INVACARE CORP
Form 10-Q
November 04, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

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

For the quarterly period ended September 30, 2015

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	95-2680965
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
One Invacare Way, P.O. Box 4028, Elyria, Ohio	44036
(Address of principal executive offices)	(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 x 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 x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “small reporting company” in Rule 12b-2 of the Exchange Act. (Check One): Large accelerated filer ¨ Accelerated filer x 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 x

As of November 2, 2015, the registrant had 31,464,819 Common Shares and 1,084,747 Class B Common Shares outstanding.

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Part I. FINANCIAL INFORMATION
Item 1. Financial Statements.

INVACARE CORPORATION AND SUBSIDIARIES
Condensed Consolidated Statement of Comprehensive Income (Loss) (unaudited)

(In thousands, except per share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net sales	$283,776	$320,520	$859,073	$951,964
Cost of products sold	206,137	235,873	627,052	692,946
Gross Profit	77,639	84,647	232,021	259,018
Selling, general and administrative expenses	77,577	98,181	241,362	295,328
Charges related to restructuring activities	11	4,077	940	8,407
Asset write-downs related to intangible assets	—	8,253	—	8,253
Interest expense	883	549	2,162	2,284
Interest income	(42)	(38)	(122)	(429)
Loss from Continuing Operations Before Income Taxes	(790)	(26,375)	(12,321)	(54,825)
Income tax provision	7,000	2,350	11,200	7,250
Net loss from Continuing Operations	(7,790)	(28,725)	$(23,521)	$(62,075)
Net Earnings-Discontinued Operations (net of tax of $585 and $985 for 2014)	—	50	—	1,811
Gain on Sale of Discontinued Operations (net of tax of $0; $3,490; $140; and $3,490)	—	13,579	260	13,579
Total Net Earnings from Discontinued Operations	—	13,629	260	15,390
Net Loss	$(7,790)	$(15,096)	$(23,261)	$(46,685)
Dividends Declared per Common Share	$0.0125	$0.0125	$0.0375	$0.0375
Net Earnings (Loss) per Share—Basic				
Net Loss from Continuing Operations	$(0.24)	$(0.90)	$(0.73)	$(1.94)
Net Earnings from Discontinued Operations	$—	$0.43	$0.01	$0.48
Net Loss per Share—Basic	$(0.24)	$(0.47)	$(0.72)	$(1.46)
Weighted Average Shares Outstanding—Basic	32,175	32,006	32,144	32,005
Net Earnings (Loss) per Share—Assuming Dilution				
Net Loss from Continuing Operations	$(0.24)	$(0.90)	$(0.73)	$(1.94)
Net Earnings from Discontinued Operations	$—	$0.42	$0.01	$0.48
Net Loss per Share—Assuming Dilution	$(0.24)	$(0.47)	$(0.72)	$(1.46)
Weighted Average Shares Outstanding—Assuming Dilution	32,715	32,194	32,655	32,216
Net Loss	$(7,790)	$(15,096)	$(23,261)	$(46,685)
Other comprehensive income (loss):				
Foreign currency translation adjustments	4,518	(22,836)	(55,542)	(21,124)
Defined Benefit Plans:				
Amortization of prior service costs and unrecognized gains	(66)	30	747	753
Amounts arising, primarily due to the addition of new participants	—	—	(784)	—
Deferred tax adjustment resulting from defined benefit plan activity	24	(8)	13	(195)
Valuation reserve associated with defined benefit plan activity	(24)	6	(13)	29
Current period unrealized gain (loss) on cash flow hedges	(630)	809	404	708
Deferred tax loss related to unrealized gain (loss) on cash flow hedges	78	(347)	(7)	(104)

Other Comprehensive Income (Loss)	3,900	(22,346)	(55,182)	(19,933)
Comprehensive Loss	$(3,890)	$(37,442)	$(78,443)	$(66,618)

See notes to condensed consolidated financial statements.

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INVACARE CORPORATION AND SUBSIDIARIES
Condensed Consolidated Balance Sheets (unaudited)

	September 30, 2015	December 31, 2014
	(In thousands)	
Assets		
Current Assets		
Cash and cash equivalents	$33,472	$38,931
Trade receivables, net	143,340	154,207
Installment receivables, net	1,026	1,054
Inventories, net	147,059	155,561
Deferred income taxes	1,336	2,048
Other current assets	31,128	36,798
Assets held for sale	—	17,388
Total Current Assets	357,361	405,987
Other Assets	6,300	19,053
Intangibles	33,066	38,013
Property and Equipment, net	86,333	79,659
Goodwill	382,289	421,019
Total Assets	$865,349	$963,731
Liabilities and Shareholders’ Equity		
Current Liabilities		
Accounts payable	$100,465	$119,927
Accrued expenses	123,329	155,699
Current taxes, payable and deferred	22,575	12,634
Short-term debt and current maturities of long-term obligations	1,849	959
Liabilities held for sale	—	1,013
Total Current Liabilities	248,218	290,232
Long-Term Debt	45,786	19,372
Other Long-Term Obligations	80,484	88,805
Shareholders’ Equity		
Preferred Shares (Authorized 300 shares; none outstanding)	—	—
Common Shares (Authorized 100,000 shares; 34,651 and 34,219 issued in 2015 and 2014, respectively)—no par	8,718	8,591
Class B Common Shares (Authorized 12,000 shares; 1,085 issued and outstanding in 2015 and 2014, respectively)—no par	272	272
Additional paid-in-capital	245,816	240,743
Retained earnings	313,911	338,362
Accumulated other comprehensive income	16,437	71,619
Treasury shares (3,188 and 3,187 shares in 2015 and 2014, respectively)	(94,293)	(94,265)
Total Shareholders’ Equity	490,861	565,322
Total Liabilities and Shareholders’ Equity	$865,349	$963,731

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,	
	2015	2014
Operating Activities	(In thousands)	
Net loss	$(23,261)	$(46,685)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Gain on sale of businesses	(424)	(17,069)
Depreciation and amortization	14,577	26,409
Provision for losses on trade and installment receivables	843	1,690
Provision (benefit) for deferred income taxes	3,222	452
Provision for other deferred liabilities	238	(339)
Provision for stock-based compensation	3,297	4,404
Loss on disposals of property and equipment	965	178
Loss on debt extinguishment including debt finance charges and associated fees	668	—
Asset write-downs related to intangible assets	—	8,253
Asset write-downs related to restructuring activities	—	1,163
Amortization of convertible debt discount	588	525
Changes in operating assets and liabilities:		
Trade receivables	2,235	10,201
Installment sales contracts, net	315	(311)
Inventories	316	(12,059)
Other current assets	6,002	3,269
Accounts payable	(14,439)	6,674
Accrued expenses	(17,940)	26,973
Other long-term liabilities	(12,751)	(13,590)
Net Cash (Used) Provided by Operating Activities	(35,549)	138
Investing Activities		
Purchases of property and equipment	(5,896)	(9,295)
Proceeds from sale of property and equipment	23,093	9
Proceeds from sale of business	13,700	21,870
Change in other long-term assets	13,349	12,083
Other	107	177
Net Cash Provided by Investing Activities	44,353	24,844
Financing Activities		
Proceeds from revolving lines of credit and long-term borrowings	194,610	201,766
Payments on revolving lines of credit and long-term borrowings	(205,333)	(226,432)
Proceeds from exercise of stock options	1,914	162
Payment of financing costs	(1,954)	—
Payment of dividends	(1,192)	(1,188)
Net Cash Used by Financing Activities	(11,955)	(25,692)
Effect of exchange rate changes on cash	(2,308)	(9)
Decrease in cash and cash equivalents	(5,459)	(719)
Cash and cash equivalents at beginning of year	38,931	29,785
Cash and cash equivalents at end of period	$33,472	$29,066

See notes to condensed consolidated financial statements.

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Accounting Policies

Nature of Operations: Invacare Corporation is a leading manufacturer and distributor of medical equipment used in the home based upon the Company's 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, 2015, the results of its operations and changes in its cash flow for the nine months ended September 30, 2015 and 2014, 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. All significant intercompany transactions are eliminated. The results of operations for the nine months ended September 30, 2015 are not necessarily indicative of the results to be expected for the full year.

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.

Recent Accounting Pronouncements: In April 2014, the FASB issued ASU 2014-08 changing the presentation of discontinued operations on the statements of income and other requirements for reporting discontinued operations. Under the new standard, a disposal of a component or a group of components of an entity is required to be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results when the component meets the criteria to be classified as held for sale or is disposed. The amendments in this update also require additional disclosures about discontinued operations and disposal of an individually significant component of an entity that does not qualify for discontinued operations. This standard must be prospectively applied to all reporting periods presented in financial reports issued after the effective date. Early adoption was permitted for disposals that were not reported in financial statements previously issued or available for issuance. The new accounting guidance is effective for interim and annual periods beginning after December 15, 2014. This standard can impact the presentation of the Company's financial statements but will not affect the calculation of net income, comprehensive income or earnings per share. The Company adopted ASU 2014-08 effective January 1, 2015 which impacted the Company's Condensed Consolidated Statement of Comprehensive Income (Loss), Balance Sheets and Statement of Cash Flows. Specifically, the disposal of the United States Rentals businesses, in the third quarter of 2015, were not deemed to be a discontinued operation.

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers." ASU 2014-09 requires a company to recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods and services. The guidance requires five steps to be applied: 1) identify the contract(s) with customers, 2) identify the performance obligations in the contract, 3) determine the transaction price, 4) allocate the transaction price to the performance obligation in the contract and 5) recognize revenue when (or as) the entity satisfies a performance obligation. The guidance also requires both quantitative and qualitative disclosures, which are more comprehensive than existing revenue standards. The disclosures are intended to enable financial statement users to understand the nature, timing and uncertainty of revenue and the related cash flow. An entity can apply the new revenue standard retrospectively to

each prior reporting period presented or retrospective with the cumulative effect of initially applying the standard recognized at the date of initial application in retained earnings. The new accounting guidance is effective for annual periods beginning after December 15, 2017, due to an approved one-year deferral, and early adoption is not permitted. The Company is currently reviewing the impact of the adoption of ASU 2014-09 on the Company's financial statements.

In April 2015, the FASB issued ASU 2015-03, "Simplifying the Presentation of Debt Issuance Costs." ASU 2015-03 requires debt issuance costs to be presented on the balance sheet as a direct deduction from the carrying amount of the related debt liability, which is similar presentation of debt discounts or premiums. Debt issuance costs are currently reported on the balance sheet as assets and amortized as interest expense. ASU 2015-03 does not change the recognition and measurement guidance for debt issuance costs and requires retrospective application to all periods presented upon adoption. The new accounting guidance is

effective for fiscal periods beginning after December 15, 2015 and early adoption is permitted. The Company is currently reviewing the impact of the adoption of ASU 2015-03 on the Company's financial statements.

Operations Held For Sale

On May 14, 2015, the Company's board of directors authorized the Company and Invacare Continuing Care, Inc., a Missouri Corporation and wholly-owned subsidiary of the Company ("ICC") to enter into an agreement to sell all the issued and outstanding membership interests of Dynamic Medical Systems, LLC, a Nevada limited liability company, and Invacare Outcomes Management, LLC, a Delaware limited liability company, each a wholly-owned subsidiary of ICC (“collectively the rentals businesses”). The Company determined on that date that the "held for sale" criteria of ASC 360-10-45-9 were met, and accordingly, the assets and liabilities of the rentals businesses (long-lived asset disposal group) are shown at their carrying amounts, which approximate their fair values. The rentals businesses had been operated on a stand-alone basis and reported as part of the Institutional Products Group (IPG) segment of the Company.

On July 2, 2015, ICC completed the sale (the "Transaction") of all the issued and outstanding membership interests in the rentals businesses, pursuant to a Membership Interest Purchase Agreement (the “Purchase Agreement”) among the Company, ICC and Joerns Healthcare Parent, LLC, a Delaware limited liability company. The price paid to ICC for the rentals businesses was approximately $15,500,000 in cash, which was subject to certain post-closing adjustments required by the Purchase Agreement. Net proceeds from the Transaction were approximately $13,700,000, net of taxes and expenses. The Company recorded a pre-tax gain of approximately $24,000 in the third quarter of 2015, which represents the excess of the net sales price over the book value of the assets and liabilities of the rentals businesses, as of the date of completion of the disposition. The Company recorded expenses related to the sale of the rentals businesses totaling $1,792,000, of which $917,000 have been paid as of September 30, 2015. The sale of the rentals businesses was not dilutive to the Company's results. The Company utilized the net proceeds from the sale to reduce debt outstanding under its credit agreement. The Company determined that the sale of the rentals businesses did not meet the criteria for classification as a discontinued operation in accordance with ASU 2014-08. The rentals businesses were treated as held for sale as of June 30, 2015 until sold on July 2, 2015.

The assets and liabilities of the rentals businesses that were sold and shown as held for sale in the Company's Consolidated Balance Sheets were comprised of the following (in thousands):

	July 2, 2015	December 31, 2014
Trade receivables, net	$5,834	$6,207
Inventories, net	412	315
Other current assets	212	221
Property and Equipment, net	4,126	5,896
Goodwill	4,518	4,692
Intangibles	40	57
Assets sold	$15,142	$17,388
Accounts payable	$410	$225
Accrued expenses and other short-term obligations	1,056	788
Liabilities sold	$1,466	$1,013

Discontinued Operations

On August 29, 2014, the Company sold Altimate Medical, Inc. (Altimate), its manufacturer of stationary standing assistive devices for use in patient rehabilitation, to REP Acquisition Corporation for $23,000,000 in cash, which was subject to final post-closing adjustments. Altimate had been operated on a stand-alone basis and reported as part of the North America/HME segment of the Company. The Company recorded a gain of $17,069,000 pre-tax in the third quarter of 2014, which represented the excess of the net sales price over the book value of the assets and liabilities of Altimate. The sale of this business was dilutive to the Company's results. The Company utilized the proceeds from the sale to reduce debt outstanding under its revolving credit facility in the third quarter of 2014. The gain recorded by the Company reflects the Company's estimated final purchase adjustments.

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The assets and liabilities of Altimate were the following as of the date of the sale, August 29, 2014, (in thousands):

	August 29, 2014
Trade receivables, net	$2,019
Inventories, net	1,954
Other current assets	246
Property and Equipment, net	176
Other Intangibles	1,047
Assets sold	$5,442
Accounts payable	$425
Accrued expenses	316
Liabilities sold	$741

The net sales of the Altimate discontinued operations were $2,841,000 and $11,778,000 and earnings before income taxes were $634,000 and $2,796,000 for the three and nine months ended September 30, 2014, respectively. Results for Altimate include an interest expense allocation from continuing operations to discontinued operations of $52,000 and $202,000 for the three and nine months ended September 30, 2014, respectively, as net proceeds from the sale were required to be utilized to pay down debt. The interest allocation was based on the net proceeds assumed to pay down debt applying the Company's average interest rates for the periods presented. The Company recorded an incremental intra-period tax allocation expense to discontinued operations for the nine months ended September 30, 2014 representing the cumulative intra-period allocation expense to discontinued operations based on the Company's September 30, 2014 estimates of the projected domestic taxable loss related to continuing operations for 2014. The Company recorded cumulative expenses related to the sale of discontinued operations, including Altimate, totaling $8,401,000, of which $8,006,000 have been paid as of September 30, 2015. The Company has classified Altimate as a discontinued operation for all periods presented.

Receivables

Accounts receivable are reduced by an allowance for amounts that may become uncollectible in the future. Substantially all of the Company’s receivables are due from health care, medical equipment providers and long term care facilities located throughout the United States, Australia, Canada, New Zealand, China and Europe. A significant portion of products sold to providers, both foreign and domestic, are ultimately funded through government reimbursement programs such as Medicare and Medicaid in the U.S. As a consequence, changes in these programs can have an adverse impact on dealer liquidity and profitability. The estimated allowance for uncollectible amounts ($11,756,000 at September 30, 2015 and $11,970,000 at December 31, 2014) is based primarily on management’s evaluation of the financial condition of specific customers. In addition, as a result of the Company's financing arrangement with De Lage Landen, Inc. ("DLL"), a third party financing company which the Company has worked with since 2000, management monitors the collection status of these contracts in accordance with the Company’s limited recourse obligations and provides amounts necessary for estimated losses in the allowance for doubtful accounts and establishes reserves for specific customers as needed. The Company charges off uncollectible trade accounts receivable after such receivables are moved to collection status and legal remedies are exhausted. See Concentration of Credit Risk in the Notes to the Consolidated Financial Statements for a description of the financing arrangement. Long-term installment receivables are included in “Other Assets” on the consolidated balance sheet.

The Company's U.S. customers electing to finance their purchases can do so using DLL. In addition, the Company often provides financing directly for its Canadian customers for which DLL is not an option, as DLL typically provides financing to Canadian customers only on a limited basis. The installment receivables recorded on the books of the Company represent a single portfolio segment of finance receivables to the independent provider channel and long-term care customers. The portfolio segment is comprised of two classes of receivables distinguished by geography and credit quality. The U.S. installment receivables are the first class and represent installment receivables re-purchased from DLL because the customers were in default. Default with DLL is defined as a customer being delinquent by three payments. The Canadian installment receivables represent the second class of installment receivables which were originally financed by the Company because third party financing was not available to the

HME providers. The Canadian installment receivables are typically financed for twelve months and historically have had a very low risk of default.

The estimated allowance for uncollectible amounts and evaluation for impairment for both classes of installment receivables is based on the Company's quarterly review of the financial condition of each individual customer with the allowance for doubtful accounts adjusted accordingly. Installments are individually and not collectively reviewed for impairment. The Company assesses the bad debt reserve levels based upon the status of the customer's adherence to a contractually agreed-upon payment schedule and the Company's ability to enforce judgments, liens, etc.

For purposes of granting or extending credit, the Company utilizes a scoring model to generate a composite score that considers each customer's consumer credit score and/or D&B credit rating, payment history, security collateral and time in business. Additional analysis is performed for most customers desiring credit greater than $250,000, which generally includes a detailed review of the customer's financials as well as consideration of other factors such as exposure to changing reimbursement laws.

Interest income is recognized on installment receivables based on the terms of the installment agreements. Installment accounts are monitored and if a customer defaults on payments and is moved to collection, interest income is no longer recognized. Subsequent payments received once an account is put on non-accrual status are generally first applied to the principal balance and then to the interest. Accruing of interest on collection accounts would only be restarted if the account became current again. All installment accounts are accounted for using the same methodology regardless of the duration of the installment agreements. When an account is placed in collection status, the Company initiates a legal process for pursuing collection of outstanding amounts, the length of which typically approximates eighteen months. Any write-offs are made after the legal process has been completed. The Company has not made any changes to either its accounting policies or methodology to estimation allowances for doubtful accounts in the last twelve months.

Installment receivables consist of the following (in thousands):

	September 30, 2015			December 31, 2014		
	Current	Long-Term	Total	Current	Long-Term	Total
Installment receivables	$2,539	$4,292	$6,831	$2,692	$5,117	$7,809
Less: Unearned interest	(46)	—	(46)	(46)	—	(46)
	2,493	4,292	6,785	2,646	5,117	7,763
Allowance for doubtful accounts	(1,467)	(3,564)	(5,031)	(1,592)	(4,260)	(5,852)
	$1,026	$728	$1,754	$1,054	$857	$1,911

Installment receivables purchased from DLL during the nine months ended September 30, 2015 increased the gross installment receivables balance by $738,000. No sales of installment receivables were made by the Company during the quarter.

The movement in the installment receivables allowance for doubtful accounts was as follows (in thousands):

	Nine Months Ended September 30, 2015	Year Ended December 31, 2014
Balance as of beginning of period	$5,852	$6,039
Current period provision	(291)	796
Direct write-offs charged (reversals) against the allowance	(530)	(983)

Balance as of end of period	$5,031	$5,852

Installment receivables by class as of September 30, 2015 consist of the following (in thousands):

	Total Installment Receivables	Unpaid Principal Balance	Related Allowance for Doubtful Accounts	Interest Income Recognized
U.S.				
Impaired installment receivables with a related allowance recorded	$5,802	$5,802	$4,952	$—
Canada				
Non-Impaired installment receivables with no related allowance recorded	950	904	—	39
Impaired installment receivables with a related allowance recorded	79	79	79	—
Total Canadian installment receivables	1,029	983	79	39
Total				
Non-Impaired installment receivables with no related allowance recorded	950	904	—	39
Impaired installment receivables with a related allowance recorded	5,881	5,881	5,031	—
Total installment receivables	$6,831	$6,785	$5,031	$39

Installment receivables by class as of December 31, 2014 consist of the following (in thousands):

	Total Installment Receivables	Unpaid Principal Balance	Related Allowance for Doubtful Accounts	Interest Income Recognized
U.S.				
Impaired installment receivables with a related allowance recorded	$6,735	$6,735	$5,786	$—
Canada				
Non-Impaired installment receivables with no related allowance recorded	1,008	962	—	82
Impaired installment receivables with a related allowance recorded	66	66	66	—
Total Canadian installment receivables	1,074	1,028	66	82
Total				
Non-Impaired installment receivables with no related allowance recorded	1,008	962	—	82
Impaired installment receivables with a related allowance recorded	6,801	6,801	5,852	—
Total installment receivables	$7,809	$7,763	$5,852	$82

Installment receivables with a related allowance recorded as noted in the table above represent those installment receivables on a non-accrual basis in accordance with ASU 2010-20. As of September 30, 2015, the Company had no U.S. installment receivables past due of 90 days or more for which the Company is still accruing interest. Individually,

all U.S. installment receivables are assigned a specific allowance for doubtful accounts based on management's review when the Company does not expect to receive both the contractual principal and interest payments as specified in the loan agreement. In Canada, the Company had an immaterial amount of Canadian installment receivables which were past due of 90 days or more as of September 30, 2015 and December 31, 2014 for which the Company is still accruing interest.

INVACARE CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (unaudited) - September 30, 2015

The aging of the Company’s installment receivables was as follows (in thousands):

	September 30, 2015			December 31, 2014		
	Total	U.S.	Canada	Total	U.S.	Canada
Current	$936	$—	$936	$976	$—	$976
1-29 Days Past Due	1	—	1	15	—	15
30-59 Days Past Due	1	—	1	2	—	2
60-89 Days Past Due	—	—	—	—	—	—
90+ Days Past Due	5,893	5,802	91	6,816	6,735	81
	$6,831	$5,802	$1,029	$7,809	$6,735	$1,074

Inventories

Inventories consist of the following (in thousands):

	September 30, 2015	December 31, 2014
Finished goods	$79,725	$85,828
Raw materials	54,357	57,509
Work in process	12,977	12,224
	$147,059	$155,561

Other Current Assets

Other current assets consist of the following (in thousands):

	September 30, 2015	December 31, 2014
Value added tax receivables	$15,568	$21,273
Recoverable income taxes	46	261
Derivatives (foreign currency forward contracts)	2,204	520
Prepaid insurance	368	2,713
Prepaid and other current assets	12,942	12,031
	$31,128	$36,798

Other Long-Term Assets

Other long-term assets consist of the following (in thousands):

	September 30, 2015	December 31, 2014
Cash surrender value of life insurance policies	$3,273	$15,765
Deferred financing fees	932	408
Investments	187	249
Installment receivables	728	857
Deferred taxes	598	613
Other	582	1,161
	$6,300	$19,053

The change in cash surrender value of life insurance policies in 2015 was principally the result of the Company selling life insurance policies to fund retirement payments to certain executive officers of the Company.

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INVACARE CORPORATION AND SUBSIDIARIES
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Property and Equipment

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

	September 30, 2015	December 31, 2014
Machinery and equipment	$306,859	$318,286
Land, buildings and improvements	75,966	81,219
Furniture and fixtures	10,678	11,738
Leasehold improvements	12,125	14,517
	405,628	425,760
Less allowance for depreciation	(319,295)	(346,101)
	$86,333	$79,659

On April 23, 2015, the Company entered into a real estate sale-leaseback transaction which resulted in Land, buildings and improvements being decreased by $15,843,000 for assets sold, net of allowance for depreciation, and increased by $32,339,000 as a result of recording capitalized lease assets. As of September 30, 2015, accumulated depreciation related to the capitalized leases totaled $674,000. On July 2, 2015, the Company completed the sale of its rentals businesses which decreased net property, plant and equipment by $4,126,000.

Goodwill

As a result of the Company's divestiture of the rentals businesses, goodwill was reduced for the Institutional Product Group segment by $4,518,000. The remaining change in goodwill from December 31, 2014 to September 30, 2015 was due to foreign currency translation.

Intangibles

All of the Company’s intangible assets have been assigned definite lives and continue to be amortized over their useful lives, except for $25,794,000 related to trademarks, which have indefinite lives. The changes in intangible balances reflected on the balance sheet from December 31, 2014 to September 30, 2015 were the result of foreign currency translation and amortization.

The Company evaluates the carrying value of definite-lived assets whenever events or circumstances indicate possible impairment. Definite-lived assets are determined to be impaired if the future un-discounted cash flows expected to be generated by the asset are less than the carrying value. Actual impairment amounts for definite-lived assets are then calculated using a discounted cash flow calculation. The Company reviews indefinite-lived assets for impairment annually in the fourth quarter of each year and whenever events or circumstances indicate possible impairment. Any impairment amounts for indefinite-lived assets are calculated as the difference between the future discounted cash flows expected to be generated by the asset less than the carrying value for the asset.

For the quarter ended September 30, 2014, the Company recognized intangible impairment write-down charges of $8,103,000 for a customer list and $150,000 for a non-compete agreement in the IPG segment as the actual and remaining cash flows associated with the intangibles were less than the cash flow originally used to value the intangibles, primarily driven by reduced net sales. The after-tax and pre-tax impairment amounts were the same for each of the above impairments.

The Company's intangibles consist of the following (in thousands):

	September 30, 2015		December 31, 2014	
	Historical Cost	Accumulated Amortization	Historical Cost	Accumulated Amortization
Customer lists	$52,405	$46,924	$57,705	$50,355
Trademarks	25,794	—	28,371	—
License agreements	1,100	1,100	1,290	1,290
Developed technology	7,715	6,093	8,297	6,340
Patents	5,976	5,835	6,102	5,804
Other	1,148	1,120	1,148	1,111
	$94,138	$61,072	$102,913	$64,900

Amortization expense related to intangibles was $1,497,000 in the first nine months of 2015 and is estimated to be $1,914,000 in 2015, $1,624,000 in 2016, $1,547,000 in 2017, $1,534,000 in 2018, $1,268,000 in 2019 and $181,000 in 2020. Amortized intangibles are being amortized on a straight-line basis over remaining lives of 1 to 10 years with the majority of the intangibles being amortized over an average remaining life of approximately 5 years.

Current Liabilities

Accrued expenses consist of accruals for the following (in thousands):

	September 30, 2015	December 31, 2014
Salaries and wages	$36,358	$40,850
Taxes other than income taxes, primarily Value Added Taxes	20,767	24,743
Warranty cost	26,682	30,738
Supplemental Executive Retirement Program	391	21,517
Freight	6,273	6,202
Professional	8,135	6,613
Product liability, current portion	3,727	4,334
Rebates	1,899	1,722
Insurance	1,294	1,266
Interest	783	1,068
Derivative liabilities	2,235	2,526
Severance	2,225	4,209
Other items, principally trade accruals	12,560	9,911
	$123,329	$155,699

Accrued rebates relate to several volume incentive programs the Company offers its customers. The Company accounts for these rebates as a reduction of revenue when the products are sold in accordance with the guidance in ASC 605-50, Customer Payments and Incentives.

As a result of the retirement of certain executives of the Company during 2015, Supplemental Executive Retirement Program (SERP) and deferred compensation payments of $21,126,000 and $3,525,000, respectively, were made during the nine months ended September 30, 2015.

Generally, the Company's products are covered by warranties against defects in material and workmanship for various periods depending on the product from the date of sales to the customer. Certain components carry a lifetime warranty. A provision for estimated warranty cost is recorded at the time of sale based upon actual experience. The Company continuously assesses the

adequacy of its product warranty accrual and makes adjustments as needed. Historical analysis is primarily used to determine the Company's warranty reserves. Claims history is reviewed and provisions are adjusted as needed. However, the Company does consider other events, such as a product field action and recalls, which could warrant additional warranty reserve provision.

In 2014, the Company recorded additional warranty expense for product recalls which related to a stationary oxygen concentrator, a sieve bed component used within stationary oxygen concentrators and power wheelchair joysticks. These warranty reserves are subject to adjustment in future periods as and to the extent that new developments change the Company's estimate of the total cost of these matters. However, no additional warranty expense was recorded related to these three recalls for the nine months ended September 2015.
The following is a reconciliation of the changes in accrued warranty costs for the reporting period (in thousands):

Balance as of January 1, 2015	$30,738
Warranties provided during the period	8,436
Settlements made during the period	(13,098)
Changes in liability for pre-existing warranties during the period, including expirations	606
Balance as of September 30, 2015	$26,682

Long-Term Debt

Debt consists of the following (in thousands):

	September 30, 2015	December 31, 2014
Senior secured revolving credit facility, due in January 2018	$—	$—
Senior secured revolving credit facility, due in October 2015	—	4,000
Convertible senior subordinated debentures at 4.125%, due in February 2027	11,939	11,351
Other notes and lease obligations	35,696	4,980
	47,635	20,331
Less current maturities of long-term debt	(1,849)	(959)
	$45,786	$19,372

On September 30, 2015 the Company entered into an Amended and Restated Revolving Credit and Security Agreement (the “Amended and Restated Credit Agreement”), amending and restating the Company’s existing Revolving Credit and Security Agreement which was originally entered into on January 16, 2015 and amended on April 22, 2015 (the “Prior Credit Agreement”) and which matures in January 2018. The Amended and Restated Credit Agreement was entered into by and among the Company, certain of the Company’s direct and indirect U.S. and Canadian subsidiaries and certain of the Company’s European subsidiaries (together with the Company, the “Borrowers”), certain other of the Company’s direct and indirect U.S., Canadian and European subsidiaries (the “Guarantors”), and PNC Bank, National Association (“PNC”), JPMorgan Chase Bank, N.A., J.P. Morgan Europe Limited, KeyBank National Association, and Citizens Bank, National Association (the “Lenders”). PNC is the administrative agent (the “Administrative Agent”) and J.P. Morgan Europe Limited is the European agent (the “European Agent”) under the Amended and Restated Credit Agreement.

The Amended and Restated Credit Agreement contains customary representations, warranties and covenants; however it does not contain financial covenants that require the Company to not exceed a maximum leverage ratio or to maintain a minimum interest coverage ratio similar to those under the Company’s previous credit agreement, due in October 2015.

European Credit Facility

The Amended and Restated Credit Agreement retains the existing asset-based lending senior secured revolving credit facility provided for the Company and the U.S. and Canadian Borrowers under the Prior Credit Agreement (the “Existing Credit Facility”) and provides for a new revolving credit, letter of credit and swing line loan facility which gives the European Borrowers the ability

to borrow up to an aggregate principal amount of $30,000,000, with a $5,000,000 sublimit for letters of credit and a $2,000,000 sublimit for swing line loans (the “European Credit Facility”). Up to $15,000,000 of the European Credit Facility will be available to each of Invacare Limited (the “UK Borrower”) and Invacare Poirier SAS (the “French Borrower” and, together with the UK Borrower, the “European Borrowers”). The European Credit Facility matures in January 2018, together with the Existing Credit Facility. The aggregate borrowing availability for each European Borrower under the European Credit Facility is determined based on a borrowing base formula set forth in the Amended and Restated Credit Agreement and summarized below. Under the Amended and Restated Credit Agreement, the aggregate borrowings of each of the European Borrowers under the European Credit Facility may not exceed an amount equal to (a) 85% of the European Borrower’s eligible accounts receivable, less (b) the European Borrower’s borrowings and swing line loans outstanding under the European Credit Facility, less (c) the European Borrower’s letters of credit issued and undrawn under the European Credit Facility, less (d) a $3,000,000 minimum availability reserve, less (e) other reserves required by the European Agent, and in each case subject to the definitions and limitations in the Amended and Restated Credit Agreement. As of September 30, 2015, as determined pursuant to the borrowing base formula, the aggregate borrowing base available to the European Borrowers under the European Credit Facility was approximately $26,900,000, with aggregate borrowing availability of approximately $20,500,000, taking into account the $3,000,000 minimum availability reserve and the $3,375,000 dominion trigger amount described below.

The aggregate principal amount of the European Credit Facility may be increased by up to $10,000,000 to the extent requested by the Company and agreed to by any Lender or Lenders that wish to increase their lending participation or, if not agreed to by any Lender, a new financial institution that agrees to join the European Credit Facility and that is approved by the Administrative Agent and the European Agent.

Interest will accrue on outstanding indebtedness under the European Credit Facility at an adjusted LIBOR rate, plus a margin ranging from 2.50% to 3.00%, or for swing line loans, at the overnight LIBOR rate, plus a margin ranging from 2.50% to 3.00%. The margin that will apply for the first three months of the European Credit Facility is 2.50%, and after the first three months will be adjusted quarterly based on utilization. Borrowings under the European Credit Facility are subject to commitment fees of between 0.25% and 0.375% per year, depending on utilization.

The European Credit Facility is secured by substantially all of the personal property assets of the UK Borrower and its in-country subsidiaries, and all of the receivables of the French Borrower and its in-country subsidiaries. The UK and French facilities (which comprise the European Credit Facility) are cross collateralized, and the US personal property assets previously pledged under the Existing Credit Facility also serve as collateral for the European Credit Facility.

The European Credit Facility is subject to customary representations, warranties and covenants generally consistent with those applicable to the Existing Credit Facility. Exceptions to the operating covenants in the Amended and Restated Credit Agreement provide the Company with flexibility to, among other things, enter into or undertake certain sale/leaseback transactions, dispositions of assets, additional credit facilities, sales of receivables, additional indebtedness and intercompany indebtedness, all subject to limitations set forth in the Amended and Restated Credit Agreement. The Amended and Restated Credit Agreement also contains a covenant requiring the European Borrowers to maintain undrawn availability under the European Credit Facility of not less than the greater of (i) 11.25% of the maximum amount that may be drawn under the European Credit Facility for five (5) consecutive business days, or (ii) $3,000,000 on any business day. The European Borrowers also are subject to cash dominion triggers under the European Credit Facility requiring the European Borrower to maintain borrowing capacity of not less than $3,375,000 on any business day or 12.50% of the maximum amount that may be drawn under the European Credit Facility for five (5) consecutive business days in order to avoid triggering full control by an agent for the Lenders of the European Borrower’s cash receipts for application to its obligations under the European Credit Facility.

The European Credit Facility is subject to customary default provisions, with certain grace periods and exceptions, consistent with those applicable to the Existing Credit Facility, which provide that events of default include, among other things, failure to pay amounts due, breach of covenants, representations or warranties, cross-default, bankruptcy, the occurrence of a material adverse effect, exclusion from any medical reimbursement program, and an interruption in the operations of any material manufacturing facility for more than 10 consecutive days.

The proceeds of the European Credit Facility will be used to finance the working capital and other business needs of the Company.

U.S. and Canadian Borrowers Credit Facility

For the Company's U.S. and Canadian Borrowers, the Amended and Restated Credit Agreement provides for an asset-based-lending senior secured revolving credit facility which is secured by substantially all of the Company’s U.S. and Canadian assets, other than real estate. The Amended and Restated Credit Agreement provides the Company and the other Borrowers with a credit facility in an aggregate principal amount of $100,000,000, subject to availability based on a borrowing base formula, under a senior secured revolving credit, letter of credit and swing line loan facility (the “U.S. and Canadian Credit Facility”). Up to $25,000,000 of the U.S. and Canadian Credit Facility will be available for issuance of letters of credit, which amount is subject to an initial $10,000,000 sublimit under the terms of the Amended and Restated Credit Agreement. The aggregate principal amount of the U.S. and Canadian Credit Facility may be increased by up to $25,000,000 to the extent requested by the Company and agreed to by any Lender or new financial institution approved by the Administrative Agent. The aggregate borrowing availability under the U.S. and Canadian Credit Facility is determined based on a borrowing base formula set forth in the Amended and Restated Credit Agreement and summarized below.

Under the Amended and Restated Credit Agreement, the aggregate usage under the U.S. and Canadian Credit Facility may not exceed an amount equal to the sum of (a) 85% of eligible U.S. accounts receivable plus (b) the lesser of (i) 70% of eligible U.S. inventory and eligible foreign in-transit inventory and (ii) 85% of the net orderly liquidation value of eligible U.S. inventory and eligible foreign in-transit inventory (not to exceed $4,000,000), plus (c) the lesser of (i) 85% of the net orderly liquidation value of U.S. eligible machinery and equipment and (ii) $2,631,000 (subject to reduction as provided in the Amended and Restated Credit Agreement), plus (d) 85% of eligible Canadian accounts receivable, plus (e) the lesser of (i) 70% of eligible Canadian inventory and (ii) 85% of the net orderly liquidation value of eligible Canadian inventory, less (f) swing loans outstanding under the U.S. and Canadian Credit Facility, less (g) letters of credit issued and undrawn under the U.S. and Canadian Credit Facility, less (h) a $10,000,000 minimum availability reserve, less (i) other reserves required by the Administrative Agent, and in each case subject to the definitions and limitations in the Amended and Restated Credit Agreement. As of September 30, 2015, the Company was in compliance with all covenant requirements and had borrowing capacity on the U.S. and Canadian Credit Facility under the Amended and Restated Credit Agreement of $44,463,000, taking into account the $10,000,000 minimum availability reserve, then-outstanding letters of credit, other reserves and the $11,250,000 dominion trigger amount noted below.

Interest will accrue on outstanding indebtedness under the Amended and Restated Credit Agreement at the LIBOR rate, plus a margin ranging from 2.25% to 2.75%, or at the alternate base rate, plus a margin ranging from 1.25% to 1.75%, as selected by the Company. The applicable margin as of September 30, 2015 on the U.S. and Canadian Credit Facility is 2.50% for LIBOR rate loans and 1.50% for alternate base rate (Prime) loans, and is adjusted quarterly based on utilization. Borrowings under the U.S. and Canadian Credit Facility are subject to commitment fees of 0.25% or 0.375% per year, depending on utilization. As of September 30, 2015, the weighted average floating interest rate on revolving credit borrowings was 4.75% compared to 2.25% as of December 31, 2014.

Exceptions to the operating covenants in the Amended and Restated Credit Agreement provide the Company with flexibility to, among other things, enter into or undertake certain sale and leaseback transactions, dispositions of assets, additional credit facilities, sales of receivables, additional indebtedness and intercompany indebtedness, all subject to limitations set forth in the Amended and Restated Credit Agreement. The Amended and Restated Credit Agreement also contains a covenant requiring the Company to maintain minimum availability under the U.S. and Canadian Credit Facility of not less than the greater of (i) 11.25% of the maximum amount that may be drawn under the U.S. and Canadian Credit Facility for five (5) consecutive business days, or (ii) $10,000,000 on any business day.

The Amended and Restated Credit Agreement contains customary default provisions, with certain grace periods and exceptions, which provide that events of default that include, among other things, failure to pay amounts due, breach of covenants, representations or warranties, bankruptcy, the occurrence of a material adverse effect, exclusion from any medical reimbursement program, and an interruption of any material manufacturing facilities for more than 10 consecutive days. The initial borrowings under the U.S. and Canadian Credit Facility were used to repay and terminate the Company's previous credit agreement, which was scheduled to mature in October 2015.

The Prior Credit Agreement was amended on April 22, 2015 to provide for certain technical amendments, including: (1) revising various provisions of the Prior Credit Agreement to allow the Company to issue letters of credit denominated in foreign currencies other than those originally contemplated under the Prior Credit Agreement; and (2) amending certain covenants in the Prior Credit Agreement to permit the Company (i) to make a single acquisition of assets of a third-party for cash consideration not

to exceed $500,000 on or before September 30, 2015 and (ii) to accept surrenders of Company shares by employees to facilitate the payment of tax withholding obligations in connection with employee equity compensation.

In connection with entering into the Prior Credit Agreement and subsequent Amended and Restated Credit Agreement, the Company incurred $2,254,000 in fees which were capitalized and are being amortized through January 2018. In addition, as a result of terminating the previous credit agreement, which was scheduled to mature in October 2015, the Company wrote-off $668,000 in previously capitalized fees in the first quarter of 2015, which is reflected in the expense of the North America / HME segment. In comparison, the Company wrote-off $1,070,000 in fees previously capitalized in the first quarter of 2014 as a result of a reduction in the borrowing capacity under the Company's previous credit agreement, which was scheduled to mature in October 2015.

On April 23, 2015, the Company sold and leased back, under four separate lease agreements, four properties located in Ohio and one property in Florida for net proceeds of $23,000,000, which were used to reduce debt under the U.S. and Canadian Credit Facility. The total annual rent for the properties will be $2,275,000 for the first year, which can increase annually over the twenty year term of the leases based on the applicable geographical consumer price index (CPI). Each of the four lease agreements contains three 10-year renewals with the rent for each option term based on the greater of the then-current fair market rent for each property or the then- current rate and increasing annually by the applicable CPI. Under the terms of the lease agreements, the Company is responsible for all taxes, insurance and utilities. The Company is permitted to sublet the properties; however, the properties are currently being utilized exclusively by the Company and there is no current subletting. The Company is required to adequately maintain each of the properties and any leasehold improvements will be amortized over the lesser of the lives of the improvements or the remaining lease lives.

In connection with the transaction, the requirements for sale lease-back accounting were met. Accordingly, the Company recorded the sale of the properties, removed the related property and equipment from the Company's balance sheet, recognized an initial deferred gain of $7,414,000 and an immediate loss of $257,000 related to one property and recorded new lease liabilities. Specifically, the Company recorded four capital leases totaling $32,339,000 and one operating lease related to leased land, which was not a material component of the transaction. The gains on the sales of the properties are required to be deferred and recognized over the life of the leases as the property sold is being leased back. The deferred gain is classified under Other Long-Term Obligations on the Condensed Consolidated Balance Sheet.

Future minimum capital lease commitments as a result of the sale leaseback transaction, as of September 30, 2015, are as follows by year (in thousands):

2015	$566
2016	2,265
2017	2,265
2018	2,265
2019	2,265
Thereafter	34,731
Total future minimum lease payments	44,357
Amounts representing interest	(12,483)
Present value of minimum lease payments	$31,874

In 2007, the Company issued $135,000,000 principal amount of Convertible Senior Subordinated Debentures due 2027, of which $13,350,000 principal amount remains outstanding. The debentures are unsecured senior subordinated obligations of the Company guaranteed by substantially all of the Company’s domestic subsidiaries, pay interest at 4.125% per annum on each February 1 and August 1, and are convertible upon satisfaction of certain conditions into cash, common shares of the Company, or a combination of cash and common shares of the Company, subject to certain conditions. The debentures allow the Company to satisfy any such conversion using any combination of cash

or stock, and at the Company's discretion. In the event of such a conversion, the Company intends to satisfy the accreted value of the debentures using cash. Assuming adequate cash on hand at the time of conversion, the Company also intends to satisfy the conversion spread using cash, as opposed to stock.

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The liability components of the Company's convertible debt consist of the following (in thousands):

	September 30, 2015	December 31, 2014
Principal amount of liability component	$13,350	$13,350
Unamortized discount	(1,411)	(1,999)
Net carrying amount of liability component	$11,939	$11,351

Other Long-Term Obligations

Other long-term obligations consist of the following (in thousands):

	September 30, 2015	December 31, 2014
Supplemental Executive Retirement Plan liability	$5,957	$6,067
Product liability	16,456	18,860
Deferred income taxes	30,518	30,423
Deferred gain on sale leaseback	7,045	—
Deferred compensation	4,138	5,667
Uncertain tax obligation including interest	3,742	15,160
Other	12,628	12,628
Total long-term obligations	$80,484	$88,805

On April 23, 2015, the Company entered into a real estate sale leaseback transaction which resulted in the Company recording an initial deferred gain of $7,414,000, the majority of which is included in Other Long-Term Obligations and will be recognized over the 20-year life of the leases. The gain realized for the three and nine months ended September 30, 2015 was $67,000 and $109,000, respectively. The Company has reclassified on the September 30, 2015 balance sheet $10,689,000 of uncertain tax liabilities from long term obligations to current taxes payable based on an expectation that this amount will be paid in the next twelve months.

Equity Compensation

On May 16, 2013, the shareholders of the Company approved the Invacare Corporation 2013 Equity Compensation Plan (the "2013 Plan"), which was adopted on March 27, 2013 by the Company's Board of Directors (the "Board"). The Board adopted the 2013 Plan to replace the Company's prior equity plan, the Invacare Corporation Amended and Restated 2003 Performance Plan (the "2003 Plan"), which expired on May 21, 2013. Due to its expiration, no new awards may be granted under the 2003 Plan; however, awards granted prior to its expiration will remain in effect under their original terms.

The 2013 Plan uses a fungible share-counting method, under which each common share underlying an award of stock options or stock appreciation rights ("SAR") will count against the number of total shares available under the 2013 Plan as one share; and each common share underlying any award other than a stock option or a SAR will count against the number of total shares available under the 2013 Plan as two shares. Any common shares that are added back to the 2013 Plan as the result of the cancellation or forfeiture of an award granted under the 2013 Plan will be added back in the same manner such shares were originally counted against the total number of shares available under the 2013 Plan. Each common share that is added back to the 2013 Plan due to a cancellation or forfeiture of an award granted under the 2003 Plan will be added back as one common share.

The Compensation and Management Development Committee of the Board (the "Compensation Committee"), in its discretion, may grant an award under the 2013 Plan to any director or employee of the Company or an affiliate. The 2013 Plan initially allows the Compensation Committee to grant up to 4,460,337 common shares in connection with

the following types of awards with respect to shares of the Company's common shares: incentive stock options, nonqualified stock options, SARs, restricted stock, restricted stock units, unrestricted stock and performance shares. The Compensation Committee also may grant performance units that are payable in cash. The Committee has the authority to determine which participants will receive awards, the amount of the awards and the other terms and conditions of the awards.

The 2013 Plan provides that shares granted come from the Company's authorized but unissued common shares or treasury shares. In addition, the Company's stock-based compensation plans allow employee participants to exchange shares for minimum withholding taxes, which results in the Company acquiring treasury shares. The amounts of equity-based compensation expense recognized as part of selling, general and administrative expenses were as follows (in thousands):

	For the Nine Months Ended September 30,	
	2015	2014
Non-Qualified stock options	$1,108	$2,724
Restricted stock and restricted stock units	1,895	1,257
Performance shares and performance share units	294	423
Total stock-based compensation expense	$3,297	$4,404

As of September 30, 2015, unrecognized compensation expense related to equity-based compensation arrangements granted under the Company's 2013 Plan and previous plans, which is related to non-vested options and shares, was as follows (in thousands):

	September 30, 2015
Non-Qualified stock options	$1,220
Restricted stock and restricted stock units	10,591
Performance shares and performance share units	1,616
Total unrecognized stock-based compensation expense	$13,427

Total unrecognized compensation cost will be adjusted for future changes in actual and estimated forfeitures and for updated vesting assumptions for the performance share awards (see "Performance Shares and Performance Share Units" below). No tax benefit for share-based compensation was realized for the nine months ended September 30, 2015 and 2014 as a result of a valuation allowance against deferred tax assets. In accordance with ASC 718, any tax benefits resulting from tax deductions in excess of the compensation expense recognized is classified as a component of financing cash flows.

Stock Options

Generally, non-qualified stock option awards have a term of ten years and are granted with an exercise price per share equal to the fair market value of one of the Company’s Common Shares on the date of grant. The Company expects the compensation expense to be recognized over a weighted-average period of approximately two years. The following table summarizes information about stock option activity for the nine months ended September 30, 2015:

	September 30, 2015	Weighted Average Exercise Price
Options outstanding at January 1, 2015	3,600,132	$22.74
Granted	—	—
Exercised	(136,381)	14.04
Canceled	(461,748)	35.75
Options outstanding at September 30, 2015	3,002,003	$21.13
Options exercise price range at September 30, 2015	$13.37 to $33.36	
Options exercisable at September 30, 2015	2,707,728	
Shares available for grant at September 30, 2015*	2,621,716	

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* Shares available for grant as of September 30, 2015 reduced by net restricted stock and restricted stock unit award and performance share and performance share unit award activity of 1,146,586 shares and 683,058 shares, respectively for the first nine months 2015.

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The following table summarizes information about stock options outstanding at September 30, 2015:

	Options Outstanding			Options Exercisable	
Exercise Prices	Number Outstanding At 9/30/15	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable At 9/30/15	Weighted Average Exercise Price
$ 13.37 – $20.00	822,596	7.0	$14.11	529,633	$14.10
$ 20.01 – $25.00	1,368,361	3.6	22.60	1,368,361	22.60
$ 25.01 – $30.00	783,738	3.9	25.55	783,738	25.55
$ 30.01 – $33.36	27,308	1.3	31.74	25,996	31.73
Total	3,002,003	4.6	$21.13	2,707,728	$21.88

When stock options have been awarded, they generally have become exercisable over a four-year vesting period whereby options vest in equal installments each year. Options granted with graded vesting are accounted for as single options. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with assumptions for expected dividend yield, expected stock price volatility, risk-free interest rate and expected life. The assumed expected life is based on the Company's historical analysis of option history. The expected stock price volatility is also based on actual historical volatility, and expected dividend yield is based on historical dividends as the Company has no current intention of changing its dividend policy.

Restricted Stock and Restricted Stock Units

The following table summarizes information about restricted shares and restricted share units (for non-U.S. recipients):

	September 30, 2015	Weighted Average Fair Value
Stock / Units unvested at January 1, 2015	312,423	$17.91
Granted	478,712	19.09
Vested	(18,700)	14.53
Canceled	(76,731)	17.83
Stock / Units unvested at September 30, 2015	695,704	$18.82

The restricted stock awards generally vest ratably over the three years after the award date, except for those awards granted in 2014 and 2015, which vest after a three-year period. Unearned restricted stock compensation, determined as the market value of the shares at the date of grant, is being amortized on a straight-line basis over the vesting period.

Performance Shares and Performance Share Units

The following table summarizes information about performance shares and performance share units (for non-U.S. recipients):

	September 30, 2015	Weighted Average Fair Value
Shares / Units unvested at January 1, 2015	121,644	$20.05
Granted	114,257	18.95

Vested	—	—
Canceled	(35,500)	19.62
Shares / Units unvested at September 30, 2015	200,401	$19.50

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Notes to Condensed Consolidated Financial Statements (unaudited) - September 30, 2015

During the nine months ended September 30, 2015, performance shares and performance share units (for non-U.S. recipients) were granted as performance awards with a three year performance period with payouts based on achievement of certain performance goals. The awards are classified as equity awards as they will be settled in common shares upon vesting. The number of shares earned will be determined at the end of the performance period based on achievement of performance criteria for January 1, 2017 through December 31, 2017 established by the Compensation Committee at the time of grant. Recipients will be entitled to receive a number of common shares equal to the number of performance shares that vest based upon the levels of achievement which may range between 0% and 150% of the target number of shares with the target being 100% of the initial grant.

The fair value of the performance awards is based on the stock price on the date of grant discounted for the estimated value of dividends foregone as the awards are not eligible for dividends except to the extent vested. The Company assesses the probability that the performance targets will be met with expense recognized whenever it is probable that at least the minimum performance criteria will be achieved. Depending upon the Company's assessment of the probability of achievement of the goals, the Company may not recognize any expense associated with performance awards in a given period, may reverse prior expense recorded or record additional expense to make up for expense not recorded in a prior period. Performance award compensation expense is generally expected to be recognized over three years.

Accumulated Other Comprehensive Income (Loss) by Component

Changes in accumulated other comprehensive income ("OCI") for the three and nine months ended September 30, 2015 and September 30, 2014, respectively, were as follows (in thousands):

	Foreign Currency	Long-Term Notes	Defined Benefit Plans	Derivatives	Total
June 30, 2015	$18,465	$1,246	$(7,572)	$398	$12,537
OCI before reclassifications	15,386	(10,868)	(69)	(833)	3,616
Amount reclassified from accumulated OCI	—	—	3	281	284
Net current-period OCI	15,386	(10,868)	(66)	(552)	3,900
September 30, 2015	$33,851	$(9,622)	$(7,638)	$(154)	$16,437
December 31, 2014	$86,236	$(6,465)	$(7,601)	$(551)	$71,619
OCI before reclassifications	(52,385)	(3,157)	(84)	854	(54,772)
Amount reclassified from accumulated OCI	—	—	47	(457)	(410)
Net current-period OCI	(52,385)	(3,157)	(37)	397	(55,182)
September 30, 2015	$33,851	$(9,622)	$(7,638)	$(154)	$16,437
June 30, 2014	$137,352	$(4,361)	$(4,855)	$(567)	$127,569
OCI before reclassifications	(24,470)	1,634	(56)	451	(22,441)
Amount reclassified from accumulated OCI	—	—	84	11	95
Net current-period OCI	(24,470)	1,634	28	462	(22,346)
September 30, 2014	$112,882	$(2,727)	$(4,827)	$(105)	$105,223
December 31, 2013	$143,845	$(12,566)	$(5,414)	$(709)	$125,156
OCI before reclassifications	(30,963)	9,839	380	127	(20,617)
Amount reclassified from accumulated OCI	—	—			