended as part of a termination or retirement package offered to a departing employee. The Compensation Committee has delegated to the CEO, the President, the Chief Financial Officer and the Senior Vice President of Human Resources the following authority with respect to such grants and amendments: (1) any two of the four executives may, subject to the approval and ratification of the Compensation Committee, grant stock options to a key employee, other than an employee who would constitute an "executive officer" under Section 16 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), in connection with an offer of employment to such employee or with a promotion of such employee, which grants shall be made pursuant to terms and conditions approved by the Compensation Committee generally in connection with stock option grants and shall be deemed made as of the official start date of the employee's employment with the Company at an exercise price equal to the closing price of the Company's common shares as quoted on the New York Stock Exchange on such date; and (2) any two of the four executives may, subject to the approval and ratification of the Compensation Committee, amend any outstanding stock option grants made to an employee, other than an employee who would constitute an "executive officer" under Section 16 of the Exchange Act, in connection with a termination or retirement package offered to such

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employee, which amendments may include acceleration of vesting or extension of the employee's exercise rights up to the final termination date of the stock option.

In December 2005, the Compensation Committee and the Board of Directors of the Company approved full acceleration of the vesting of all of the Company's then outstanding and unvested stock options with an exercise price per share greater than \$30.75, the closing price of the Company's shares on the effective date of the action. The Company accelerated the vesting of these stock options primarily to partially offset reductions in other benefits made by the Company in 2005 (such as higher deductible amounts and lower Company contributions to the Company's healthcare plans) and to provide an additional incentive to motivate the Company's employees to reduce operating costs. In addition, in connection with the Company's adoption of Financial Accounting Standards Board Statement of Financial Accounting Standards No. 123 (revised 2004) ("FAS 123R") on January 1, 2006, the Company would have been required to recognize additional expense between 2006 and 2009 with respect to the stock options if the vesting of such options had not been accelerated. The Compensation Committee's action

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involved 1,368,307 of the Company's outstanding stock options, or approximately 29% of the total options outstanding. This included options for 646,100 shares held by the Named Executive Officers. None of these options were exercised in 2006 as their exercise prices remained greater than Company's stock price during the year. The vesting of outstanding restricted stock awards was not accelerated and no other terms, including the exercise prices, of the stock options that were accelerated were changed as part of this action by the Company.

Personal Benefits and Perquisites

The Company provided its Named Executive Officers certain perquisites in 2006, which the Compensation Committee believes are commensurate with the types of benefits and perquisites provided to similarly situated executives within the competitor groups identified by the independent consultant. The Company believes these benefits are set at a reasonable level, are highly valued by recipients, have limited cost, are part of a competitive reward program and are useful in attracting and retaining qualified executives. They are not tied to individual or Company performance. These perquisites include the payment of country club dues and initiation fees, the payment of premiums on excess liability insurance, an annual physical exam and health screening, and the availability of corporate sporting event tickets for personal use, as described under the Summary Compensation Table.

The Company currently leases three corporate suites for use at major league baseball, professional football and professional basketball games. It also leases the right to eight courtside seats for professional basketball games. The right to continue these leases and annually to renew the courtside seats is an asset of the Company and the annual costs of these suites and seats are paid for by the Company. In the event that the Company determines not to renew one or more of the leases or the seat rights, it has granted a right of first refusal to the CEO to assume its rights and obligations with respect to any of the foregoing. Should the CEO decide to exercise his right of first refusal, all subsequent costs associated with the use of the suite and/or seat rights would become the personal obligation of the CEO.

Elements of Post-Termination Compensation

The Company has established the Invacare Retirement Savings Plan, a qualified 401(k) defined contribution plan, to which the Company makes contributions on behalf of the each of the Named Executive Officers. The Company also maintains and pays premiums on behalf of each Named Executive Officer other

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than the CEO and Mr. Richey under the Invacare Executive Disability Income Plan, and maintains and pays the premiums on behalf of the CEO under a separate disability insurance policy. The Executive Disability Income Plan supplements the coverage provided under the long-term disability plan provided by the Company to all of its employees, providing the executive with total disability coverage of up to 70% of the executive's annual salary. The Company also provides other benefits such as medical, dental and life insurance and disability coverage to each Named Executive Officer in a flexible benefits plan, which also is provided to all other eligible U.S. based employees of the Company. The Company offers these plans to its executives in order to offer benefits that are competitive with welfare benefit plans provided by other companies with which the Company competes for executive talent.

The Company provides its executives with certain post-employment and severance arrangements as summarized below and further described elsewhere in this proxy statement. The Compensation Committee believes the benefits summarized below are vital to the attraction and retention of talented executives and, thus, to the long-term success of the Company. These plans provide executives with the opportunity to address long-term financial planning with a greater degree of certainty than is available in the case of their annual compensation program, which can be impacted by various subjective factors that may be unforeseeable and beyond the executive's control. These plans also address the Company's interest in continuing to motivate executives in the event of corporate instability, such as a change of control or unforeseen industry changes which affect the performance of the Company.

The Company provides its executives with the opportunity to participate in a non-qualified contributory savings plan, which allows the executives to defer compensation above the amount permitted to be contributed to the Invacare Retirement Savings Plan and, thus, provides the executives with additional

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pre-tax savings opportunities for retirement. In addition to individual deferrals, the Company provides a matching contribution and additional quarterly contribution for participating executives which are similar in percentage to the Company contributions made to the Invacare Retirement Savings Plan. This plan is actually two plans operating effectively as one. Originally established as the Invacare Corporation 401(k) Plus Benefit Equalization Plan (the "401(k) Plus Plan"), the plan continues to be available currently to executives as the Invacare Corporation Deferred Compensation Plus Plan (the "DC Plus Plan"). In order to address the requirements of Section 409A of the Internal Revenue Code, effective January 1, 2005, the Company froze the 401(k) Plus Plan and prohibited further deferrals and contributions to the 401(k) Plus Plan for compensation earned after December 31, 2004. All benefits of the participants earned and vested in the 401(k) Plus Plan as of December 31, 2004 remain preserved under the existing plan provisions. In conjunction with this change, the Company adopted the DC Plus Plan, effective January 1, 2005, to provide its executives with a Section 409A-compliant, non-qualified contributory savings plan going forward. These plans are referred to in this proxy statement collectively as the "DC Plus Plan" and are further described under the Non-Qualified Deferred Compensation Table.

The Company also has established a Supplemental Executive Retirement Plan for certain executive officers to supplement other savings plans offered by the Company and provide a specific level of replacement compensation for the executive in retirement. In order to comply with Section 409A of the Internal Revenue Code, the Company froze the original Supplemental Executive Retirement Plan and adopted a new plan which is intended to work in tandem with the original plan and operate effectively as one plan. These combined plans are referred to in this proxy statement collectively as the "SERP." The purpose of these plans is to provide for basic life and income security needs and recognize

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career contributions. The normal benefit under the SERP is a single-life annuity in an amount equal to 50% of a participant's final earnings, which is the participant's annual base salary and target bonus on the April 1st immediately preceding or coincident with the date of the termination of the participant's employment, multiplied by a service ratio, which is the participant's years of service divided by 15 years (but not more than one). This normal benefit is subject to certain reductions, including the annuitized value of Company contributions on behalf of the participant to the Invacare Retirement Savings Plan and the DC Plus Plan, one-half of the participant's annual Social Security benefit, and other offsets. In February 2000, the Compensation Committee granted to Messrs. Gerald B. Blouch, President and Chief Operating Officer, and Louis F.J. Slangen, Senior Vice President-Global Sales and Marketing, the maximum level of replacement compensation (50%) in recognition of their valuable service to the Company. As further described below, the offsets described above that would otherwise have been applicable to Mr. Mixon's benefit under the SERP have been waived by the Company in recognition of Mr. Mixon's successful management succession planning and past contributions to the success of the Company. Also, upon joining the Company in 2002, Mr. Thompson was credited with five years of service under the SERP in recognition of the valuable skills and experience he brought to the Company and as a further inducement for him to join the Company. The SERP is further described elsewhere in this proxy statement under the Pension Benefits Table.

Effective January 1, 2005, the Company terminated its sponsored life insurance plan. To replace this benefit, the Company established a Death Benefit Only Plan ("DBO Plan") for its executives other than the CEO. By participating in the DBO Plan, an executive agrees to limit his coverage under the Company's other group life insurance plans to a maximum of \$50,000. Under the DBO Plan, the executive's designated beneficiary shall receive a benefit equal to three times the executive's highest annual base salary plus target bonus (subject to certain limitations) as in effect on the April 1st preceding or coincident with his death if a participant dies while employed by the Company. If a participant dies after attaining age 65 or after his employment with the Company is otherwise terminated following a change of control of the Company, a payment equal to his highest annual base salary plus target bonus as in effect on the April 1st preceding or coincident with such event will be payable on behalf of the participant. The Company may, in its discretion, pay an additional amount in order to "gross up" the participant for some or all of the income taxes that may result from the benefits described above. The DBO Plan is further described under Other Potential Post-Employment Compensation.

To ensure the continuity of corporate management and the continued dedication of key executives during any period of uncertainty caused by the possible threat of a takeover, the Company entered into change of control severance protection agreements with key executives, including each of the Named Executive Officers. The agreements provide for the payment and provision of certain benefits to the executives if there is a change of control of the Company and for additional benefits if there is a termination of the executive's employment with the surviving entity within three years after the change of control. Following a review of these agreements and comparable agreements

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entered into by other companies with similarly situated executives, the Compensation Committee determined to amend the terms of these agreements during 2006 for the purpose of updating the agreements to incorporate certain new benefit arrangements adopted by the Company and to comply with Section 409A of the Internal Revenue Code.

The Company has also entered into separate agreements with Mr. Blouch, Mr. Richey, Mr. Slangen and Mr. Thompson that provide for the payment of certain severance benefits upon terminations of employment other than terminations

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following a change of control of the Company. These agreements retain these executives and provide for management continuity in the event of an actual or threatened change-in-control. They also help ensure that executive's interests remain aligned with shareholders' interests during a time when their continued employment may be in jeopardy. Finally, they provide some level of income continuity should an executive's employment be terminated without cause. These agreements are further described under Other Potential Post-Employment Compensation.

In March 2000, in recognition of the CEO's many years of service and the successful financial performance of the Company, the Compensation Committee established a Chairman and CEO Retirement Program. Under the program, upon his retirement, Mr. Mixon is to be provided with a spending account for reimbursement of expenses incurred in an ongoing role as consultant to the Company, and certain other benefits, for five years following his retirement. The Chairman and CEO Retirement Program is further described under Other Post-Employment Compensation.

Compensation Policies

Section 162(m) of the Internal Revenue Code

Section 162(m) of the Internal Revenue Code generally provides that certain compensation in excess of \$1 million per year paid to a public company's chief executive officer and any of its four other highest paid executive officers is not deductible to the company unless the compensation qualifies for an exception. Section 162(m) provides an exception to the deductibility limit for "performance-based compe