

INVACARE CORP
Form 10-Q
November 05, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2009

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 001-15103

INVACARE CORPORATION
(Exact name of registrant as specified in its charter)

Ohio
(State or other jurisdiction of
incorporation or organization)

95-2680965
(IRS Employer Identification No)

One Invacare Way, P.O. Box 4028, Elyria, Ohio
(Address of principal executive offices)

44036
(Zip Code)

(440) 329-6000
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 (the "Exchange Act") during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act (Check One). Large accelerated filer Accelerated filer Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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

As of November 4, 2009, the registrant had 31,195,416 Common Shares and 1,109,685 Class B Common Shares outstanding.

INVACARE CORPORATION

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Part I. FINANCIAL INFORMATION
 Item 1. Financial Statements.

INVACARE CORPORATION AND SUBSIDIARIES
 Condensed Consolidated Balance Sheets (unaudited)

	September 30, 2009	December 31, 2008
(In thousands)		
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 27,821	\$ 47,516
Marketable securities	316	72
Trade receivables, net	259,223	266,483
Installment receivables, net	3,820	4,267
Inventories, net	183,426	178,737
Deferred income taxes	2,310	2,051
Other current assets	47,398	51,932
TOTAL CURRENT ASSETS	524,314	551,058
OTHER ASSETS	57,521	60,451
OTHER INTANGIBLES	86,026	84,766
PROPERTY AND EQUIPMENT, NET	139,573	143,512
GOODWILL	534,365	474,686
TOTAL ASSETS	\$ 1,341,799	\$ 1,314,473
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 135,083	\$ 119,633
Accrued expenses	128,279	143,612
Accrued income taxes	2,383	3,054
Short-term debt and current maturities of long-term obligations	2,800	18,699
TOTAL CURRENT LIABILITIES	268,545	284,998
LONG-TERM DEBT	320,696	407,707
OTHER LONG-TERM OBLIGATIONS	95,076	88,826
SHAREHOLDERS' EQUITY		
Preferred shares	-	-
Common shares	8,231	8,119
Class B common shares	278	278
Additional paid-in-capital	224,938	215,279
Retained earnings	329,031	306,698
Accumulated other comprehensive earnings	148,946	50,789
Treasury shares	(53,942)	(48,221)
TOTAL SHAREHOLDERS' EQUITY	657,482	532,942
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 1,341,799	\$ 1,314,473

See notes to condensed consolidated financial statements.

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

(In thousands except per share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Net sales	\$ 434,031	\$ 461,836	\$ 1,244,567	\$ 1,325,266
Cost of products sold	302,577	330,905	886,590	956,954
Gross profit	131,454	130,931	357,977	368,312
Selling, general and administrative expense	104,344	106,181	296,416	308,396
Charge related to restructuring activities	1,857	283	3,757	1,653
Interest expense	7,760	10,570	26,096	32,060
Interest income	(283)	(753)	(1,076)	(2,343)
Earnings before income taxes	17,776	14,650	32,784	28,546
Income taxes	4,300	3,925	9,250	10,265
NET EARNINGS	\$ 13,476	\$ 10,725	\$ 23,534	\$ 18,281
DIVIDENDS DECLARED PER COMMON SHARE	.0125	.0125	.0375	.0375
Net earnings per share – basic	\$ 0.42	\$ 0.34	\$ 0.74	\$ 0.57
Weighted average shares outstanding - basic	31,970	31,908	31,945	31,896
Net earnings per share – assuming dilution	\$ 0.42	\$ 0.33	\$ 0.74	\$ 0.57
Weighted average shares outstanding - assuming dilution	32,004	32,031	31,952	31,977

See notes to condensed consolidated financial statements.

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

	Nine Months Ended September 30,	
	2009	2008
	(In thousands)	
OPERATING ACTIVITIES		
Net earnings	\$ 23,534	\$ 18,281
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Amortization of convertible debt discount	3,062	2,730
Depreciation and amortization	29,852	33,305
Provision for losses on trade and installment receivables	14,157	10,576
Provision for other deferred liabilities	1,976	2,313
Provision for deferred income taxes	460	619
Provision for stock-based compensation	3,310	2,173
Loss (gain) on disposals of property and equipment	379	(110)
Changes in operating assets and liabilities:		
Trade receivables	9,782	(26,799)
Installment sales contracts, net	(2,821)	(3,082)
Inventories	6,131	(18,047)
Other current assets	9,257	4,436
Accounts payable	9,613	(8,002)
Accrued expenses	(22,585)	785
Other deferred liabilities	(100)	(3,544)
NET CASH PROVIDED BY OPERATING ACTIVITIES	86,007	15,634
INVESTING ACTIVITIES		
Purchases of property and equipment	(10,516)	(15,007)
Proceeds from sale of property and equipment	1,111	58
Other long term assets	(461)	4,470
Business acquisitions, net of cash acquired	-	(2,152)
Other	(270)	1,348
NET CASH USED FOR INVESTING ACTIVITIES	(10,136)	(11,283)
FINANCING ACTIVITIES		
Proceeds from revolving lines of credit and long-term borrowings	274,420	266,054
Payments on revolving lines of credit, long-term borrowings and capital lease obligations	(373,335)	(294,448)
Proceeds from exercise of stock options	1,001	834
Payment of dividends	(1,201)	(1,199)
NET CASH USED BY FINANCING ACTIVITIES	(99,115)	(28,759)
Effect of exchange rate changes on cash	3,549	(412)
Decrease in cash and cash equivalents	(19,695)	(24,820)
Cash and cash equivalents at beginning of period	47,516	62,200
Cash and cash equivalents at end of period	\$ 27,821	\$ 37,380

See notes to condensed consolidated financial statements.

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INVACARE CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated
Financial Statements
(Unaudited)
September 30, 2009

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

Principles of Consolidation - The consolidated financial statements include the accounts of the company and its wholly owned subsidiaries and include all adjustments, which were of a normal recurring nature, necessary to present fairly the financial position of the company as of September 30, 2009, the results of its operations for the three and nine months ended September 30, 2009 and 2008, respectively, and changes in its cash flows for the nine months ended September 30, 2009 and 2008, respectively. Certain foreign subsidiaries, represented by the European segment, are consolidated using an August 31 quarter end in order to meet filing deadlines. No material subsequent events have occurred related to the European segment, which would require disclosure or adjustment to the company's financial statements. The results of operations for the three and nine months ended September 30, 2009 are not necessarily indicative of the results to be expected for the full year. All significant intercompany transactions are eliminated.

Adoption of new Accounting Standard - In June 2009, the Financial Accounting Standards Board ("FASB") issued ASC 105 which modifies the Generally Accepted Accounting Principles ("GAAP") hierarchy by establishing only two levels of GAAP, authoritative and nonauthoritative accounting literature. Effective July 2009, the FASB Accounting Standards Codification ("ASC"), also known collectively as the "Codification," is considered the single source of authoritative U.S. accounting and reporting standards, except for additional authoritative rules and interpretive releases issued by the SEC. Nonauthoritative guidance and literature would include, among other things, FASB Concepts Statements, American Institute of Certified Public Accountants Issue Papers and Technical Practice Aids and accounting textbooks. The Codification was developed to organize GAAP pronouncements by topic so that users can more easily access authoritative accounting guidance. It is organized by topic, subtopic, section, and paragraph, each of which is identified by a numerical designation. This statement applies beginning in third quarter 2009. All accounting references have been updated, and therefore SFAS references have been replaced with ASC references.

In May 2009, Subsequent Events, ASC 855, was issued that provides authoritative guidance regarding subsequent events as this guidance was previously only addressed in auditing literature. The company adopted ASC 855 effective June 30, 2009 and the adoption had no material impact on the company's financial position, results of operations or cash flows. The company has evaluated subsequent events through, November 5, 2009, the date of filing of this report with the Securities and Exchange Commission.

On May 9, 2008, Convertible Debt, ASC 470-20, was issued that provides clarification of the accounting for convertible debt that can be settled in cash upon conversion. The FASB believed this clarification was needed because the accounting that was being applied for convertible debt prior to ASC 470-20 did not fully reflect the true economic impact on the issuer since the conversion option was not captured as a borrowing cost and its full dilutive effect was not included in earnings per share. ASC 470-20 requires separate accounting for the liability and equity components of the convertible debt in a manner that would reflect Invacare's nonconvertible debt borrowing rate. Accordingly, the company had to bifurcate a component of its convertible debt as a component of stockholders' equity (\$59,012,000 as of the retrospective adoption date of February 12, 2007) and will accrete the resulting debt discount as interest expense. The company adopted ASC 470-20 effective January 1, 2009 and, as a result, reported

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interest expense increased and net earnings decreased by \$1,050,000 (\$0.03 per share) and \$936,000 (\$0.03 per share) for the quarters ended September 30, 2009 and 2008, respectively; by \$3,062,000 (\$0.10 per share) and \$2,730,000 (\$0.09 per share) for the nine month periods ended September 30, 2009 and 2008, respectively and by \$3,695,000 (\$0.12 per share) and \$2,904,000 (\$0.09 per share) for the years 2008 and 2007, respectively. ASC 470-20 required retrospective application upon adoption and accordingly, amounts for 2008 and 2007 are being and will continue to be restated in the 2009 financial statements.

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

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

Business Segments - The company operates in five primary business segments: North America / Home Medical Equipment (NA/HME), Invacare Supply Group (ISG), Institutional Products Group (IPG), Europe and Asia/Pacific. The NA/HME segment sells each of three primary product lines, which includes: standard, rehab and respiratory products. Invacare Supply Group sells distributed product and the Institutional Products Group sells health care furnishings and accessory products. Europe and Asia/Pacific sell all of the same product lines with the exception of distributed products. Each business segment sells to the home health care, retail and extended care markets.

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

Invacare, operating as IPG, is a manufacturer and distributor of healthcare furnishings including beds, case goods and patient handling equipment for the long-term care markets, specialty clinical recliners for dialysis and oncology clinics and certain other home medical equipment and accessory products. The company's Asia/Pacific operations consist of Invacare Australia, which distributes the Invacare range of products which includes: manual and power wheelchairs, lifts, ramps, beds, furniture and pressure care products; Dynamic Controls, which manufactures electronic operating components used in power wheelchairs, scooters and other products; Invacare New Zealand, which distributes a wide range of home medical equipment; and Invacare Asia, which imports and distributes home medical equipment to the Asian markets.

The company's European operations operate as a "common market" company with sales throughout Europe. The European operations currently sell a line of products providing room for growth as Invacare continues to broaden its product line offerings to more closely resemble those of its North American operations. The company evaluates performance and allocates resources based on profit or loss from operations before income taxes for each reportable segment. The accounting policies of each segment are the same as those described in the summary of significant accounting policies for the company's consolidated financial statements. Intersegment sales and transfers are based on the costs to manufacture plus a reasonable profit element.

Earnings (loss) before income tax amounts for 2008 have been restated to reflect the amortization of the convertible debt discount recorded as a result of the company's adoption of ASC 470-20. As a result of the restatement, earnings before income taxes decreased by \$1,050,000 and \$3,062,000 for NA/HME and the consolidated company for the three and nine months ended September 30, 2009, respectively, and decreased by \$936,000 and \$2,730,000 for NA/HME and the consolidated company for the three and nine months ended September 30, 2008, respectively. In addition, effective January 1, 2009, segment earnings before income taxes have been changed to reflect how management currently views earnings before income taxes for the segments. Specifically, Asia/Pacific earnings before income taxes now includes profit on intercompany sales with an offsetting adjustment to All Other and NA/HME now includes a greater allocation of interest expense with an offsetting reduction for Europe. The prior year has been reclassified to conform to the current year presentation.

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2009	2008	2009	2008
Revenues from external customers				
North America / HME	\$ 185,072	\$ 191,218	\$ 559,851	\$ 554,162
Invacare Supply Group	70,825	67,604	204,688	197,383
Institutional Products Group	23,462	26,320	67,469	74,794
Europe	134,604	151,478	360,209	423,458
Asia/Pacific	20,068	25,216	52,350	75,469
Consolidated	\$ 434,031	\$ 461,836	\$ 1,244,567	\$ 1,325,266
Intersegment Revenues				
North America / HME	\$ 21,775	\$ 15,456	\$ 50,459	\$ 43,843
Invacare Supply Group	16	189	214	424
Institutional Products Group	561	694	1,711	2,077
Europe	2,868	2,549	6,719	9,688
Asia/Pacific	7,331	8,499	22,724	24,369
Consolidated	\$ 32,551	\$ 27,387	\$ 81,827	\$ 80,401
Charge related to restructuring before income taxes				
North America / HME	\$ (80)	\$ (153)	\$ 255	\$ 102
Invacare Supply Group	60	1,598	60	1,598
Institutional Products Group	-	-	171	115
Europe	1,810	213	2,434	996
Asia/Pacific	365	223	1,135	511
Consolidated	\$ 2,155	\$ 1,881	\$ 4,055	\$ 3,322
Earnings (loss) before income taxes				
North America / HME	\$ 9,679	\$ 3,720	\$ 24,986	\$ 10,905
Invacare Supply Group	1,567	(323)	3,442	470
Institutional Products Group	3,629	1,654	6,721	3,023

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Europe	12,372	15,736	23,393	33,344
Asia/Pacific	468	2,565	131	6,788
All Other *	(9,939)	(8,702)	(25,889)	(25,984)
Consolidated	\$ 17,776	\$ 14,650	\$ 32,784	

Name	Grant Date	Compensation Committee Approval Date	Estimated Possible Payouts Under Incentive Plan Awards Maximum (\$) ⁽¹⁾	Estimated Future Payouts Under Equity Incentive Plan Awards (#) ⁽²⁾	All Other Stock Awards: Number of Shares of Stock (#) ⁽³⁾	Grant Date Fair Value of Stock Awards (\$) ⁽⁴⁾
Andrew S. Duff	5/15/2012	5/9/2012		33,004		400,008
	2/15/2012	2/9/2012	8,002,600		15,208	351,000
Debbra L. Schoneman	5/15/2012	5/9/2012		16,502		200,004
	2/15/2012	2/9/2012	8,002,600		1,300	30,004
Chad R. Abraham	5/15/2012	5/9/2012		16,502		200,004
	2/9/2012	2/9/2012	8,002,600			
Brien M. O'Brien ⁽⁵⁾	1/6/2012	1/6/2012	983,000			
	1/6/2012	1/6/2012	933,000			
	1/6/2012	1/6/2012	950,000			
	1/6/2012	1/6/2012	1,057,760			
	1/6/2012	1/6/2012	424,609			
M. Brad Wings	5/15/2012	5/9/2012		16,502		200,004
	2/9/2012	2/9/2012	8,002,600			

(1) The amounts in this column reflect an estimate of the maximum combined value of the cash and equity that would have been payable to the named executive officers under qualified performance-based awards granted to the named executive officers for 2012 performance under the annual incentive program, calculated using our actual 2012 performance. Because the potential amounts payable under the qualified performance-based awards are stated in the annual incentive program as a percentage of adjusted pre-tax operating income that can only be decreased, and not increased, from that maximum level, and because actual amounts paid below this maximum level are within the full discretion of the Committee, there are no identifiable threshold or target amounts under the awards, and the maximum amounts actually payable to the named executive officers pursuant to the awards for 2012 performance were indeterminable at the time the awards were granted.

(2) The amounts in this column reflect the number of PSUs granted to the named executive officers during May 2012, which will be earned and vest based on our TSR measured on an absolute and relative basis compared to our peer group over a 36-month performance period. The number of PSUs granted to each named executive officer was determined by dividing a dollar value for the executive's award by the fair market value of a PSU, rounded up to the nearest whole PSU. The fair market value of \$12.12 for each PSU was determined using a Monte Carlo simulation, which assumed a risk-free interest rate of 0.38 percent and expected stock price volatility of 47.6%. For a more complete description of the PSUs, see "Compensation Discussion and Analysis - Long-Term Incentive Compensation."

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- (3) The amounts in this column reflect equity compensation paid to the named executive officers in 2012 pursuant to annual qualified performance-based awards granted to these officers in 2011 under our annual incentive program. The shares of restricted stock were granted to these officers on February 15, 2012 following the Compensation Committee's certification of the attainment of 2011 annual financial performance goals established by the Committee under the annual incentive program. All of the restricted stock was granted under the Incentive Plan and will vest in three equal installments on February 15 of each of 2013, 2014 and 2015, assuming the award recipient complies with the terms and conditions of the applicable award agreement. The restricted stock awards are subject to forfeiture prior to vesting following certain terminations of employment or in the event the award recipient is terminated for cause, misappropriates confidential company information, participates in or is employed by a talent competitor of Piper Jaffray, or solicits employees, customers or clients of Piper Jaffray, all as set forth in more detail in the applicable award agreement. Recipients have the right to vote all shares of Piper Jaffray restricted stock they hold and to receive dividends (if any) on the restricted stock at the same rate paid to our other shareholders. (We currently do not pay dividends on our common stock.) The number of shares of restricted stock awarded to each named executive officer under our 2012 annual incentive program was determined by dividing specified dollar amounts representing a percentage of the individual's total annual incentive compensation for that year by \$23.08, the closing price of our common stock on the February 15, 2012 grant date.
- (4) The grant date fair value is generally the amount the company would expense in its financial statements over the award's service period under FASB ASC Topic 718.
- (5) The amounts for Mr. O'Brien reflect the quarterly and annual amounts paid to Mr. O'Brien pursuant to the terms of his employment agreement based on the actual 2012 performance of our asset management business. Because the potential amounts payable to Mr. O'Brien pursuant to his employment agreement are stated as a percentage of EBITDA of our asset management business, there are no identifiable threshold or target amounts for the payouts, and the maximum amount actually payable to Mr. O'Brien pursuant to his employment agreement for 2012 performance was indeterminable at the time we entered into the agreement. The Compensation Committee approved the terms of Mr. O'Brien's employment agreement governing his 2012 incentive payments on January 6, 2012. The table above lists in descending order, Mr. O'Brien's first, second, third and fourth quarter payments followed by his payment based on annual performance of our asset management business.

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Outstanding Equity Awards at Fiscal Year End

The following table sets forth certain information concerning equity awards held by the named executive officers that were outstanding as of December 31, 2012.

Name	Option Awards				Stock Awards			Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$) ⁽²⁾
	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Exercise Price (\$)	Option Expiration Date	Number of Shares of Stock That Have Not Vested ⁽¹⁾ (#)	Market Value of Shares of Stock That Have Not Vested ⁽²⁾ (\$)	Equity Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#) ⁽³⁾	
Andrew S. Duff	24,940		47.30	2/12/2014	136,181	4,375,496	33,004	1,060,419
	11,719		39.62	2/22/2015				
	6,098		47.85	2/21/2016				
	9,641		70.13	2/15/2017				
	32,149		41.09	2/15/2018				
Debra L. Schoneman	485		47.30	2/12/2014	32,670	1,049,687	16,502	530,209
	290		39.62	2/22/2015				
Chad R. Abraham	3,197		47.30	2/12/2014	17,551	563,914	16,502	530,209
	4,442		39.62	2/22/2015				
Brien M. O'Brien			n/a	n/a				
M. Brad Wings	969		47.30	2/12/2014	45,132	1,450,091	16,502	530,209
	573		39.62	2/22/2015				

(1) The shares of restricted stock vest on the dates and in the amounts set forth in the table below, so long as the award recipient complies with the terms and conditions of the applicable award agreement.

Vesting Date	Andrew S. Duff	Debra L. Schoneman	Chad R. Abraham	Brien M. O'Brien	M. Brad Wings
February 15, 2013	12,909	1,561	4,221		2,403
February 16, 2013	26,979	4,722	9,106		15,935
February 15, 2014	12,909	1,563	4,224		2,404
February 15, 2015	5,070	434			

In addition to the shares of restricted stock set forth in the table above, the following number of shares of restricted stock will cliff-vest if our company meets a return on adjusted common equity target of 11% over a twelve-month period, assuming the award recipient remains an employee: Mr. Duff, 78,314 shares; Ms. Schoneman, 24,390 shares; Mr. Wings, 24,390 shares. We will not meet the performance metric required for these awards to vest prior to their expiration, and the shares will be forfeited on April 30, 2013.

(2) The values in this column are based on the \$32.13 closing sale price of our common stock on the New York Stock Exchange on December 31, 2012. As noted in the above footnote, the values include shares of restricted stock for Mr. Duff, Ms. Schoneman and Mr. Wings that will cliff-vest if our company meets a return on adjusted common equity target of 11% over a twelve-month period. We will not meet the performance metric required for these awards to vest prior to their expiration, and the shares will be forfeited on April 30, 2013. Without these shares, the market value of unvested restricted stock is as follows: Mr. Duff, \$1,859,267; Ms. Schoneman, \$266,036; Mr. Wings, \$666,440.

(3) The numbers in this column reflect the number of PSUs awarded in May 2012 that will vest on May 14, 2015 to the extent earned in accordance with the TSR requirements established for the three-year performance period.

Table of Contents**Option Exercises and Stock Vested**

The following table sets forth certain information concerning stock vested during the year ended December 31, 2012. No stock options were exercised by any of the named executive officers in 2012.

Name	Stock Awards	
	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ⁽¹⁾ (\$)
Andrew S. Duff	7,840	180,947
Debra L. Schoneman	1,128	26,034
Chad R. Abraham	5,312	122,601
Brien M. O'Brien		
M. Brad Wings	5,206	120,154

(1) The value realized upon vesting of the stock awards is based on the \$23.08 closing sale price of our common stock on February 15, 2012, the vesting date of the awards.

Non-Qualified Deferred Compensation Plans

The following table identifies the amounts paid to Chad R. Abraham in 2012 and his deferred balance as of December 31, 2012. Mr. Abraham is the named executive officer to participate in this deferred compensation program, which was established prior to our spin-off from U.S. Bancorp. A more complete description of this deferred compensation arrangement is included in the "Compensation Discussion and Analysis Compensation Program and Payouts Other Compensation." The amounts paid in 2012 are included in "All Other Compensation" in the Summary Compensation Table.

Name	Aggregate Earnings Paid Out in Last Fiscal Year (\$)	Aggregate Deferred Balance (Deemed Investment) at Last Fiscal Year (\$)
Chad R. Abraham	\$ 1,022	\$ 5,527

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The following table sets forth quantitative information with respect to potential payments to be made to each of the named executive officers or their beneficiaries upon termination in various circumstances, assuming termination on December 31, 2012. In the following table, unless indicated otherwise, all equity is listed at its dollar value as of December 31, 2012. Because all stock options held by our named executive officers as of December 31, 2012 were out-of-the-money, no value is attributed to these stock options.

Name	Type of Termination						
	Change-in-Control Not Followed by Employment Termination	Involuntary Termination Within 24 Months Following a Change-in-Control	Voluntary Termination	Involuntary Termination Under Severance Plan	Other Involuntary Termination Not for Cause	Death or Disability ⁽⁵⁾	Involuntary Termination for Cause
Andrew S. Duff							
Severance ⁽¹⁾				\$ 325,000			
Restricted Stock ⁽²⁾⁽³⁾	\$ 3,872,250	\$ 3,872,250	\$ 1,859,267	\$ 3,872,250	\$ 1,859,267		
PSUs ⁽⁴⁾	\$ 1,060,419	\$ 1,060,419					Indeterminable
Annual Incentive Award ⁽⁵⁾	Indeterminable						
Debra L. Schoneman							
Severance ⁽¹⁾				\$ 250,000			
Restricted Stock ⁽²⁾⁽³⁾	\$ 892,957	\$ 892,957	\$ 266,036	\$ 892,957	\$ 266,036		
PSUs ⁽⁴⁾	\$ 530,209	\$ 530,209					Indeterminable
Annual Incentive Award ⁽⁵⁾	Indeterminable						
Chad R. Abraham							
Severance ⁽¹⁾				\$ 212,500			
Restricted Stock ⁽²⁾⁽³⁾	\$ 563,914	\$ 563,914	\$ 563,914	\$ 563,914	\$ 563,914		
PSUs ⁽⁴⁾	\$ 530,209	\$ 530,209					Indeterminable
Annual Incentive Award ⁽⁵⁾	Indeterminable						
Brien M. O'Brien							
Severance ⁽¹⁾				\$ 487,500			
M. Brad Wings							
Severance ⁽¹⁾				\$ 212,500			
Restricted Stock ⁽²⁾⁽³⁾	\$ 1,292,361	\$ 1,292,361	\$ 666,440	\$ 1,292,361	\$ 666,440		
PSUs ⁽⁴⁾	\$ 530,209	\$ 530,209					Indeterminable
Annual Incentive Award ⁽⁵⁾	Indeterminable						

(1) Under our Severance Plan, employees may be eligible for severance payments in the event of employment termination by us due to a facility closure, permanent work-force reduction, organizational change that eliminates the employee's position, or similar event as determined by the company. The named executive officers participate in the Severance Plan on the same basis as all other employees. The amount in the table reflects salary continuation payments calculated in accordance with the provisions of the plan. Also under this plan, the named executive officers would be entitled to continue to participate in our health and welfare benefits programs at employee rates during the severance period.

(2) Under the Incentive Plan, in the event of a change-in-control of Piper Jaffray, regardless of whether an employee's employment is terminated all outstanding restricted stock (other than the long-term ROE equity awards) will vest and all restrictions on the restricted stock will lapse. Under the applicable award agreements for the ROE equity awards, 80% of the award will vest if a change-in-control occurs between April 30, 2012 and April 30, 2013. The ROE equity awards require us to meet a return on adjusted common equity of 11% over a 12-month period to vest absent a change-in-control, which we anticipate will not occur and the ROE equity awards will be forfeited on April 30, 2013.

(3) Under the applicable award agreements, all of the restricted stock awards (other than the ROE equity awards) will continue to vest following a termination of employment so long as the termination was not for cause and the employee does not violate certain post-termination restrictions. Also, with the exception of the ROE equity awards, vesting is accelerated upon a company-determined severance event. The ROE equity awards will be forfeited following a voluntary termination of employment, other involuntary termination not for cause, or involuntary termination for cause, but not in the event of a company-determined severance event so long as the employee complies with the terms of the applicable severance agreement. Upon a

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severance event, the ROE equity awards will continue to vest as set forth in the award agreement. The amounts in the table reflect these terms and conditions and assume compliance with any post-termination vesting requirements that are within the named executive officers' control.

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- (4) Under the applicable award agreements, each PSU automatically will become one share of restricted stock on the closing date of a change-in-control, and each resulting share of restricted stock will remain restricted until the end of the applicable 36-month performance period. If the named executive officer remains continuously employed by us after the closing of the change-in-control through the end of the 36-month performance period, all shares of restricted stock arising from the PSUs will vest on the last day of the performance period. The amounts in the table reflect these terms and conditions and assume the named executive officer remains continuously employed by us throughout the 36-month performance period. If the named executive officer's employment is terminated after the closing of the change-in-control and prior to the end of the performance period (i) by us without cause, (ii) by the named executive officer for good reason, (iii) in connection with the named executive officer's death or disability or (iv) under such circumstances determined to constitute retirement by the Committee in its sole discretion, all unvested shares of restricted stock arising from the PSUs will vest on the date of termination of the named executive officer's employment with us. If the named executive officer's employment with us terminates because of the named executive officer's death or disability prior to a change-in-control, then the named executive officer will earn a number of PSUs equal to (i) the number of PSUs that would otherwise be earned pursuant to the award agreement but for the named executive officer's termination multiplied by (ii) a fraction, (1) the numerator of which is the number of days during the performance period up to and including the date of termination of the named executive officer's employment with us and (2) the denominator of which is the total number of days in the performance period. The 36-month performance period for the PSUs awarded in 2012 ends on May 14, 2015, and therefore any PSUs that might vest in connection with a named executive officer's death or disability is not determinable at this time.
- (5) Qualified performance-based awards granted under the annual incentive program are payable in the discretion of the Compensation Committee, and are therefore indeterminable.

Risk Assessment of Compensation Policies and Practices

In early 2013, our management prepared a company-wide inventory and review of our compensation policies and practices for both executive officers and for employees generally, which management discussed with the Compensation Committee. In connection with this review and discussion, we determined that our compensation policies and practices are not reasonably likely to have a material adverse effect on our company.

Outstanding Equity Awards

The following table summarizes, as of December 31, 2012, the number of shares of our common stock to be issued upon exercise of outstanding options granted under our equity plans as of December 31, 2012. The table also includes the weighted-average exercise price of options and the number of shares remaining available for future issuance under the plans for all awards.

Plan Category	Number of shares to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of shares remaining available for future issuance under equity compensation plans (excluding shares in first column)
Equity compensation plans approved by shareholders	486,563	\$ 44.76	1,317,682 ⁽¹⁾
Equity compensation plans not approved by shareholders ⁽²⁾		n/a	273,658

(1) Based on the 7,000,000 shares currently authorized for issuance under the plan. In addition to the 486,563 shares to be issued upon the exercise of outstanding options to purchase our common stock 1,898,556 shares of restricted stock and 173,271 performance-based restricted share units were issued and outstanding as of December 31, 2012. All of the shares available for future issuance under the plan as of December 31, 2012 may be granted in the form of restricted stock, restricted stock units, options or another equity-based award authorized under the plan.

(2) In 2010, we established the Piper Jaffray Companies 2010 Inducement Plan ("Inducement Plan") in conjunction with the acquisition of Advisory Research, an asset management firm based in Chicago. The

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listing requirements of the New York Stock Exchange (specifically, section 303A.08) permit the adoption of an equity compensation plan without shareholder approval if awards under the plan are to be a material inducement to prospective employees. Accordingly, we adopted the Inducement Plan to assist in retention and induce prospective employees of Advisory Research to accept employment with the company. The aggregate number of shares that may be issued under the Inducement Plan is 400,000, and we granted 158,801 restricted shares (\$7.0 million) upon the closing of the transaction on March 1, 2010. (Of the amount granted, as of December 31, 2012, 13,044 shares had been returned following termination of employment, and 19,415 shares had been returned due to tax withholding, for a total of 273,658 shares included in the table above.) These shares vest ratably over five years in equal installments beginning on March 1, 2011, and ending on March 1, 2015. We do not intend to grant any additional shares under this plan. The Inducement Plan is administered by the Compensation Committee, which has the authority, among other things, to designate participants in the Inducement Plan, determine whether and to what extent any type of award is to be granted, determine the number of shares to be covered by each award, determine the terms and conditions of any award or award agreement, amend the terms and conditions of any award or award agreement, accelerate the vesting and/or exercisability of any stock option or waive any restrictions relating to any award and interpret and administer the Inducement Plan and any instrument or agreement relating to the Inducement Plan. The types of awards that may be granted under the Inducement Plan are stock options, stock appreciation rights, restricted stock, restricted stock units, performance awards, dividend equivalents, other stock grants and other stock-based awards. Awards under the Inducement Plan generally are not transferable. In the event of a change-in-control, any outstanding stock options and stock appreciation rights under the Inducement Plan which are not then exercisable and vested will become fully exercisable and vested and the restrictions applicable to any restricted stock, restricted stock units or other awards shall lapse and such awards will become free of all restrictions and become fully vested. The Board may amend, alter, suspend, discontinue or terminate the Inducement Plan at any time. If not sooner terminated by the Board, the Inducement Plan will terminate on January 1, 2020. The foregoing is only a summary of the material terms of the Inducement Plan and is qualified in its entirety by reference to the Inducement Plan, a copy of which has been filed with the SEC.

SECURITY OWNERSHIP

Stock Ownership Guidelines

We believe it is important for our directors and executive officers to maintain a meaningful equity interest in our company, to ensure that their interests are aligned with the interests of our shareholders. Our Compensation Committee has adopted stock ownership guidelines to establish expectations for our executive officers and non-employee directors with respect to their equity stake in the company. Accordingly, executive officers are expected to retain 50% of the equity awarded to them through our incentive plan, or acquired upon exercise of stock options awarded to them, net of taxes and exercise costs. The guideline applies upon becoming an executive officer and remains in effect while the individual serves as an executive officer. Non-employee directors are expected to retain 50% of the shares awarded to them through our incentive plan, or acquired upon exercise of stock options. The guideline for non-employee directors applies irrespective of taxes paid for shares awarded, but is net of exercise costs for stock options.

Table of Contents**Beneficial Ownership of Directors, Nominees and Executive Officers**

The following table shows how many shares of our common stock were beneficially owned as of February 27, 2013 by each of our directors and executive officers named in the Summary Compensation Table contained in this proxy statement, and by all of our directors and executive officers as a group. The table also includes the number of shares of phantom stock that were deemed owned as of this date by each of our non-employee directors. Unless otherwise noted, the shareholders listed in the table have sole voting and investment power with respect to the shares owned by them.

Name of Beneficial Owner	Shares of Piper Jaffray Common Stock*	Phantom Shares**
Chad R. Abraham	50,378 ⁽¹⁾	
Andrew S. Duff	322,738 ⁽²⁾	
Michael R. Francis	17,538 ⁽³⁾	7,229
B. Kristine Johnson	23,393 ⁽⁴⁾	1,743
Brien M. O'Brien	135,734 ⁽⁵⁾	
Addison L. Piper	28,865 ⁽⁶⁾	3,495
Lisa K. Polsky	7,500 ⁽⁷⁾	19,962
Debbra L. Schoneman	40,942 ⁽⁸⁾	
Frank L. Sims	20,380 ⁽⁹⁾	8,983
Philip E. Soran		1,464
Jean M. Taylor	6,463 ⁽¹⁰⁾	11,104
Michele Volpi	6,326 ⁽¹¹⁾	
M. Brad Wings	66,738 ⁽¹²⁾	
Hope B. Woodhouse		6,845
All directors, executive officers and other named executive officers (18 persons)	924,866 ⁽¹³⁾	60,825

* None of the individuals identified in this table owns more than 1% of Piper Jaffray common stock outstanding with the exception of Mr. Duff with 1.82%. As a group, our directors, director nominees and executive officers hold 5.18% of Piper Jaffray common stock. (These percentages are calculated using our outstanding shares as of February 27, 2013 plus 169,784 shares of common stock covered by options that are currently exercisable for the group.) The holders of restricted stock identified in the footnotes below have no investment power with respect to the restricted stock.

** The directors have no voting or investment power with respect to the shares of phantom stock. All shares of phantom stock have been deferred pursuant to the Deferred Compensation Plan for Non-Employee Directors, as described above under "Compensation Program for Non-Employee Directors."

(1) Includes 4,224 shares of restricted stock that will vest on February 15, 2014, 27,537 shares of common stock held directly, 7,819 shares of restricted stock that will vest in equal installments on February 15, 2014-16, 3,159 shares of common stock held in the Piper Jaffray Companies Retirement Plan, and 7,639 shares of common stock covered by options that are currently exercisable.

(2) Includes 7,840 shares of restricted stock that will vest on February 15, 2014, 10,139 shares of restricted stock that will vest in equal installments on February 15, 2014-15, 20,593 shares of restricted stock that will vest in equal installments on February 15, 2014-16, 78,314 shares of restricted stock that will vest if the company meets a performance target of return on adjusted common equity of 11% over a twelve-month period, 118,661 shares of common stock held directly, 10 shares of common stock held by his two minor children, 2,634 shares of common stock held in the Piper Jaffray Companies Retirement Plan, and 84,547 shares of common stock covered by options that are currently exercisable.

(3) Includes 5,658 shares of common stock held directly and 11,880 shares of common stock covered by options that are currently exercisable.

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- (4) Includes 5,983 shares of common stock held directly, 1,200 shares of common stock held in an individual retirement account, 4,330 shares of common stock held in a family trust, and 11,880 shares of common stock covered by options that are currently exercisable.
- (5) Includes 29,022 shares of common stock held directly, 87,594 that will vest on October 1, 2014, and 19,118 shares held in a trust in which a third party is designated as the sole trustee and has control over the investment decisions of the trust. Of the shares held in trust, 16,274 will vest on October 1, 2014. All of Mr. O'Brien's shares were issued in connection with the acquisition of Advisory Research, and, of the shares issued to Mr. O'Brien, 125,373 are currently held in escrow pursuant to the indemnification escrow agreement entered into as part of the transaction.
- (6) Includes 16,028 shares of common stock held directly, 173 shares of common stock held in the Piper Jaffray Companies Retirement Plan, 1,000 shares of common stock held in an individual retirement account, and 11,614 shares of common stock covered by options that are currently exercisable. The amount for Mr. Piper also includes 50 shares of common stock held by Mr. Piper's spouse, as to which he disclaims beneficial ownership because he does not have voting or dispositive power over the shares.
- (7) All shares beneficially owned by Ms. Polsky are held directly.
- (8) Includes 1,130 shares of restricted stock that will vest on February 15, 2014, 867 shares of restricted stock that will vest in equal installments on February 15, 2014-15, 4,829 shares of restricted stock that will vest in equal installments on February 15, 2014-16, 24,390 shares of restricted stock that will vest if the company meets a performance target of return on adjusted common equity of 11% over a twelve-month period, 7,533 shares of common stock held directly, 1 share of common stock held by her spouse, 1,417 shares of common stock held in the Piper Jaffray Companies Retirement Plan, and 775 shares of common stock covered by options that are currently exercisable.
- (9) Includes 8,500 shares of common stock held directly and 11,880 shares of common stock covered by options that are currently exercisable.
- (10) Includes 500 shares of common stock held directly and 5,963 shares of common stock covered by options that are currently exercisable.
- (11) All shares beneficially owned by Mr. Volpi are held directly.
- (12) Includes 2,404 shares of restricted stock that will vest on February 15, 2014, 22,920 shares of restricted stock that will vest in equal installments on February 15, 2014-16, 24,390 shares of restricted stock that will vest if the company meets a performance target of return on adjusted common equity of 11% over a twelve-month period, 14,437 shares of common stock held directly, 1,045 shares of common stock held in the Piper Jaffray Companies Retirement Plan, and 1,542 shares of common stock covered by options that are currently exercisable.
- (13) Includes 24,875 shares of restricted stock that will vest on February 15, 2014, 22,890 shares of restricted stock that will vest in equal installments on February 15, 2014-15, 80,358 shares of restricted stock that will vest in equal installments on February 15, 2014-16, 151,191 shares of restricted stock that will vest if the company meets a performance target of return on adjusted common equity of 11% over a twelve-month period, 11,244 shares of common stock held in the Piper Jaffray Companies Retirement Plan, 464,524 shares of common stock held directly, by family members, by family trusts or by a retirement or profit-sharing plan or account other than the Piper Jaffray Companies Retirement Plan, and 169,784 shares covered by options that are currently exercisable.

Table of Contents**Beneficial Owners of More than Five Percent of Our Common Stock**

Based on filings made under Section 13(g) of the Securities Exchange Act of 1934, the persons known by us to be beneficial owners of more than 5% of our common stock were as follows:

Name of Beneficial Owner	Shares of Piper Jaffray Common Stock	Percent of Class
BlackRock, Inc. 40 East 52nd Street New York, NY 10022	1,304,587 ⁽¹⁾	7.38%
T. Rowe Price Associates, Inc. 100 E. Pratt Street Baltimore, MD 21202	1,064,625 ⁽²⁾	6.0%
The Vanguard Group, Inc. 100 Vanguard Blvd. Malvern, PA 19355	985,266 ⁽³⁾	5.57%

(1) This information is based on a Schedule 13G/A filed with the Securities and Exchange Commission on February 8, 2013, by BlackRock, Inc. BlackRock reported sole voting and dispositive power with respect to all shares reported in the table.

(2) This information is based on a Schedule 13G/A filed with the Securities and Exchange Commission on February 6, 2013, by T. Rowe Price Associates, Inc. T. Rowe Price Associates reported that it has sole voting power as to 183,460 shares and sole dispositive power as to 1,064,625 shares. T. Rowe Price Associates serves as investment advisor to certain individual and institutional clients holding the shares listed above, and as an investment advisor may be deemed to have beneficial ownership of the shares owned by its advisory clients. T. Rowe Price Associates disclaims beneficial ownership of these shares. T. Rowe Price Associates, Inc. is a wholly owned subsidiary of T. Rowe Price Group, Inc., which is a publicly traded financial services holding company.

(3) This information is based on a Schedule 13G filed with the Securities and Exchange Commission on February 13, 2013, by The Vanguard Group, Inc. Vanguard reported that it has sole voting power as to 26,799 shares, sole dispositive power as to 959,167, and share dispositive power as to 26,009.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires our executive officers and directors to file initial reports of ownership of our securities and reports of changes in ownership with the Securities and Exchange Commission. Based on our knowledge and on written representations from our executive officers and directors, we believe that all Section 16(a) filing and disclosure requirements applicable to our executive officers and directors for 2012 have been satisfied, with the exception of one report inadvertently filed late by Brien O'Brien relating to one sale of our common stock.

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CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Compensation Committee Interlocks and Insider Participation

The Compensation Committee, comprised entirely of independent, non-employee directors, is responsible for establishing and administering our policies involving the compensation of our executive officers. No employee of the company serves on the Compensation Committee. The Committee members have no interlocking relationships as defined by the Securities and Exchange Commission.

Transactions with Related Persons

From time to time in the ordinary course of business, Piper Jaffray, through our subsidiaries, engages in transactions with other corporations or entities whose executive officers or directors also are directors or executive officers of Piper Jaffray or have an affiliation with our directors or executive officers. Such transactions are conducted on an arm's-length basis and may not come to the attention of our directors or executive officers or those of the other corporations or entities involved. In addition, from time to time our executive officers and directors and their affiliates may engage in transactions in the ordinary course of business involving goods and services provided by Piper Jaffray, such as brokerage, asset management and financial advisory services. Such transactions are made on substantially the same terms and conditions as other similarly-situated clients who are neither directors nor employees.

We engage in ordinary course trading, brokerage and similar transactions with BlackRock, T. Rowe Price Associates, and The Vanguard Group, all of whom are 5% shareholders of the company. The transactions we conduct with these firms are negotiated on an arms-length basis and contain customary terms and conditions.

From time to time, we permit our employees, including executive officers, who are accredited investors to personally invest in private funds managed by Piper Jaffray or our asset management subsidiaries to support marketing efforts for these funds. To encourage employee participation in these private funds, they may be offered to employees, including executive officers, on a reduced or no management fee basis. With respect to registered funds advised or sub-advised by our asset management subsidiaries, executive officers and directors may invest their personal funds in these funds on substantially the same terms and conditions as other similarly-situated investors in these funds who are neither directors nor employees.

Review and Approval of Transactions with Related Persons

To minimize actual and perceived conflicts of interests, our Board of Directors has adopted a written policy governing our company's transactions where the aggregate amount involved is reasonably expected to exceed \$120,000 and any of the following persons has or may have a direct or indirect interest: (a) our executive officers or directors (including nominees), (b) shareholders who own more than 5% of our common stock, (c) immediate family members of any executive officer or director, and (d) the primary business affiliation of any person described in (a), (b) or (c). Unless exempted from the policy, related person transactions must be submitted for review by our Nominating and Governance Committee. The Nominating and Governance Committee considers the available, relevant facts and circumstances and will approve or ratify only those related person transactions that it determines are in, or are not inconsistent with, the best interests of our company and its shareholders. The chairperson of the Nominating and Governance Committee may approve and ratify transactions if it is not practicable to wait until the next committee meeting, but the chairperson is required to report to the committee at its next meeting any approval or ratification pursuant to this delegated authority. The Board of Directors also may exercise the powers and duties of the Nominating and Governance Committee under our policy governing related person transactions. Certain transactions that would not be required to be disclosed under applicable rules and regulations of the Securities and Exchange Commission are exempted from the definition of related person transactions under our policy.

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AUDIT COMMITTEE REPORT AND PAYMENT OF FEES TO OUR INDEPENDENT AUDITOR

Audit Committee Report

The primary function of our Audit Committee is oversight of our financial reporting process, publicly filed financial reports, internal accounting and financial controls, and the independent audit of the consolidated financial statements. The consolidated financial statements of Piper Jaffray Companies for the year ended December 31, 2012 were audited by Ernst & Young LLP, independent auditor for the company.

As part of its activities, the Committee has:

1. Reviewed and discussed with management and the independent auditor the company's audited financial statements;
2. Discussed with the independent auditor the matters required to be communicated under *Statement on Auditing Standards No. 61 (Communications with Audit Committees)*; and
3. Received the written disclosures and letter from the independent auditor required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent auditor's communications with the Audit Committee concerning independence, and has discussed with the independent auditor the independent auditor's independence.

Management is responsible for the company's system of internal controls and financial reporting process. Ernst & Young LLP is responsible for performing an independent audit of the consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board and for issuing a report thereon. Our Committee's responsibility is to monitor and oversee these processes. Based on the foregoing review and discussions and a review of the report of Ernst & Young LLP with respect to the consolidated financial statements, and relying thereon, we have recommended to the Board of Directors of Piper Jaffray Companies the inclusion of the audited consolidated financial statements in Piper Jaffray's Annual Report on Form 10-K for the year ended December 31, 2012, for filing with the Securities and Exchange Commission.

Audit Committee of the Board of Directors of Piper Jaffray Companies

Frank L. Sims, *Chairperson*
Lisa K. Polsky
Philip E. Soran
Jean M. Taylor
Hope B. Woodhouse

Auditor Fees

Ernst & Young LLP served as our independent auditor for 2012 and 2011. The following table presents fees for professional audit services for the audit of our annual consolidated financial statements for 2012 and

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2011, as well as fees for the review of our interim consolidated financial statements for each quarter in 2012 and 2011 and for all other services performed for 2012 and 2011 by Ernst & Young LLP.

	2012	2011
Audit Fees	\$ 1,222,300	\$ 819,400
Audit-Related Fees ⁽¹⁾	\$ 363,400	\$ 100,500
Tax Fees	0	0
All Other Fees ⁽²⁾	\$ 25,000	\$ 26,175
Total	\$ 1,610,700	\$ 946,075

(1) Audit-related services are assurance and related services that are reasonably related to the performance of the audit or review of our financial statements. Specifically, the services provided for 2012 and 2011 included services relating to IRA Keogh agreed-upon procedures, employee benefit plan audits, security custody surprise audit count and the issuance of an independent auditor's report on controls placed in operation and tests of operating effectiveness. For 2012, the services provided also include audit services provided to (i) consolidated investment funds of our alternative asset management business and (ii) private investment funds of Advisory Research, our primary asset management business. All of the audit services fees provided to the private investment funds of Advisory Research are paid by the funds.

(2) For all other fees in 2012 and 2011, services consist of capital markets accounting consultations

Auditor Services Pre-Approval Policy

The Audit Committee has adopted an auditor services pre-approval policy applicable to services performed for us by our independent auditor. In accordance with this policy, the Audit Committee's practice is to approve annually all audit, audit-related and permissible non-audit services to be provided by the independent auditor during the year. If a service to be provided is not pre-approved as part of the annual process or if it may exceed pre-approved fee levels, the service must receive a specific and separate pre-approval by the Audit Committee, which has delegated authority to grant such pre-approvals during the year to the chairperson of the Audit Committee. Any pre-approvals granted pursuant to this delegated authority are reported to the Audit Committee at its next regular meeting.

Our Audit Committee has determined that the provision of the non-audit services described in the table above was compatible with maintaining the independence of our independent auditor. The Audit Committee reviews each non-audit service to be provided and assesses the impact of the service on the auditor's independence. On February 22, 2012, the Audit Committee pre-approved certain services to be provided by our independent auditor relating to engagements occurring on or after that date.

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ITEM 2 RATIFICATION OF SELECTION OF INDEPENDENT AUDITOR

The Audit Committee of our Board of Directors has selected Ernst & Young LLP to serve as our independent auditor for the year ending December 31, 2013. While it is not required to do so, our Board of Directors is submitting the selection of Ernst & Young LLP for ratification in order to ascertain the views of our shareholders with respect to the choice of audit firm. If the selection is not ratified, the Audit Committee will reconsider its selection. Representatives of Ernst & Young LLP are expected to be present at the annual meeting, will be available to answer shareholder questions and will have the opportunity to make a statement if they desire to do so.

The Board of Directors recommends that you vote FOR ratification of the selection of Ernst & Young LLP as the independent auditor of Piper Jaffray Companies and our subsidiaries for the year ending December 31, 2013. Proxies will be voted FOR ratification of this selection unless otherwise specified.

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**ITEM 3 APPROVAL OF THE AMENDED AND RESTATED
2003 ANNUAL AND LONG-TERM INCENTIVE PLAN**

Overview of the Proposal

Our Board of Directors has unanimously approved, upon the recommendation of the Compensation Committee, a further amendment and restatement of our Amended and Restated 2003 Annual and Long-Term Incentive Plan (the "Incentive Plan"). Shareholder approval is being sought for the material terms of the Incentive Plan as proposed to be amended and restated for purposes of qualifying certain compensation under the Incentive Plan as "performance-based compensation" under Section 162(m) of the Internal Revenue Code ("Section 162(m)"). **The proposed amendment and restatement does not involve an increase in the number of shares of our common stock that may be issued under the Incentive Plan.**

Section 162(m) generally does not allow a publicly held company to obtain a tax deduction for compensation of more than \$1,000,000 paid in any fiscal year to certain "covered employees" unless, among other exceptions, such compensation is considered "performance-based" in accordance with Section 162(m). Under Section 162(m) as currently interpreted by the Internal Revenue Service, the group of "covered employees" as of the end of any taxable year consists of a company's chief executive officer and its three other most highly compensated executive officers, other than the chief financial officer. The Incentive Plan is intended to meet the requirements of Section 162(m), but Incentive Plan awards other than options and stock appreciation rights, referred to as "full value awards," will only be treated as qualified performance-based compensation under Section 162(m) if the awards and the procedures associated with them comply with all of the requirements of Section 162(m).

Among the requirements that must be satisfied if compensation provided under the Incentive Plan in connection with full value awards is to qualify as performance-based compensation under Section 162(m) is that the material terms under which the compensation is to be paid, including the nature of the performance goals and the maximum amounts that may be paid to any employee, must be approved by our shareholders. Section 162(m) also requires that such material terms must be re-approved by our shareholders at least every five years. Because five years have passed since the last time our shareholders approved the material terms of the Incentive Plan, we are asking our shareholders re-approve the material terms for purposes of Section 162(m).

In connection with the five year resubmission of the Incentive Plan to a shareholder vote, our Compensation Committee has proposed, and our Board of Directors has approved, a number of changes to the Incentive Plan. The most significant of the changes reflected in the proposed amendment and restatement are listed below. The proposed amendment and restatement also includes a number of minor or clarifying changes.

Double trigger accelerated vesting/payment following a change-in-control. The Incentive Plan as amended and restated provides that if outstanding awards are continued, assumed or replaced in connection with a change-in-control, accelerated vesting or payment of an award will occur only if employment is terminated involuntarily (other than for "cause") within 24 months of the change-in-control.

Tax offset bonus awards eliminated. Cash awards to defray taxes on other forms of awards issued under the Incentive Plan are eliminated as a separate form of award under the Incentive Plan.

Individual annual limit on option and stock appreciation rights awards. Option and stock appreciation rights awards to any individual have been made subject to a separately specified 500,000 share annual limit.

Enhancement of the prohibition on repricing of underwater awards. The existing prohibition on repricing "underwater" options without shareholder approval are enhanced to expressly include stock appreciation rights, and to expressly include cancellation of "underwater" stock options or stock

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appreciation rights in exchange for cash, the grant of any other form of award or other property as a form of repricing.

Expanded scope of Committee authority to unilaterally amend awards. The Committee's authority to unilaterally amend award agreements is expanded to include situations where an amendment is necessary to comply with any applicable laws, stock exchange rules or company compensation recovery policy.

Compensation recovery policy. The Incentive Plan provides that awards may be made subject to any future compensation recovery policy we adopt.

Extension of Plan term. The Incentive Plan will remain in effect for 10 years following shareholder approval at the 2013 annual meeting.

Our Board of Directors recommends that that shareholders vote **FOR** this proposal in order to enable us to qualify compensation provided under the Incentive Plan in connection with full value awards as performance-based for Section 162(m) purposes. If our shareholders do not approve the material terms of the Incentive Plan as proposed to be amended and restated, the Incentive Plan will continue in effect in the form in which it currently exists. In that event, the Committee would consider the resulting limitation on the deductibility of awards to covered employees in structuring future awards to those employees, but may approve full value awards for which some of the potential deduction is lost if the Committee considers such action to be in the best interest of our company and shareholders.

Description of the Incentive Plan

A copy of the Incentive Plan as proposed to be amended and restated is attached as Appendix A, marked to show changes from the current version of the Incentive Plan. The following information summarizes the Incentive Plan as proposed to be amended and restated and is qualified in its entirety by reference to Appendix A.

Purpose

The purpose of the Incentive Plan is to promote the interests of our company and our shareholders by making us competitive in attracting, retaining and motivating officers, employees, directors and consultants, to offer these persons incentives directly linked to the profitability of our businesses and increases in shareholder value, and to provide these persons an opportunity to acquire a proprietary interest in Piper Jaffray.

Eligibility

Our current and prospective directors, officers, employees and consultants, as well as those of our affiliates, are eligible to participate in the Incentive Plan. As of March 1, 2013, there were approximately 944 officers and employees of the Company and its affiliates, ten non-employee directors of the Company and an indeterminate number of consultants who would be eligible to receive awards under the Incentive Plan.

Administration

The Incentive Plan is administered by the Compensation Committee of our Board of Directors, which has broad authority to administer the plan. This authority includes the power to (i) delegate certain administrative responsibilities with respect to the Incentive Plan to directors and certain officers selected in the Committee's discretion, and (ii) determine the eligible individuals to whom and the time or times at which awards will be granted, the number of shares subject to awards to be granted to any eligible individual, the life of any award and any terms and conditions of the grant that are not contained in the Incentive Plan. Each grant under the Incentive Plan is confirmed by and subject to the terms of an award agreement.

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Authorized Shares

The Incentive Plan authorizes the issuance of 7,000,000 shares of our common stock in connection with awards granted under the Incentive Plan. There are approximately 1,430,408 shares available for grant under the Incentive Plan as of March 1, 2013. We typically grant awards to employees (including officers) based on performance and retention objectives, in addition to any other objectives that our Compensation Committee may determine to be relevant. With respect to our directors, our grants are compensatory and will be in the amounts described above under "Information Regarding the Board of Directors and Corporate Governance Compensation Program for Non-Employee Directors."

Grants of shares that may be issued under the Incentive Plan may be authorized but unissued shares or shares reacquired and held in our treasury. In general, we use treasury shares to the extent available before issuing new shares in connection with awards. No more than 250,000 shares of common stock may be subject to "qualified performance-based awards" granted to any eligible individual in any fiscal year of the company, and no more than 500,000 shares of common stock may be subject to stock option and stock appreciation rights awards granted to any eligible individual in any fiscal year of the company.

If an award entitles the holder to receive or purchase shares, the number of shares covered by the award or to which the award relates will be counted on the date of grant of the award against the aggregate number of shares available for granting awards under the Incentive Plan. Any shares that are used by a participant as full or partial payment to us of the purchase price relating to an award, including in connection with the satisfaction of tax obligations relating to an award, will again be available for granting awards under the Incentive Plan. In addition, if any shares covered by an award or to which an award relates are not purchased or are forfeited, or if an award otherwise terminates without delivery of any shares, then the number of shares counted against the aggregate number of shares available under the Incentive Plan to the extent of any such forfeiture or termination will again be available for granting awards under the Incentive Plan.

Adjustments

In the event of certain types of corporate transactions or restructurings, such as stock splits, mergers, consolidations, separations, spin-offs, liquidations, reorganizations or other distributions of stock or property of our company, including an extraordinary stock or cash dividend, the Committee or our Board shall make adjustments to the aggregate number and kind of shares reserved for issuance under the Incentive Plan, in the maximum share limitations upon stock options, stock appreciation rights and other awards to be granted to any individual, in the number, kind and exercise price of outstanding stock options and stock appreciation rights, in the number and kind of shares subject to other outstanding awards granted under the Incentive Plan, and may also make any other equitable substitutions or adjustments that the Committee or Board determines to be appropriate; however, any adjustments made to an award that is considered to be deferred compensation under Section 409A of the Internal Revenue Code must comply with Section 409A.

Restricted Stock and Restricted Stock Units

Shares of restricted stock and restricted stock units ("RSUs") will be subject to such restrictions as the Committee may impose, which may lapse separately or in combination at such time or times, in installments or otherwise as the Committee may deem appropriate. The grant or vesting of restricted stock and RSUs may be performance-based, time-based or both. Restricted stock and RSUs may be "qualified performance-based awards," in which event the grant or vesting of such restricted stock or RSUs will be conditioned upon the attainment of performance goals. Except as otherwise determined by the Committee, upon a participant's termination of employment (as determined under criteria established by the Committee) during the restriction period, all shares of restricted stock and RSUs subject to restriction will be forfeited and reacquired by the company, except that the Committee may waive in whole or in part any or all remaining restrictions with respect to shares of restricted stock or RSUs when it finds that a waiver would be in the best interests of our company.

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If the grant is intended to be a "qualified performance-based award," the applicable performance goals must be based on the attainment of specified levels of one or more of the following measures: revenue growth; earnings before interest, taxes, depreciation, and amortization; earnings before interest and taxes; operating income; pre- or after-tax income; earnings per share; cash flow; cash flow per share; return on equity; return on tangible equity; return on invested capital; return on assets; economic value added (or an equivalent metric); share price performance; total shareholder return; improvement in or attainment of expense levels; or improvement in or attainment of working capital levels.

These goals are established by the Committee and may be established on a company-wide basis or with respect to one or more business units, divisions or subsidiaries, and may be expressed in absolute amounts, on a per share basis, relative to one or more other performance measures, as a growth rate or change from preceding periods, or as a comparison to the performance of other companies or other external measures. In specifying the performance goals applicable to any performance period, the Committee may provide that one or more objectively determinable adjustments shall be made to the performance measures on which the performance goals are based. A "qualified performance-based award" is a grant of restricted stock or RSUs designated as such by the Committee at the time of grant based upon a determination that (a) the recipient is or may be a "covered employee" within the meaning of Section 162(m) in the year in which we would expect to be able to claim a tax deduction with respect to such award and (b) the Committee wishes such grant to qualify for the exemption from the limitation on deductibility of compensation with respect to any covered employee imposed by Section 162(m).

The provisions of restricted stock and RSUs, including any applicable performance goals, need not be the same with respect to each participant. During the restriction period, the Committee may require that any stock certificates evidencing restricted shares be held by us. With respect to restricted stock awards, other than restrictions on transfer and any other restrictions the Committee may impose, the participant will have all the rights of a shareholder holding the class or series of stock that is the subject of the award.

Performance Awards

The Committee may grant performance awards to eligible individuals. A performance award may be denominated or payable in cash, shares, other securities, other awards or other property and will provide the holder with the right to receive payments, in whole or in part, upon the achievement of specified performance goals. Subject to the terms of the Incentive Plan, the performance goals to be achieved, the length of any performance period, the amount of any performance award granted, the amount of any payment or transfer to be made pursuant to any performance award and any other terms and conditions of any performance award will be determined by the Committee. The Committee may, prior to or at the time of the grant, designate performance awards as "qualified performance-based awards," in which event it will condition the settlement of the awards upon the attainment of one or more of the performance goals described above under " Restricted Stock and Restricted Stock Units." Performance awards denominated in cash that are payable to any individual participant with respect to any calendar year are limited to a maximum of \$7.5 million.

Stock Options

The Committee may grant stock options to eligible individuals. Only non-qualified stock options are permitted to be granted under the Incentive Plan. The exercise price per share purchasable under a stock option will be determined by the Committee, but cannot be less than 100% of the fair market value of a share of our common stock on the date of grant of the option. The term of each stock option will be fixed by the Committee at the time of grant, but in no event may it be more than ten years from the grant date. The Committee will determine the time or times at which a stock option may be exercised in whole or in part and the method or methods by which, and the form or forms in which, payment of the exercise price may be made.

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Stock Appreciation Rights

The Committee may grant stock appreciation rights to eligible individuals. Each stock appreciation right will confer upon the holder upon exercise the right to receive, as determined by the Committee, cash or a number of shares whose fair market value is equal to the excess of (a) the fair market value of one share of our common stock on the date of exercise (or, if the Committee determines, at any time during a specified period before or after the date of exercise) over (b) the grant price of the stock appreciation right as determined by the Committee. The grant price may not be less than 100% of the fair market value of one share on the date of grant of the stock appreciation right. Subject to the terms of the Incentive Plan, the grant price, term, methods of exercise, dates of exercise, methods of settlement and any other terms and conditions (including conditions or restrictions on the exercise thereof) of any stock appreciation right will be as determined by the Committee, but in no event may the term of a stock appreciation right be longer than ten years.

Other Stock-Based Awards

Awards of unrestricted common stock and other awards that are denominated or payable in, valued by reference to, or otherwise based upon common stock, including dividend equivalents, may also be granted under the Incentive Plan, either alone or in conjunction with other awards.

Transferability of Awards

Awards are non-transferable other than by will or the laws of descent and distribution. However, in the discretion of the Committee, non-qualified stock options may be transferred for no consideration to the holder's immediate family members, or to a trust, partnership or other entity for the benefit of immediate family members. Stock options and stock appreciation rights may be exercised only by the initial holder, a permitted transferee or a guardian, legal representative or beneficiary.

Tax Withholding

A participant must pay us, or make arrangements satisfactory to us regarding the payment of, any federal, state, local or foreign taxes of any kind required by law to be withheld in connection with the grant, vesting, exercise or settlement of an award. Our obligations under the Incentive Plan are conditional on such payment or arrangements, and we may, to the extent permitted by law, take such action as may be necessary to withhold or collect all applicable withholding taxes from a participant. The Committee may permit a participant to satisfy tax obligations by (a) electing to have us withhold a portion of the shares or other property otherwise to be delivered in connection with an award having a fair market value equal to the amount of such taxes or (b) delivering to us shares or other property with a fair market value equal to the amount of such taxes. Any such election must be made on or before the date that the amount of tax to be withheld is determined.

Change-in-Control

If a change-in-control of our company occurs, then the consequences will be as described in this paragraph unless the Committee provides otherwise in an applicable award agreement. If any outstanding award is continued, assumed or replaced by us or the surviving or successor entity in connection with the change-in-control, and if within 24 months after the change-in-control a participant's employment or other service is terminated without cause, then (i) each of the participant's outstanding options and stock appreciation rights will become exercisable in full and remain exercisable for the remaining term of the award, (ii) each of the participant's other forms of awards that are unvested will fully vest, and (iii) any performance goals applicable to the participant's performance-based awards will be deemed to have been satisfied at the target level of performance. If any outstanding award is not continued, assumed or replaced in

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connection with the change-in-control, then the same consequences as specified in clauses (i) through (iii) of the previous sentence will occur in connection with a change-in-control unless and to the extent the Committee elects to terminate such awards in exchange for a payment with respect to each award in an amount equal to the excess, if any, between the fair market value of the consideration that would otherwise be received in the change of control transaction for the same number of shares over the aggregate exercise price (if any) for the shares subject to such award (or, if there is not any such excess, such award may be terminated without payment).

For purposes of the Incentive Plan, a "change-in-control" of our company generally occurs if (i) a person or group acquires 20% or more of our outstanding common stock or voting power; (ii) certain changes occur in the composition of a majority of the Board of Directors; (iii) we are involved in a merger or consolidation or sell all or substantially all of our assets (unless more than 50% of the common stock and voting power of the surviving or successor entity is owned by our shareholders immediately prior to the business combination transaction, no person has a 20% or greater interest in the common stock or voting power of the surviving or successor entity, and a majority of the board of the surviving or successor entity consists of individuals who were members of our Board prior to the transaction); or (iv) a plan of complete liquidation or dissolution of our company is approved by our shareholders. "Cause" for termination generally refers to (i) continued failure to substantially perform the participant's duties with us after written demand for substantial performance is delivered to the participant, (ii) conviction of a crime (including a misdemeanor) that, in our determination, impairs the participant's ability to perform his or her duties with us, (iii) violation of any of our policies that we deem material, (iv) violation of any securities law, rule or regulation that we deem material, (v) engagement in conduct that, in our determination, exposes us to civil or regulatory liability or injury to our reputation, (vi) engagement in conduct that would subject the participant to statutory disqualification pursuant to Section 15(b) of the Securities Exchange Act of 1934 and the regulations promulgated thereunder, or (vii) gross or willful misconduct, as determined by us.

Amendments and Termination

Our Board of Directors may at any time amend, alter or discontinue the Incentive Plan, but shareholder approval is required for any amendment that could increase the number of shares granted under the Incentive Plan and as otherwise may be required by applicable stock exchange rules.

The Committee generally may amend the terms of any award but may not decrease the exercise price of an outstanding stock option or take any other action that would constitute a "repricing" of an "underwater" stock option or stock appreciation right unless the amendment is approved by shareholders. Further, the Committee may not amend an award in a way that causes a "qualified performance-based award" to cease to qualify as such under Section 162(m), or that impairs the rights of any holder without the holder's consent unless the amendment is necessary to comply with applicable laws, stock exchange rules or any company compensation recovery policy.

In the event an award is granted to an individual who is employed outside the United States and is not compensated from a payroll maintained in the United States, the Committee may, in its sole discretion, modify the provisions of the grant as they pertain to such individual in order to comply with applicable foreign law.

Term of the Incentive Plan

If the amendment to the Incentive Plan is approved by shareholders, the Incentive Plan will terminate on May 8, 2023, which is the tenth anniversary of the date the shareholders approved the amended and restated Incentive Plan, or on any earlier date determined by our Board of Directors.

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Tax Consequences of Awards

The tax consequences of awards granted under the Incentive Plan can be complex and depend, in large part, on the surrounding facts and circumstances. This section provides a brief summary of certain significant federal income tax consequences of awards under the Incentive Plan under existing U.S. law. This summary is not a complete statement of applicable law and is based upon the Internal Revenue Code, as well as administrative and judicial interpretations of the Internal Revenue Code, as in effect on the date of this description. If federal tax laws, or interpretations of such laws, change in the future, the information provided here may no longer be accurate. This section does not consider state, local or foreign tax consequences, nor does it discuss the effect of gift, estate or inheritance taxes.

Non-qualified Stock Options. If a participant is granted a non-qualified stock option under the Incentive Plan, the participant will not recognize taxable income upon the grant of the option. Generally, the participant will recognize ordinary income at the time of exercise in an amount equal to the difference between the fair market value of the shares acquired at the time of exercise and the exercise price paid. The participant's basis in the common stock for purposes of determining gain or loss on a subsequent sale or disposition of such shares generally will be the fair market value of our common stock on the date the option was exercised. Any subsequent gain or loss will be taxable as a capital gain or loss. We generally will be entitled to a federal income tax deduction at the time and for the same amount as the participant recognizes ordinary income.

Other Awards. The current federal income tax consequences of other awards authorized under the Incentive Plan generally follow certain basic patterns. Stock appreciation rights are taxed and deductible in substantially the same manner as non-statutory options. An award of nontransferable restricted stock subject to a substantial risk of forfeiture results in income recognition by a participant in an amount equal to the fair market value of the shares received (determined as if the shares were not subject to any risk of forfeiture) at the time the restrictions lapse and the shares vest, unless the participant has elected under Section 83(b) of the Internal Revenue Code to accelerate income recognition and the taxability of the award to the date of grant. Restricted stock unit awards and performance awards generally result in income recognition by a participant at the time payment of such an award is made in an amount equal to the amount paid in cash or the then-current fair market value of the shares received, as applicable. Compensation otherwise effectively deferred is taxed when paid. In each of the foregoing cases, we generally will have a corresponding deduction at the time the participant recognizes income, subject to Section 162(m) with respect to covered employees.

Section 162(m). Section 162(m) denies a deduction to any publicly-held corporation for compensation paid to certain "covered employees" in a taxable year to the extent that compensation to such covered employee exceeds \$1,000,000, unless, among other exceptions, the compensation qualifies as "performance-based compensation." The Incentive Plan is intended to meet the requirements of Section 162(m), but awards other than options and stock appreciation rights granted under the Incentive Plan will only be treated as qualified performance-based compensation under Section 162(m) if the awards and the procedures associated with them comply with all other requirements of Section 162(m), including that the maximum amount of compensation a covered employee may receive is based on the satisfaction of pre-established performance goals.

Section 409A. The foregoing discussion of tax consequences of awards under the Incentive Plan assumes that the award discussed is either not considered a "deferred compensation arrangement" subject to Section 409A of the Internal Revenue Code, or has been structured to comply with its requirements. If an award is considered a deferred compensation arrangement subject to Section 409A but fails to comply, in operation or form, with the requirements of Section 409A, the affected participant would generally be required to include in income when the award vests the amount deemed "deferred," would be required to pay an additional 20% income tax, and would be required to pay interest on the tax that would have been paid but for the deferral. The Incentive Plan will be administered in a manner intended to comply with Section 409A.

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Plan Benefits

As of the date of this proxy statement, the Committee has not approved any awards under the Incentive Plan as proposed to be amended and restated. Because all awards under the Incentive Plan are discretionary with the Committee, neither the number nor types of future Incentive Plan awards to be received by or allocated to particular participants or groups of participants is presently determinable. Information regarding awards made under the existing version of the Plan during 2012 to our named executive officers is provided under the caption "Grants of Plan-Based Awards" in this proxy statement.

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ITEM 4 ADVISORY (NON-BINDING) VOTE ON EXECUTIVE COMPENSATION

We are asking our shareholders to provide advisory approval of the compensation of the officers included in this proxy statement, as we have described it in the "*Executive Compensation*" section. While this vote is advisory, and not binding on our company, the Compensation Committee of the Board of Directors will consider the outcome of the vote when making future compensation decisions for our executive officers. Following are some of the key points of our 2012 executive compensation program:

Our compensation practices demonstrate sound corporate governance. We continually review our executive compensation program to ensure it reflects good governance practices and the best interests of shareholders. Our executive compensation program currently includes:

Annual incentives directly tied to profitability for each year

Long-term incentives directly tied to returns generated for our shareholders

Meaningful annual equity awards granted in lieu of not in addition to annual cash incentives

No stand-alone change-in-control agreements

Implementation of a "double trigger" change-in-control provision for all future equity awards

No employment agreements with our executives other than our head of asset management

Executive officers (and directors) are prohibited from hedging shares of Piper Jaffray Companies common stock

Limited perquisites

No tax gross-ups

No repricing of underwater stock options

We have designed our annual incentive and long-term compensation programs to be pay-for-performance. Our annual incentive plan is funded through profitability, and awards from this plan correspond with our level of profitability for a given year. After an extremely challenging 2011, our 2012 performance improved significantly and our named executive officers' compensation returned close to historic levels. The long-term incentive compensation element we introduced in 2012 uses total shareholder return, both on an absolute and relative basis compared to our peer group, as the basis for vesting and therefore directly ties the named executive officers' compensation to the benefits realized by our shareholders.

We performed well in a challenging environment and continue to execute our plan to improve our long-term financial performance. Despite continuing macroeconomic factors that challenged our businesses, nearly all of our businesses registered improved results in 2012 compared to 2011. We also executed on key strategic initiatives, such as exiting unprofitable or unsustainable business, and adding resources to our higher-margin public finance, asset management and merger and acquisition businesses, which we believe position us to continue to improve our performance in the future.

The Board of Directors recommends that shareholders approve the following advisory resolution:

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RESOLVED, that the compensation paid to the individuals identified in the Summary Compensation Table, as disclosed in this proxy statement pursuant to the compensation disclosure rules of the SEC (which disclosure includes the Compensation Discussion and Analysis section, the compensation tables and the accompanying footnotes and narratives within the Executive Compensation section of this proxy statement), is hereby approved.

The Board of Directors recommends that you vote FOR the advisory (non-binding) resolution.

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SHAREHOLDER PROPOSALS FOR THE 2014 ANNUAL MEETING

In order for a shareholder proposal, including a director nomination, to be considered for inclusion in our proxy statement for the 2014 annual meeting of shareholders, the written proposal must be received at our principal executive offices on or before November 22, 2013. The proposal should be addressed to Piper Jaffray Companies, Attention: John W. Geelan, Secretary, 800 Nicollet Mall, Suite 800, Mail Stop J09SSH, Minneapolis, Minnesota 55402. The proposal must comply with Securities and Exchange Commission regulations regarding the inclusion of shareholder proposals in company-sponsored proxy materials.

In accordance with our bylaws, in order to be properly brought before the 2014 annual meeting, a shareholder's notice of the matter the shareholder wishes to present must be delivered to our principal executive offices in Minneapolis, Minnesota, at the address identified in the preceding paragraph, not less than 90 nor more than 120 days prior to the first anniversary of the date of this year's annual meeting. As a result, any notice given by or on behalf of a shareholder pursuant to these provisions of our bylaws (and not pursuant to Rule 14a-8 of the Securities and Exchange Commission) must be received no earlier than January 8, 2014, and no later than February 7, 2014.

HOUSEHOLDING

The Securities and Exchange Commission has adopted rules that permit companies and intermediaries such as brokers to satisfy delivery requirements for proxy statements and annual reports with respect to two or more shareholders sharing the same address by delivering a single proxy statement or annual report, as applicable, addressed to those shareholders. This process, which is commonly referred to as "householding," potentially provides extra convenience for shareholders and cost savings for companies. We household our proxy materials and annual reports for shareholders, delivering a single proxy statement and annual report to multiple shareholders sharing an address unless contrary instructions have been received from the affected shareholders.

If, at any time, you no longer wish to participate in householding and would prefer to receive a separate proxy statement or annual report, or if you are receiving multiple copies of either document and wish to receive only one, please contact us in writing or by telephone at Piper Jaffray Companies, Attention: Investor Relations, 800 Nicollet Mall, Suite 800, Mail Stop J09SSH, Minneapolis, Minnesota 55402, (612) 303-6336. We will deliver promptly upon written or oral request a separate copy of our annual report and/or proxy statement to a shareholder at a shared address to which a single copy of either document was delivered.

OTHER MATTERS

We do not know of any other matters that may be presented for consideration at the annual meeting. If any other business does properly come before the meeting, the persons named as proxies above will vote as they deem in the best interests of Piper Jaffray.

John W. Geelan
Secretary

Dated: March 22, 2013

**PIPER JAFFRAY COMPANIES
AMENDED AND RESTATED
2003 ANNUAL AND LONG-TERM INCENTIVE PLAN**

(As amended and restated effective May 8, 2013)

SECTION 1. Purpose

The purpose of the Plan is to promote the interests of the Company and its stockholders by giving the Company a competitive advantage in attracting, retaining and motivating employees, officers, consultants and Directors capable of assuring the future success of the Company, to offer such persons incentives that are directly linked to the profitability of the Company's businesses and increases in stockholder value, and to afford such persons an opportunity to acquire a proprietary interest in the Company.

SECTION 2. Definitions

As used in the Plan, the following terms shall have the meanings set forth below.

(a) "*Affiliate*" means any entity in which the Company has, directly or indirectly through one or more intermediaries, a controlling interest or which has, directly or indirectly through one or more intermediaries, a controlling interest in the Company, within the meaning of Treasury Regulation § 1.409A-1(b)(5)(iii)(E).

(b) "*Award*" means any Stock Option, Stock Appreciation Right, Restricted Stock, Restricted Stock Unit, Performance Award, Dividend Equivalent, Other Stock Grant or Other Stock-Based Award granted under the Plan.

(c) "*Award Agreement*" means any written (including electronic) agreement, contract or other instrument or document evidencing any Award granted under the Plan. Each Award Agreement shall be subject to the applicable terms and conditions of the Plan and any other terms and conditions (not inconsistent with the Plan) determined by the Committee.

(d) "*Board*" means the Board of Directors of the Company.

(e) "*Code*" means the Internal Revenue Code of 1986, as amended from time to time, and any regulations promulgated thereunder.

(f) "*Change in Control*" has the meaning set forth in Section 7.

(g) "*Committee*" means a committee of Directors designated by the Board to administer the Plan, which initially shall be the Compensation Committee of the Board. The Committee shall be comprised of not less than such number of Directors as shall be required to permit Awards granted under the Plan to qualify under Rule 16b-3 and Section 162(m) of the Code, and each member of the Committee shall be an Outside Director.

(h) "*Company*" means Piper Jaffray Companies, a Delaware corporation.

(i) "*Covered Employee*" means a Participant designated prior to the grant of Restricted Stock, Restricted Stock Unit or Performance Awards by the Committee who is or may be a "covered employee" within the meaning of Section 162(m)(3) of the Code in the year in which any such Award is expected to be taxable to such Participant.

(j) "*Director*" means a member of the Board, including any Outside Director.

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(k) "*Dividend Equivalent*" means any right granted under Section 6(e) of the Plan.

(l) "*Effective Date*" has the meaning set forth in Section 11 of the Plan.

(m) "*Eligible Individual*" means any employee, officer, Director or consultant providing services to the Company or any Affiliate, and prospective employees and consultants who have accepted offers of employment or consultancy from the Company or any Affiliate, whom the Committee determines to be an Eligible Individual. For purposes of this Plan, the terms "employed" and "employment" (but not "employee") will, unless the context clearly indicates otherwise, be deemed to include the service provider relationships involving officers, non-employee Directors and consultants.

(n) "*Exchange Act*" means the Securities Exchange Act of 1934, as amended from time to time.

(o) "*Exercise Price*" has the meaning set forth in Section 6(a) of the Plan.

(p) "*Fair Market Value*" means, with respect to any property (including, without limitation, any Shares or other securities), the fair market value of such property determined by such methods or procedures as shall be established from time to time by the Committee in good faith and in a manner consistent with Code Section 409A. Notwithstanding the foregoing and except as otherwise provided by the Committee, the Fair Market Value of a Share as of a given date shall be the closing sales price for one Share on that date on the New York Stock Exchange or such other established securities market as may at the time be the principal market for the Shares, or if the Shares were not traded on such national securities market or exchange on such date, then on the next preceding date on which the Shares are traded, all as reported by such source as the Committee may select.

(q) "*Non-Qualified Stock Option*" means any Stock Option that is not designated as, or is not intended to qualify as, an "incentive stock option" within the meaning of Section 422 of the Code.

(r) "*Outside Director*" means any Director who qualifies as an "outside director" within the meaning of Section 162(m) of the Code, as a "non-employee director" within the meaning of Rule 16b-3 and as an "independent director" pursuant to the requirements of the New York Stock Exchange.

(s) "*Participant*" means an Eligible Individual designated to be granted an Award under the Plan.

(t) "*Performance Award*" means any right granted under Section 6(d) of the Plan.

(u) "*Performance Goals*" means the performance goals established by the Committee in connection with the grant of an Award. In the case of Qualified Performance-Based Awards, (i) such goals shall be based on the attainment of specified levels of one or more of the following measures with respect to the Company or such subsidiary, division or department of the Company for or within which the Participant performs services: revenue growth; earnings before interest, taxes, depreciation, and amortization; earnings before interest and taxes; operating income; pre- or after- tax income; earnings per share; cash flow; cash flow per share; return on equity; return on tangible equity; return on invested capital; return on assets; economic value added (or an equivalent metric); share price performance; total shareholder return; improvement in or attainment of expense levels; improvement in or attainment of working capital levels and (ii) such Performance Goals shall be set by the Committee within the time period prescribed by Section 162(m) of the Code and related regulations. Any Performance Goal based upon one or more of the measures described may be expressed in absolute amounts, on a per share basis, relative to one or more other performance measures, as a growth rate or change from preceding periods, or as a comparison to the performance of other companies or other external measures. In specifying the Performance Goals applicable to any performance period, the Committee may provide that one or more objectively determinable adjustments shall be made to the performance measures on which the performance goals are based.

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(v) "*Plan*" means this Piper Jaffray Companies Amended and Restated 2003 Annual and Long-Term Incentive Plan, as set forth herein and as hereinafter amended from time to time.

(w) "*Qualified Performance-Based Award*" means a Restricted Stock, Restricted Stock Unit or Performance Award designated as such by the Committee at the time of grant, based upon a determination that (i) the recipient is or may be a Covered Employee in the year in which the Company would expect to be able to claim a tax deduction with respect to such Restricted Stock, Restricted Stock Unit or Performance Award and (ii) the Committee wishes such Award to qualify for the Section 162(m) Exemption.

(x) "*Restricted Stock*" means any Share granted under Section 6(c) of the Plan.

(y) "*Restricted Stock Unit*" means any unit granted under Section 6(c) of the Plan evidencing the right to receive a Share (or a cash payment equal to the Fair Market Value of a Share) at some future date.

(z) "*Rule 16b-3*" means Rule 16b-3, as promulgated by the Securities and Exchange Commission under Section 16(b) of the Exchange Act, as amended from time to time.

(aa) "*Section 162(m) Exemption*" means the exemption from the limitation on deductibility imposed by Section 162(m) of the Code that is set forth in Section 162(m)(4)(C) of the Code.

(bb) "*Share*" or "*Shares*" means a share or shares of common stock, par value \$.01 per share, of the Company.

(cc) "*Stock Appreciation Right*" means any right granted under Section 6(b) of the Plan.

(dd) "*Stock Option*" means a Non-Qualified Stock Option granted under Section 6(a) of the Plan.

SECTION 3. Administration

(a) *Power and Authority of the Committee.* The Plan shall be administered by the Committee. Subject to the terms of the Plan and to applicable law, the Committee shall have full power and authority to:

(i) designate Participants;

(ii) determine whether and to what extent any type (or types) of Award is to be granted hereunder;

(iii) determine the number of Shares to be covered by (or the method by which payments or other rights are to be determined in connection with) each Award;

(iv) determine the terms and conditions of any Award or Award Agreement;

(v) subject to Section 9 hereof, amend the terms and conditions of any Award or Award Agreement and accelerate the vesting and/or exercisability of any Stock Option or Stock Appreciation Right or waive any restrictions relating to any Award; *provided, however,* that (A) except for adjustments pursuant to Section 4(c) of the Plan, in no event may any Stock Option or Stock Appreciation Right granted under this Plan be (w) amended to decrease the Exercise Price or grant price thereof, (x) cancelled in conjunction with the grant of any new Stock Option or Stock Appreciation Right with a lower Exercise Price or grant price, (y) cancelled in exchange for cash, the grant of any other form of Award or other property at a time when the Exercise Price of the Stock Option or the grant price of the Stock Appreciation Right is greater than the current Fair Market Value of a Share, or (z) otherwise subject to any action that would be treated, for accounting purposes, as a "repricing" of such Stock Option or Stock Appreciation Right, unless such amendment, cancellation, repurchase or action is

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approved by the stockholders of the Company and (B) the Committee may not adjust upwards the amount payable to a Covered Employee with respect to a Qualified Performance-Based Award or waive or alter the Performance Goals associated therewith in a manner that would violate Section 162(m) of the Code.

(vi) determine whether, to what extent and under what circumstances the exercise price of Awards may be paid in cash, Shares, other securities, other Awards or other property, or canceled, forfeited or suspended;

(vii) determine whether, to what extent and under what circumstances cash, Shares, other securities, other Awards, other property and other amounts payable with respect to an Award under the Plan shall be deferred either automatically or at the election of the holder thereof or the Committee;

(viii) interpret and administer the Plan and any instrument or agreement, including an Award Agreement, relating to the Plan;

(ix) adopt, alter, suspend, waive or repeal such rules, guidelines and practices and appoint such agents as it shall deem advisable or appropriate for the proper administration of the Plan; and

(x) make any other determination and take any other action that the Committee deems necessary or desirable for the administration of the Plan.

Unless otherwise expressly provided in the Plan, all designations, determinations, interpretations and other decisions under or with respect to the Plan or any Award or Award Agreement shall be within the sole discretion of the Committee, may be made at any time and shall be final, conclusive and binding upon all persons, including without limitation, the Company, its Affiliates, subsidiaries, shareholders, Eligible Individuals and any holder or beneficiary of any Award.

(b) *Action by the Committee; Delegation.* Except to the extent prohibited by applicable law or the applicable rules of a stock exchange, the Committee may delegate all or any part of its duties and powers under the Plan to one or more persons, including Directors or a committee of Directors, subject to such terms, conditions and limitations as the Committee may establish in its sole discretion; *provided, however*, that the Committee shall not delegate its powers and duties under the Plan (i) with regard to officers or directors of the Company or any Affiliate who are subject to Section 16 of the Exchange Act or (ii) in a manner that would cause an Award designated as a Qualified Performance-Based Award not to qualify for, or to cease to qualify for, the Section 162(m) Exemption; and *provided, further*, that any such delegation may be revoked by the Committee at any time.

(c) *Power and Authority of the Board.* Notwithstanding anything to the contrary contained herein, except to the extent that the grant or exercise of such authority would cause any Award or transaction to become subject to (or lose an exemption under) the short-swing profit recovery provisions of Section 16 of the Exchange Act or cause an Award designated as a Qualified Performance-Based Award not to qualify for, or to cease to qualify for, the Section 162(m) Exemption, the Board may, at any time and from time to time, without any further action of the Committee, exercise the powers and duties of the Committee under the Plan. To the extent that any permitted action taken by the Board conflicts with action taken by the Committee, the Board action shall control.

SECTION 4. Shares Available for Awards

(a) *Shares Available.* Subject to adjustment as provided in Section 4(c) of the Plan, the aggregate number of Shares that may be issued under the Plan shall be 7,000,000. Shares that may be issued under the Plan may be authorized but unissued Shares or Shares re-acquired and held in treasury.

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(b) *Accounting for Awards.* For purposes of this Section 4, if an Award entitles the holder thereof to receive or purchase Shares, the number of Shares covered by such Award or to which such Award relates shall be counted on the date of grant of such Award against the aggregate number of Shares available for granting Awards under the Plan. Any Shares that are used by a Participant as full or partial payment to the Company of the purchase price relating to an Award, including in connection with the satisfaction of tax obligations relating to an Award, shall again be available for granting Awards under the Plan. In addition, if any Shares covered by an Award or to which an Award relates are not purchased or are forfeited, or if an Award otherwise terminates without delivery of any Shares, then the number of Shares counted against the aggregate number of Shares available under the Plan with respect to such Award, to the extent of any such forfeiture or termination, shall again be available for granting Awards under the Plan.

(c) *Adjustments.* In the event of any change in corporate capitalization (including, but not limited to, a change in the number of Shares outstanding), such as a stock split or a corporate transaction, such as any merger, consolidation, separation, including a spin-off, or other distribution of stock or property of the Company (including any extraordinary cash or stock dividend), any reorganization (whether or not such reorganization comes within the definition of such term in Section 368 of the Code) or any partial or complete liquidation of the Company, the Committee or Board shall make such substitution or adjustments in the aggregate number and kind of shares reserved for issuance under the Plan, and the maximum limitation upon Stock Options and Stock Appreciation Rights and other Awards to be granted to any Participant, in the number, kind and Exercise Price of shares subject to outstanding Stock Options and Stock Appreciation Rights, in the number and kind of shares subject to other outstanding Awards granted under the Plan and/or such other equitable substitution or adjustments as it may determine to be appropriate in its sole discretion (including, without limitation, the provision of an amount in cash in consideration for any such Awards); *provided, however,* that the number of shares subject to any Award shall always be a whole number. Without limiting the generality of the foregoing, in connection with any Disaffiliation of a subsidiary of the Company, the Committee shall have the authority to arrange for the assumption or replacement of Awards with new awards based on shares of the affected subsidiary or by an affiliate of an entity that controls the subsidiary following the Disaffiliation. For purposes hereof, "Disaffiliation" of a subsidiary shall mean the subsidiary's ceasing to be a subsidiary of the Company for any reason (including, without limitation, as a result of a public offering, spin-off, sale or other distribution or transfer by the Company of the stock of the subsidiary). Notwithstanding the foregoing, to the extent that any Award is otherwise considered to be deferred compensation under Section 409A of the Code, any adjustment to such Award will comply with Section 409A of the Code (including current and future guidance issued by the Department of Treasury and or the Internal Revenue Service).

(d) *Award Limitations.* No more than 250,000 shares of Common Stock may be subject to Qualified Performance-Based Awards granted to any Eligible Individual in any fiscal year of the Company. No more than 500,000 shares of Common Stock may be subject to Stock Option and Stock Appreciation Rights Awards granted to any Eligible Individual in any fiscal year of the Company.

SECTION 5. Eligibility

Any Eligible Individual shall be eligible to be designated a Participant. In determining which Eligible Individuals shall receive an Award and the terms of any Award, the Committee may take into account the nature of the services rendered by the respective Eligible Individuals, their present and potential contributions to the success of the Company or such other factors as the Committee, in its discretion, shall deem relevant.

SECTION 6. Awards

(a) *Stock Options.* The Committee is hereby authorized to grant Stock Options (which may only be Non-Qualified Stock Options) to Eligible Individuals with the following terms and conditions and with such

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additional terms and conditions not inconsistent with the provisions of the Plan as the Committee shall determine:

(i) *Exercise Price.* The purchase price per Share purchasable under a Stock Option (the "*Exercise Price*") shall be determined by the Committee; *provided, however*, that such Exercise Price shall not be less than 100% of the Fair Market Value of a Share on the date of grant of such Stock Option.

(ii) *Option Term.* The term of each Stock Option shall be fixed by the Committee at the time of grant, but in no event shall be more than 10 years from the date of grant.

(iii) *Time and Method of Exercise.* The Committee shall determine the time or times at which a Stock Option may be exercised in whole or in part and the method or methods by which, and the form or forms (including, without limitation, cash, Shares, other securities, other Awards or other property, or any combination thereof, having a Fair Market Value on the exercise date equal to the applicable Exercise Price) in which, payment of the Exercise Price with respect thereto may be made or deemed to have been made.

(b) *Stock Appreciation Rights.* The Committee is hereby authorized to grant Stock Appreciation Rights to Eligible Individuals subject to the terms of the Plan. Each Stock Appreciation Right granted under the Plan shall confer on the holder upon exercise the right to receive, as determined by the Committee, cash or a number of Shares whose Fair Market Value is equal to the excess of (A) the Fair Market Value of one Share on the date of exercise (or, if the Committee shall so determine in accordance with the requirements of Code Section 409A, at any time during a specified period not more than 30 days before or after the date of exercise) over (B) the grant price of the Stock Appreciation Right as determined by the Committee, which grant price shall not be less than 100% of the Fair Market Value of one Share on the date of grant of the Stock Appreciation Right. Subject to the terms of the Plan, the grant price, term, methods of exercise, dates of exercise, methods of settlement and any other terms and conditions (including conditions or restrictions on the exercise thereof) of any Stock Appreciation Right shall be as determined by the Committee, *provided* that in no event shall the term of a Stock Appreciation Right be longer than ten years.

(c) *Restricted Stock and Restricted Stock Units.* The Committee is hereby authorized to grant Restricted Stock and Restricted Stock Units to Eligible Individuals with the following terms and conditions and with such additional terms and conditions not inconsistent with the provisions of the Plan as the Committee shall determine:

(i) *Restrictions.* Shares of Restricted Stock and Restricted Stock Units shall be subject to such restrictions as the Committee may impose (including, without limitation, limitations on transfer, forfeiture conditions, limitation on the right to vote a Share of Restricted Stock or the right to receive any dividend or other right or property with respect thereto), which restrictions may lapse separately or in combination at such time or times, in such installments or otherwise as the Committee may deem appropriate. The grant or vesting of Restricted Stock and Restricted Stock Units may be performance-based or time-based or both. Restricted Stock and Restricted Stock Units may be Qualified Performance-Based Awards, in which event the grant or vesting, as applicable, of such Restricted Stock or Restricted Stock Units shall be conditioned upon the attainment of Performance Goals.

(ii) *Stock Certificates; Delivery of Shares.*

(A) Any Restricted Stock granted under the Plan shall be evidenced in such manner as the Committee may deem appropriate, including book-entry registration or issuance of one or more stock certificates. Any certificate issued in respect of shares of Restricted Stock shall be registered in the name of such Participant and shall bear an appropriate legend referring to the applicable

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Award Agreement and possible forfeiture of such shares of Restricted Stock. The Committee may require that the certificates evidencing such shares be held in custody by the Company until the restrictions thereon shall have lapsed and that, as a condition of any Award of Restricted Stock, the Participant shall have delivered a stock power, endorsed in blank, relating to the Shares covered by such Award.

(B) In the case of Restricted Stock Units, no Shares or other property shall be issued at the time such Awards are granted. Upon the lapse or waiver of restrictions and the restricted period relating to Restricted Stock Units (or at such later time as may be determined by the Committee), Shares or cash or other property shall be issued to the holder of the Restricted Stock Units and evidenced in such manner as the Committee may deem appropriate, including book-entry registration or issuance of one or more stock certificates.

(iii) *Forfeiture.* Except as otherwise determined by the Committee, upon a Participant's termination of employment (as determined under criteria established by the Committee) during the applicable restriction period, all applicable Shares of Restricted Stock and Restricted Stock Units at such time subject to restriction shall be forfeited and reacquired by the Company; *provided, however,* that the Committee may, when it finds that a waiver would be in the best interest of the Company, waive in whole or in part any or all remaining restrictions with respect to Shares of Restricted Stock or Restricted Stock Units.

(d) *Performance Awards.* The Committee is hereby authorized to grant Performance Awards to Eligible Individuals subject to the terms of the Plan. A Performance Award granted under the Plan (i) may be denominated or payable in cash, Shares, other securities, other Awards (including, without limitation, Restricted Stock and Restricted Stock Units) or other property and (ii) shall confer on the holder thereof the right to receive payments, in whole or in part, upon the achievement of such performance goals during such performance periods as the Committee shall establish. Subject to the terms of the Plan, the performance goals to be achieved during any performance period, the length of any performance period, the amount of any Performance Award granted, the amount of any payment or transfer to be made pursuant to any Performance Award and any other terms and conditions of any Performance Award shall be determined by the Committee. The Committee may, prior to or at the time of the grant, designate Performance Awards as Qualified Performance-Based Awards, in which event it shall condition the settlement thereof upon the attainment of Performance Goals. Performance Awards denominated in cash that are payable to any individual Participant with respect to any calendar year will be limited to a maximum of \$7,500,000.

(e) *Dividend Equivalents.* The Committee is hereby authorized to grant Dividend Equivalents to Eligible Individuals under which the Participant shall be entitled to receive payments (in cash, Shares, other securities, other Awards or other property as determined in the discretion of the Committee) equivalent in value to the amount of cash dividends paid by the Company to holders of Shares with respect to a number of Shares determined by the Committee. Subject to the terms of the Plan, such Dividend Equivalents may have such terms and conditions as the Committee shall determine, but no right to a Dividend Equivalent shall be contingent, directly or indirectly, upon the exercise of a Stock Option or Stock Appreciation Right.

(f) *Other Stock Grants.* The Committee is hereby authorized, subject to the terms of the Plan, to grant to Eligible Individuals Shares without restrictions thereon as are deemed by the Committee to be consistent with the purpose of the Plan.

(g) *Other Stock-Based Awards.* The Committee is hereby authorized to grant to Eligible Individuals, subject to the terms of the Plan, such other Awards that are denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to, Shares (including, without limitation, securities convertible into Shares), as are deemed by the Committee to be consistent with the purpose of the Plan. Shares or other securities delivered pursuant to a purchase right granted under this Section 6(g) shall be

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purchased for such consideration, which may be paid by such method or methods and in such form or forms (including, without limitation, cash, Shares, other securities, other Awards or other property or any combination thereof), as the Committee shall determine, the value of which consideration, as established by the Committee, shall not be less than 100% of the Fair Market Value of such Shares or other securities as of the date such purchase right is granted.

(h) *General.*

(i) *Consideration for Awards.* Awards may be granted for no cash consideration or for any cash or other consideration as determined by the Committee and required by applicable law.

(ii) *Awards May Be Granted Separately or Together.* Awards may, in the discretion of the Committee, be granted either alone or in addition to, in tandem with or in substitution for any other Award or any award granted under any plan of the Company or any Affiliate. Awards granted in addition to or in tandem with other Awards or in addition to or in tandem with awards granted under any such other plan of the Company or any Affiliate may be granted either at the same time as or at a different time from the grant of such other Awards or awards.

(iii) *Forms of Payment Under Awards.* Subject to the terms of the Plan, payments or transfers to be made by the Company or an Affiliate upon the grant, exercise or settlement of an Award may be made in such form or forms as the Committee shall determine (including cash, Shares, other securities, other Awards or other property or any combination thereof); *provided, however*, that such payments or transfers shall not be in the form of promissory notes. Such payments or transfers may be made in a single payment or transfer, in installments or on a deferred basis, in each case in accordance with rules and procedures established by the Committee. Such rules and procedures may include, without limitation, provisions for the payment or crediting of reasonable interest on installment or deferred payments or the grant or crediting of Dividend Equivalents with respect to installment or deferred payments.

(iv) *Limits on Transfer of Awards.* No Award (other than Other Stock Grants) and no right under any such Award shall be transferable by a Participant otherwise than by will or by the laws of descent and distribution and the Company shall not be required to recognize any attempted assignment of such rights by any Participant; *provided, however*, that, if so determined by the Committee, a Participant may, in the manner established by the Committee, designate a beneficiary or beneficiaries to exercise the rights of the Participant and receive any property distributable with respect to any Award upon the death of the Participant; and *provided, further*, that, if so determined by the Committee, a Participant may transfer a Non-Qualified Stock Option to any Family Member (as such term is defined in the General Instructions to Form S-8 (or successor to such Instructions or such Form)) at any time that such Participant holds such Stock Option, whether directly or indirectly or by means of a trust or partnership or otherwise, *provided* that the Participant may not receive any consideration for such transfer, the Family Member may not make any subsequent transfers other than by will or by the laws of descent and distribution and the Company receives written notice of such transfer. Except as otherwise determined by the Committee, each Award or right under any such Award shall be exercisable during the Participant's lifetime only by the Participant or, if permissible under applicable law, by the Participant's guardian or legal representative. Except as otherwise determined by the Committee, no Award or right under any such Award may be pledged, alienated, attached or otherwise encumbered, and any purported pledge, alienation, attachment or other encumbrance thereof shall be void and unenforceable against the Company or any Affiliate.

(v) *Term of Awards.* Subject to Sections 6(a)(ii) and 6(b) of the Plan, the term of each Award shall be for such period as may be determined by the Committee.

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(vi) *Restrictions.* All Shares or other securities delivered under the Plan pursuant to any Award or the exercise thereof shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan, applicable federal or state securities laws and regulatory requirements, and the Committee may direct appropriate stop transfer orders and cause other legends to be placed on the certificates for such Shares or other securities to reflect such restrictions.

SECTION 7. Change in Control

(a) *Impact of Event.* Notwithstanding any other provision of the Plan to the contrary, unless otherwise provided by the Committee in any Award Agreement, in the event of a Change in Control, the provisions of Section 7 of the Plan as in effect prior to May 8, 2013 shall apply to Awards granted prior to that date, and the following provisions shall apply to Awards granted on or after that date:

(i) *Continuation, Assumption or Replacement of Awards.* In the event of a Change in Control that is a Corporate Transaction (as defined in Section 7(b)(iii) below), if the corporation resulting from the Corporate Transaction (as described in Section 7(b)(iii) below and referred to as the "Surviving Entity") agrees to continue, assume or replace Awards outstanding as of the date of the Corporate Transaction (with such adjustments as may be required by Section 4(c) above), then such Awards or replacements therefor shall remain outstanding and be governed by their respective terms, subject to Section 7(a)(iv) below. The Surviving Entity may elect to continue, assume or replace only some Awards or portions of Awards. For purposes of this Section 7(a)(i), an Award shall be considered assumed or replaced if, in connection with the Corporate Transaction and in a manner consistent with Code Section 409A, either (A) the contractual obligations represented by the Award are expressly assumed by the Surviving Entity with appropriate adjustments to the number and type of securities subject to the Award and the exercise price thereof that preserves the intrinsic value of the Award existing at the time of the Corporate Transaction, or (B) the Participant has received a comparable equity-based award that preserves the intrinsic value of the Award existing at the time of the Corporate Transaction and is subject to substantially similar terms and conditions as the Award.

(ii) *Acceleration.* If and to the extent that outstanding Awards under the Plan are not continued, assumed or replaced in connection with a Corporate Transaction, then (A) all outstanding Stock Option and Stock Appreciation Rights Awards shall become fully exercisable for such period of time prior to the effective time of the Corporate Transaction as is deemed fair and equitable by the Committee, and shall terminate at the effective time of the Corporate Transaction, (B) all other forms of Awards then outstanding shall fully vest immediately prior to the effective time of the Corporate Transaction, and (C) any Performance Goals applicable to such other forms of Awards will be deemed to have been satisfied at the target level of performance specified in connection with the applicable Award. The Committee shall provide written notice of the period of accelerated exercisability of Stock Option and Stock Appreciation Rights Awards to all affected Participants, and any exercise of such accelerated Awards shall be effective only immediately before, and shall be conditioned upon, the consummation of the Corporate Transaction. If a Change in Control described in Section 7(b)(iv) below occurs, then unless the Committee provides otherwise at the time of the Change in Control, outstanding Awards shall be dealt with as provided in clauses (A) and (B) of this paragraph, with the consummation of the dissolution or liquidation being deemed the "effective time of the Corporate Transaction" for these purposes.

(iii) *Payment for Awards.* If and to the extent that outstanding Awards under the Plan are not continued, assumed or replaced in connection with a Corporate Transaction, then the Committee may terminate some or all of such outstanding Awards, in whole or in part, at or immediately prior to the effective time of the Corporate Transaction in exchange for payments to the holders as provided in this Section 7(a)(iii). The Committee will not be required to treat all Awards similarly for purposes of this Section 7(a)(iii). The payment for any Award or portion thereof terminated shall be in an amount equal

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to the excess, if any, of (A) the fair market value (as determined in good faith by the Committee) of the consideration that would otherwise be received in the Corporate Transaction for the number of Shares subject to the Award or portion thereof being terminated, over (B) the aggregate exercise price (if any) for the Shares subject to such Award or portion thereof being terminated. If there is no excess, such Award may be terminated without payment to the affected Participant. Payment of any amount under this Section 7(a)(iii) shall be made in such form, on such terms and subject to such conditions as the Committee determines in its discretion, which may or may not be the same as the form, terms and conditions applicable to payments to the Company's shareholders in connection with the Corporate Transaction, and may, in the Committee's discretion, include subjecting such payments to vesting conditions comparable to those of the Award surrendered, subjecting such payments to escrow or holdback terms comparable to those imposed upon the Company's shareholders under the Corporate Transaction, or calculating and paying the present value of payments that would otherwise be subject to escrow or holdback terms.

(iv) *Termination After a Change in Control.* If, within 24 months after a Change in Control (A) described in Section 7(b)(i) or 7(b)(ii) below or (B) that is a Corporate Transaction and in connection with which outstanding Awards are continued, assumed or replaced as described in Section 7(a)(i), a Participant experiences an involuntary termination of employment for reasons other than Cause (as defined in Section 7(c) below), then (i) outstanding Stock Options and Stock Appreciation Rights issued to the Participant that are not yet fully exercisable shall immediately become exercisable in full and shall remain exercisable in accordance with their terms, (ii) all other forms of outstanding Awards issued to the Participant will become immediately fully vested and non-forfeitable; and (iii) any Performance Goals applicable to such other forms of Awards will be deemed to have been satisfied at the target level of performance specified in connection with the applicable Award.

(b) *Definition of Change in Control.* For purposes of the Plan, and unless otherwise provided in an applicable Award Agreement, a "Change in Control" shall mean the happening of any of the following events:

(i) An acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (1) the then outstanding shares of common stock of the Company (the "*Outstanding Company Common Stock*") or (2) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "*Outstanding Company Voting Securities*"); excluding, however, the following: (1) Any acquisition directly from the Company, other than an acquisition by virtue of the exercise of a conversion privilege unless the security being so converted was itself acquired directly from the Company, (2) Any acquisition by the Company, (3) Any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any entity controlled by the Company, or (4) Any acquisition pursuant to a transaction which complies with clauses (1), (2) and (3) of subsection (iii) of this Section 7(b); or

(ii) A change in the composition of the Board such that the individuals who, as of the Effective Date, constitute the Board (such Board shall be hereinafter referred to as the "*Incumbent Board*") cease for any reason to constitute at least a majority of the Board; *provided, however*, for purposes of this Section 7(b), that any individual who becomes a member of the Board subsequent to the Effective Date, whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of those individuals who are members of the Board and who were also members of the Incumbent Board (or deemed to be such pursuant to this proviso) shall be considered as though such individual were a member of the Incumbent Board; but, *provided, further*, that any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board shall not be so considered as a member of the Incumbent Board; or

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(iii) Consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company ("*Corporate Transaction*"); excluding, however, such a Corporate Transaction pursuant to which (1) all or substantially all of the individuals and entities who are the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Corporate Transaction will beneficially own, directly or indirectly, more than 50% of, respectively, the outstanding shares of common stock, and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Corporate Transaction (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Corporate Transaction, of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (2) no Person (other than the Company, any employee benefit plan (or related trust) of the Company or such corporation resulting from such Corporate Transaction) will beneficially own, directly or indirectly, 20% or more of, respectively, the outstanding shares of common stock of the corporation resulting from such Corporate Transaction or the combined voting power of the outstanding voting securities of such corporation entitled to vote generally in the election of directors except to the extent that such ownership existed prior to the Corporate Transaction, and (3) individuals who were members of the Incumbent Board will constitute at least a majority of the members of the board of directors of the corporation resulting from such Corporate Transaction; or

(iv) The approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

(c) *Definition of Cause.* For purposes of this Section 7, "Cause" means what the term is defined to mean in a then-effective written agreement (including an Award Agreement) between a Participant and the Company or any Affiliate or, in the absence of any such then effective agreement or definition, means (i) a Participant's continued failure to substantially perform his or her duties with the Company or an Affiliate after written demand for substantial performance is delivered to the Participant, (ii) a Participant's conviction of a crime (including a misdemeanor) that, in the Company's determination, impairs the Participant's ability to perform his or her duties with the Company or an Affiliate, (iii) a Participant's violation of any policy of the Company or an Affiliate that the Company deems material, (iv) a Participant's violation of any securities law, rule or regulation that the Company deems material, (v) a Participant's engagement in conduct that, in the Company's determination, exposes the Company or an Affiliate to civil or regulatory liability or injury to their reputations, (vi) a Participant's engagement in conduct that would subject the Participant to statutory disqualification pursuant to Section 15(b) of the Exchange Act and the regulations promulgated thereunder, or (vii) a Participant's gross or willful misconduct, as determined by the Company.

SECTION 8. Income Tax Withholding

No later than the date as of which an amount first becomes includible in the gross income of a Participant for federal or foreign income tax purposes with respect to any Award under the Plan, the Participant shall pay to the Company, or make arrangements satisfactory to the Company regarding the payment of, any federal, state, local or foreign taxes of any kind required by law to be withheld with respect to such amount. The obligations of the Company under the Plan shall be conditional on such payment or arrangements, and the Company and its Affiliates shall, to the extent permitted by law, be entitled to take such action and establish such procedures as it deems appropriate to withhold or collect all applicable payroll, withholding, income or other taxes from such Participant, including without limitation withholding applicable tax from Participant's cash compensation paid by the Company or an Affiliate. In order to assist a Participant in paying all or a portion of the federal, state, local and foreign taxes to be withheld or collected upon exercise or receipt of (or the lapse of restrictions relating to) an Award, the Committee, in its discretion and subject to such additional terms and conditions as it may adopt, may permit the Participant to satisfy such tax

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obligation by (i) electing to have the Company withhold a portion of the Shares or other property otherwise to be delivered upon exercise or receipt of (or the lapse of restrictions relating to) such Award with a Fair Market Value equal to the amount of such taxes or (ii) delivering to the Company Shares or other property other than Shares issuable upon exercise or receipt of (or the lapse of restrictions relating to) such Award with a Fair Market Value equal to the amount of such taxes, *provided* that, in either case, not more than the legally required minimum withholding may be settled with Shares. Any such election must be made on or before the date that the amount of tax to be withheld is determined.

SECTION 9. Amendment and Termination

(a) *Amendments to the Plan.* The Board may amend, alter, suspend, discontinue or terminate the Plan at any time; *provided, however*, that, notwithstanding any other provision of the Plan or any Award Agreement, without the approval of the stockholders of the Company, no amendment, alteration, suspension, discontinuation or termination shall be made that:

(i) requires stockholder approval under the rules or regulations of the New York Stock Exchange, any other securities exchange or the National Association of Securities Dealers, Inc. that are applicable to the Company; or

(ii) increases the number of Shares authorized under the Plan as specified in Section 4(a) of the Plan.

(b) *Amendments to Awards.* Subject to Section 3(a)(v), the Committee may waive any conditions of or rights of the Company under any outstanding Award, prospectively or retroactively. Except as otherwise provided herein or in an Award Agreement, the Committee may not amend, alter, suspend, discontinue or terminate any outstanding Award, prospectively or retroactively, if such action would adversely affect the rights of the holder of such Award, without the consent of the Participant or holder or beneficiary thereof or such amendment would cause a Qualified Performance-Based Award to cease to qualify for the Section 162(m) Exemption. The Committee may unilaterally amend any Award, and it will be conclusively presumed that such action will not adversely affect the rights of the holder of such Award, if such amendment is determined by the Committee to be necessary to cause the Award to comply with applicable laws, including Code Section 409A, stock exchange rules or any compensation recovery policy as provided in Section 10(p).

(c) *Correction of Defects, Omissions and Inconsistencies.* The Committee may correct any defect, supply any omission or reconcile any inconsistency in the Plan or any Award in the manner and to the extent it shall deem desirable to carry the Plan into effect.

SECTION 10. General Provisions

(a) *No Rights to Awards.* No Eligible Individual or other person shall have any claim to be granted any Award under the Plan, and there is no obligation for uniformity of treatment of Eligible Individuals or holders or beneficiaries of Awards under the Plan. The terms and conditions of Awards need not be the same with respect to any Participant or with respect to different Participants.

(b) *Award Agreements.* No Participant will have rights under an Award granted to such Participant unless and until an Award Agreement shall have been duly executed on behalf of the Company and, if requested by the Company, signed by the Participant. In the event that any provision of an Award Agreement conflicts with or is inconsistent in any respect with the terms of the Plan as set forth herein or subsequently amended, the terms of the Plan shall control.

(c) *No Rights of Stockholders.* Except with respect to Shares of Restricted Stock as to which the Participant has been granted the right to vote, neither a Participant nor the Participant's legal representative

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shall be, or have any of the rights and privileges of, a stockholder of the Company with respect to any Shares issuable to such Participant upon the exercise or payment of any Award, in whole or in part, unless and until such Shares have been issued in the name of such Participant or such Participant's legal representative without restrictions thereto.

(d) *No Limit on Other Compensation Plans or Arrangements.* Nothing contained in the Plan shall prevent the Company or any Affiliate from adopting or continuing in effect other or additional compensation arrangements, and such arrangements may be either generally applicable or applicable only in specific cases.

(e) *No Right to Employment.* The Plan shall not constitute a contract of employment, and adoption of the Plan or the grant of an Award shall not be construed as giving a Participant the right to be retained as an employee of the Company or an Affiliate, or a non-employee Director to be retained as a Director, nor shall it affect in any way the right of the Company or an Affiliate to terminate such employment at any time, with or without cause. In addition, the Company or an Affiliate may at any time dismiss a Participant from employment free from any liability or any claim under the Plan or any Award, unless otherwise expressly provided in the Plan or in any Award Agreement.

(f) *Governing Law.* The Plan and all Awards granted and actions taken thereunder shall be governed by and construed in accordance with the laws of the State of Delaware, without reference to principles of conflict of laws thereof.

(g) *Severability.* If any provision of the Plan or any Award is or becomes or is deemed to be invalid, illegal or unenforceable in any jurisdiction or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to applicable laws, or if it cannot be so construed or deemed amended without, in the determination of the Committee, materially altering the purpose or intent of the Plan or the Award, such provision shall be stricken as to such jurisdiction or Award, and the remainder of the Plan or any such Award shall remain in full force and effect.

(h) *Application to Participants Outside the United States.* In the event an Award is granted to a Participant who is employed or providing services outside the United States and who is not compensated from a payroll maintained in the United States, the Committee may, in its sole discretion, modify the provisions of the Plan as they pertain to such individual to comply with applicable foreign law.

(i) *No Trust or Fund Created.* Neither the Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company or any Affiliate and an Eligible Individual or any other person. To the extent that any person acquires a right to receive payments from the Company or any Affiliate pursuant to an Award, such right shall be no greater than the right of any unsecured general creditor of the Company or any Affiliate.

(j) *Other Benefits.* No compensation or benefit awarded to or realized by any Participant under the Plan shall be included for the purpose of computing such Participant's compensation under any compensation-based retirement, disability, or similar plan of the Company unless required by law or otherwise provided by such other plan.

(k) *No Fractional Shares.* No fractional Shares shall be issued or delivered pursuant to the Plan or any Award, and the Committee shall determine whether cash shall be paid in lieu of any fractional Shares or whether such fractional Shares or any rights thereto shall be canceled, terminated or otherwise eliminated.

(l) *Headings.* Headings are given to the Sections and subsections of the Plan solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of the Plan or any provision thereof.

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(m) *Section 16 Compliance; Section 162(m) Administration.* The Plan is intended to comply in all respects with Rule 16b-3 or any successor provision, as in effect from time to time, and in all events the Plan shall be construed in accordance with the requirements of Rule 16b-3. If any Plan provision does not comply with Rule 16b-3 as hereafter amended or interpreted, the provision shall be deemed inoperative. The Board, in its absolute discretion, may bifurcate the Plan so as to restrict, limit or condition the use of any provision of the Plan with respect to persons who are officers or directors subject to Section 16 of the Exchange Act without so restricting, limiting or conditioning the Plan with respect to other Eligible Individuals. The Company intends that all Stock Options and Stock Appreciation Rights granted under the Plan to individuals who are or who the Committee believes will be Covered Employees will constitute "qualified performance-based compensation" within the meaning of Section 162(m) of the Code.

(n) *Conditions Precedent to Issuance of Shares.* Shares shall not be issued pursuant to the exercise or payment of the Exercise Price or purchase price relating to an Award unless such exercise or payment and the issuance and delivery of such Shares pursuant thereto shall comply with all relevant provisions of law, including, without limitation, the Securities Act of 1933, as amended from time to time, the Exchange Act, the rules and regulations promulgated thereunder, the requirements of any applicable stock exchange and the Delaware General Corporation Law. As a condition to the exercise or payment of the Exercise Price or purchase price relating to such Award, the Company may require that the person exercising or paying the Exercise Price or purchase price represent and warrant that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation and warranty is required by law.

(o) *Conformance to Section 409A of the Code.* To the extent that any Award constitutes a deferral of compensation subject to Section 409A of the Code, the following provisions shall apply notwithstanding any other provision of the Plan:

(i) If such Award provides for a change in the time or form of payment of such Award upon a Change in Control of the Company, no Change in Control shall be deemed to have occurred upon an event described in Section 7(b) of the Plan unless such event would also constitute a change in ownership or effective control of, or a change in the ownership of a substantial portion of the assets of, the Company under Section 409A of the Code.

(ii) If any amount is payable under such Award upon a termination of employment or other service, a termination of employment or other service will be deemed to have occurred only at such time as the Participant has experienced a "separation from service" as such term is defined for purposes of Code Section 409A.

(iii) If any amount shall be payable with respect to any such Award as a result of a Participant's "separation from service" at such time as the Participant is a "specified employee," then no payment shall be made, except as permitted under Code Section 409A, prior to the first day of the seventh (7th) calendar month beginning after the Participant's separation from service (or the date of his or her earlier death). The Company may adopt a "specified employee identification policy" which specifies the identification date, the effective date of any change in the key employee group, compensation definition and other variables that are relevant in identifying specified employees, and which may include an alternative method of identifying specified employees consistent with the regulations under Code Section 409A. In the absence of any such policy or policy provision, for purposes of the above, the "identification date" is each December 31st, and an employee who satisfies the above conditions will be considered to be a "specified employee" from April 1st following the identification date to March 31st of the following year, and the compensation and other variables, and special rules for corporate events and special rules relating to nonresident aliens, that is necessary in identifying specified employees will be determined and applied in accordance with the defaults specified in the regulations under Code Section 409A. Any Specified Employee Identification Policy will apply uniformly to all

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nonqualified deferred compensation plans subject to Code Section 409A that are maintained by the Company or an Affiliate.

To the extent the Committee elects to exercise its discretion to permit or require a Participant to defer receipt of cash or Shares that would otherwise be due to him or her under the Plan upon the vesting or settlement of any Award, such deferral shall occur in accordance with a written plan, rules or procedures adopted for that purpose by the Committee. Any such plan, rules or procedures will be intended to comply with the requirements of Code Section 409A, including those with respect to the time when a deferral election may be made, the period of the deferral and the events that would result in the payment of the deferred amount.

(p) *Compensation Recovery Policy.* Awards and any compensation associated therewith may be made subject to forfeiture, recovery by the Company or other action pursuant to any compensation recovery policy adopted by the Board or the Committee at any time, including in response to the requirements of Section 10D of the Exchange Act and any implementing rules and regulations thereunder, or as otherwise required by law. Any Award Agreement evidencing an outstanding Award may be unilaterally amended by the Committee to comply with any such compensation recovery policy.

SECTION 11. Effective Date of Plan

The Plan originally became effective in December 2003, and amendments to and/or restatements of the Plan were approved by the Company's stockholders and became effective on April 28, 2004, May 2, 2006, May 7, 2008, May 7, 2009. The Board approved the most recent amendment and restatement of the Plan on February 5, 2013, subject to approval by the Company's stockholders, and the Plan as so amended and restated shall be effective upon the date of such stockholder approval (the "Effective Date"). If the Company's stockholders fail to approve such amendment and restatement of the Plan by June 30, 2013, the Plan will continue in effect in the form in which it existed immediately prior to that date.

SECTION 12. Term of the Plan

The Plan will terminate on the tenth anniversary of the Effective Date or any earlier date of discontinuation or termination established pursuant to Section 9 of the Plan. However, unless otherwise expressly provided in the Plan or in an applicable Award Agreement, any Award theretofore granted may extend beyond such date, and the authority of the Committee provided for hereunder with respect to the Plan and any Awards, and the authority of the Board to amend the Plan, shall extend beyond the termination of the Plan.

LOCATION OF PIPER JAFFRAY COMPANIES ANNUAL MEETING OF SHAREHOLDERS

Wednesday, May 8, 2013, at 2:30 p.m.
The Huber Room in our Minneapolis Headquarters
12th Floor, U.S. Bancorp Center
800 Nicollet Mall
Minneapolis, MN 55402

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Beneficial owners of common stock held in street name by a broker, bank, trust or other nominee may need proof of ownership to be admitted to the meeting. A brokerage statement or letter from the broker, bank, trust or other nominee are examples of proof of ownership.

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[E-mail notice regarding electronic delivery of proxy materials sent by Broadridge Financial Solutions]

PROXYVOTE.COM

You are receiving this e-mail because you are either an employee-shareholder of Piper Jaffray Companies, with access to company e-mail, or you are a non-employee shareholder who previously elected to receive your proxy card and other proxy materials by electronic delivery.

You will not receive a proxy card or other proxy materials by mail.

Instead, this e-mail contains instructions on how to access the 2012 Annual Report to Shareholders and the 2013 Proxy Statement for Piper Jaffray Companies and how to vote shares via the Internet.

Please read the instructions carefully before proceeding.

Important Notice Regarding the Availability of Proxy Materials

This is a NOTIFICATION of the:

Piper Jaffray Companies 2013 Annual Meeting of Shareholders

RECORD DATE: March 13, 2013

MEETING DATE: May 8, 2013

CUSIP NUMBER: _____

CONTROL NUMBER: _____

This e-mail represents all shares in the following account(s): _____

Please review the Piper Jaffray Companies 2012 Annual Report to Shareholders and 2013 Proxy Statement before voting. The Proxy Statement discusses the proposals to be voted on, information about the annual meeting and voting, and other information about the company. You can view the Piper Jaffray Companies 2012 Annual Report to Shareholders and 2013 Proxy Statement and enter your voting instructions at the following site. If your browser supports secure transactions you will be automatically directed to a secure site.

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<http://www.proxyvote.com>

Note: If your e-mail software supports it, you can simply click on the above link.

To view the documents below, you may need the Adobe Acrobat Reader. To download the Adobe Acrobat Reader, click the URL address below:

<http://www.adobe.com/products/acrobat/readstep2.html>

The relevant supporting documentations can also be found at the following Internet site(s):

Edgar Filing: INVACARE CORP - Form 10-Q

Annual Report _____

Notice of Proxy Statement _____

To access ProxyVote.com, you will need your four digit PIN:

- Your PIN is the last four digits of your Social Security number
- If you have forgotten your PIN number, please follow the instructions on www.proxyvote.com

Internet voting is accepted up to 11:59 p.m. (EDT) the day before the meeting.

If you would like to cancel your enrollment, or change your e-mail address or PIN, please go to <http://www.InvestorDelivery.com>. You will need the enrollment number below and your four-digit PIN. If you have forgotten your PIN, you can have it sent to your enrolled e-mail address by going to <http://www.InvestorDelivery.com>.

Your InvestorDelivery Enrollment Number is: _____

There are no charges for this service. There may be costs associated with electronic access, such as usage charges from Internet access providers and telephone companies, which must be borne by the shareholder.

Please do not send any e-mail to ID@ProxyVote.com. Please REPLY to this e-mail with any comments or questions about proxyvote.com. (Include the original text and subject line of this message for identification purposes.) AOL Users, please highlight the entire message before clicking the reply button.
