

COOPER TIRE & RUBBER CO

Form 10-Q

November 01, 2010

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**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, 2010

OR

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

Commission File No. 1-4329

COOPER TIRE & RUBBER COMPANY

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of incorporation or organization)

34-4297750

(I.R.S. employer identification no.)

701 Lima Avenue, Findlay, Ohio 45840

(Address of principal executive offices)

(Zip code)

(419) 423-1321

(Registrant's telephone number, including area code)

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 during the preceding 12 months, 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

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

Number of shares of common stock of registrant outstanding at September 30, 2010: 61,491,551

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Part I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

COOPER TIRE & RUBBER COMPANY
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (Dollar amounts in thousands except per-share amounts)

	December 31, 2009 (Note 1)	September 30, 2010 (Unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 426,981	\$ 347,412
Accounts receivable, less allowances of \$10,928 in 2009 and \$11,455 in 2010	367,023	521,019
Inventories at lower of cost or market:		
Finished goods	188,323	236,143
Work in process	22,090	26,394
Raw materials and supplies	88,022	108,451
	298,435	370,988
Other current assets	39,392	47,157
Total current assets	1,131,831	1,286,576
Property, plant and equipment:		
Land and land improvements	33,321	34,235
Buildings	320,021	319,522
Machinery and equipment	1,587,306	1,620,214
Molds, cores and rings	246,395	254,563
	2,187,043	2,228,534
Less accumulated depreciation and amortization	1,336,072	1,391,757
Net property, plant and equipment	850,971	836,777
Intangibles, net of accumulated amortization of \$23,165 in 2009 and \$24,134 in 2010	18,546	17,577
Restricted cash	2,219	2,267
Other assets	96,773	95,727
Total assets (1)	\$ 2,100,340	\$ 2,238,924
LIABILITIES AND EQUITY		
Current liabilities:		
Notes payable	\$ 156,719	\$ 138,002
Accounts payable	300,448	362,511
Accrued liabilities	158,643	160,264
Income taxes	3,955	5,091
Liabilities of discontinued operations	1,061	

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Current portion of long-term debt	15,515	5,076
Total current liabilities	636,341	670,944
Long-term debt	330,971	325,703
Postretirement benefits other than pensions	244,905	240,457
Pension benefits	272,050	241,168
Other long-term liabilities	145,978	172,474
Long-term liabilities related to the sale of automotive operations	6,043	
Redeemable noncontrolling shareholders' interests	83,528	65,603
Equity:		
Preferred stock, \$1 par value; 5,000,000 shares authorized; none issued		
Common stock, \$1 par value; 300,000,000 shares authorized; 87,850,292 shares issued in 2009 and in 2010	87,850	87,850
Capital in excess of par value	70,645	58,799
Retained earnings	1,133,133	1,213,540
Cumulative other comprehensive loss	(470,272)	(427,295)
	821,356	932,894
Less: common shares in treasury at cost (27,327,646 in 2009 and 26,348,741 in 2010)	(490,548)	(470,841)
Total parent stockholders' equity	330,808	462,053
Noncontrolling shareholders' interests in consolidated subsidiaries	49,716	60,522
Total equity	380,524	522,575
Total liabilities and equity (1)	\$ 2,100,340	\$ 2,238,924

(1) Assets of consolidated variable interest entities (VIEs) were \$204,995 and \$207,391 at December 31, 2009 and September 30, 2010, respectively. The assets (principally Property, plant and equipment) of the VIEs can only be used to settle obligations of

those VIEs.
Liabilities
(principally
Notes payable)
of consolidated
VIEs were
\$105,806 and
\$86,318 at
December 31,
2009 and
September 30,
2010,
respectively,
and represent
claims against
the specific
assets of the
VIEs.

See accompanying notes.

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COOPER TIRE & RUBBER COMPANY
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
 THREE MONTHS ENDED SEPTEMBER 30, 2009 AND 2010
 (UNAUDITED)
 (Dollar amounts in thousands except per-share amounts)

	2009	2010
Net sales	\$ 802,794	\$ 882,942
Cost of products sold	662,277	754,695
Gross profit	140,517	128,247
Selling, general and administrative	56,444	56,351
Restructuring	13,385	4,766
Operating profit	70,688	67,130
Interest expense	11,440	9,397
Interest income	(2,259)	(2,166)
Other expense (income)	1,047	(719)
Income from continuing operations before income taxes	60,460	60,618
Income tax expense	2,628	10,309
Income from continuing operations	57,832	50,309
Loss from discontinued operations, net of income taxes	(337)	(1)
Net income	57,495	50,308
Net income attributable to noncontrolling shareholders' interests	10,664	5,710
Net income attributable to Cooper Tire & Rubber Company	\$ 46,831	\$ 44,598
Basic earnings per share:		
Income from continuing operations available to Cooper Tire & Rubber Company common stockholders	\$ 0.87 <i>1</i>	\$ 0.73
Loss from discontinued operations	(0.01)	(0.00)
Net income available to Cooper Tire & Rubber Company common stockholders	\$ 0.87 <i>1,2</i>	\$ 0.73

Diluted earnings per share:

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Income from continuing operations available to Cooper Tire & Rubber Company common stockholders	\$ 0.85 <i>1</i>	\$ 0.71
Loss from discontinued operations	(0.01)	(0.00)
Net income available to Cooper Tire & Rubber Company common stockholders	\$ 0.84 <i>1</i>	\$ 0.71
Weighted average number of shares outstanding (000s):		
Basic	59,331	61,440
Diluted	61,050	62,759
Dividends per share	\$ 0.105	\$ 0.105

1 Amounts have been restated, see Footnote 1 for additional information.

2 Amounts do not add due to rounding.

See accompanying notes.

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COOPER TIRE & RUBBER COMPANY
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
 NINE MONTHS ENDED SEPTEMBER 30, 2009 AND 2010
 (UNAUDITED)
 (Dollar amounts in thousands except per-share amounts)

	2009	2010
Net sales	\$ 2,005,931	\$ 2,441,344
Cost of products sold	1,714,685	2,132,543
Gross profit	291,246	308,801
Selling, general and administrative	151,828	155,230
Restructuring	36,446	19,804
Settlement of retiree medical case	7,050	
Operating profit	95,922	133,767
Interest expense	36,192	27,276
Interest income	(4,739)	(4,150)
Other income	(1,025)	(1,944)
Income from continuing operations before income taxes	65,494	112,585
Income tax expense (benefit)	(178)	19,299
Income from continuing operations	65,672	93,286
Income (loss) from discontinued operations, net of income taxes	(37,786)	24,365
Net income	27,886	117,651
Net income attributable to noncontrolling shareholders' interests	15,282	17,400
Net income attributable to Cooper Tire & Rubber Company	\$ 12,604	\$ 100,251
Basic earnings per share:		
Income from continuing operations available to Cooper Tire & Rubber Company common stockholders	\$ 1.02 /	\$ 1.24
Income (loss) from discontinued operations	(0.64)	0.40
Net income available to Cooper Tire & Rubber Company common stockholders	\$ 0.38 /	\$ 1.64

Diluted earnings per share:

Income from continuing operations available to Cooper Tire & Rubber Company common stockholders	\$	1.00 ¹	\$	1.21
Income (loss) from discontinued operations		(0.63)		0.39
Net income available to Cooper Tire & Rubber Company common stockholders	\$	0.38 ^{1,2}	\$	1.60
Weighted average number of shares outstanding (000s):				
Basic		59,078		61,217
Diluted		60,095		62,556
Dividends per share	\$	0.315	\$	0.315

1 Amounts have been restated, see Footnote 1 for additional information.

2 Amounts do not add due to rounding.

See accompanying notes.

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COOPER TIRE & RUBBER COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2009 AND 2010
(UNAUDITED)
(Dollar amounts in thousands)

	2009	2010
Operating activities:		
Net income	\$ 27,886	\$ 117,651
Adjustments to reconcile net income to net cash provided by continuing operations:		
Loss (income) from discontinued operations, net of income taxes	37,786	(24,365)
Depreciation	90,968	91,885
Amortization	1,645	1,492
Deferred income taxes	(1,524)	(800)
Stock based compensation	3,752	5,643
Change in LIFO inventory reserve	(117,874)	40,121
Amortization of unrecognized postretirement benefits	25,843	29,121
Loss on sale of assets	248	1,272
Changes in operating assets and liabilities of continuing operations:		
Accounts receivable	(108,170)	(152,925)
Inventories	230,999	(110,452)
Other current assets	12,539	(4,977)
Accounts payable	52,079	58,635
Accrued liabilities	60,042	(299)
Other items	9,734	(1,918)
Net cash provided by continuing operations	325,953	50,084
<i>Net cash provided by (used in) discontinued operations</i>	(2,489)	17,261
Net cash provided by operating activities	323,464	67,345
Investing activities:		
Property, plant and equipment	(63,978)	(75,040)
Investments in unconsolidated subsidiary	(659)	
Proceeds from the sale of assets	1,159	1,211
Net cash used in investing activities	(63,478)	(73,829)
Financing activities:		
Payments on short-term debt	(39,607)	(25,672)
Payments on long-term debt	(36,086)	(10,600)
Contributions of joint venture partner		6,750
Acquisition of noncontrolling shareholder's interest		(17,920)
Payment of dividends to noncontrolling shareholders		(11,637)
Payment of dividends	(18,573)	(19,309)
Issuance of common shares and excess tax benefits on options	84	5,484
Net cash used in financing activities	(94,182)	(72,904)

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Effects of exchange rate changes on cash of continuing operations	(3,933)	(181)
Changes in cash and cash equivalents	161,871	(79,569)
Cash and cash equivalents at beginning of year	247,672	426,981
Cash and cash equivalents at end of period	\$ 409,543	\$ 347,412

See accompanying notes.

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COOPER TIRE & RUBBER COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in thousands except per-share amounts)

1. The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States (U.S.) for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. There is a year-round demand for the Company's passenger and truck replacement tires, but passenger replacement tires are generally strongest during the third and fourth quarters of the year. Winter tires are sold principally during the months of June through November. Operating results for the three-month and nine-month periods ended September 30, 2010, are not necessarily indicative of the results that may be expected for the year ended December 31, 2010.

On August 5, 2010, the Company filed an amendment to its Annual Report on Form 10-K (Form 10-K/A) for the fiscal year ended December 31, 2009, which was filed with the Securities and Exchange Commission (SEC) on March 2, 2010 (the Original Filing). The Company filed this Form 10-K/A to reflect restatements of its consolidated balance sheets at December 31, 2009 and December 31, 2008, and its consolidated statements of operations and equity for the fiscal years ended December 31, 2009, December 31, 2008 and December 31, 2007, and the related notes thereto, as a result of a review of the Company's accounting for its noncontrolling shareholders' interests. The balance sheet at December 31, 2009 included herein has been derived from the audited restated financial statements at that date but does not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements.

The restatement relates, in part, to the Company's classification of the noncontrolling shareholders' interests in Cooper Chengshan. Historically, the Company classified the Cooper Chengshan noncontrolling shareholders' interests as permanent equity. After consideration of the applicable financial accounting guidance and evaluation of the related agreements, classification of the noncontrolling interest as redeemable noncontrolling shareholders' interest within mezzanine equity was deemed appropriate. Further, the restatement reflects the reclassification of a portion of the currency translation adjustment recorded in the Company's comprehensive income (loss) which should have been allocated to comprehensive income attributable to noncontrolling shareholders' interest in consolidated subsidiaries. The reclassification of the currency translation adjustment also impacted the related equity accounts.

In connection with the investment in Cooper Chengshan, beginning January 1, 2009 and continuing through December 31, 2011, the noncontrolling shareholders have the option, which is embedded in the Redeemable noncontrolling shareholders' interests, to require the Company to purchase the remaining 49 percent noncontrolling share at the greater of a minimum price of \$62,700 or a formula price that varies based on operating results of the entity. The combination of a noncontrolling interest and a put option resulted in a redeemable noncontrolling shareholder interest. The put option is not separated from the shares as an embedded derivative because the underlying shares are not readily convertible into cash.

The noncontrolling interest is redeemable at other than fair value as the put value is determined based on a specified formula as described above. The Company records the noncontrolling shareholders' interests in Cooper Chengshan at the greater of 1) the initial carrying amount, increased or decreased for the noncontrolling shareholders' share of net income or loss and its share of other comprehensive income or loss and dividends (carrying amount) or 2) the value of the put option which is determined based on the greater of the minimum amount or the formula derived amount. Prior to exercisability of the put option on January 1, 2009, the noncontrolling shareholders' interest has been recorded at the greater of 1) the carrying amount or 2) the

cumulative amount required to accrete the initial carrying amount to the redemption value using the effective interest method which resulted in the reversal of accretion of \$4,545 and \$9,939 during the three and nine month periods ended September 30, 2009, respectively, with an offset to Retained earnings.

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According to authoritative accounting guidance, the redeemable noncontrolling shareholders' interests are classified outside of permanent equity, as a mezzanine item, on the Company's Condensed Consolidated Balance Sheets.

According to authoritative accounting guidance for redeemable noncontrolling shareholders' interests, to the extent the noncontrolling shareholders have a contractual right to receive an amount upon exercise of a put option that is other than fair value, and such amount is greater than carrying value, then the noncontrolling shareholder has, in substance, received a dividend distribution that is different than other common stockholders. Therefore accretion adjustments to the carrying value of noncontrolling shareholders' interests to reflect the put option amount should also be reflected in the computation of earnings per share available to the Company's common stockholders. The tables below present the impact of these adjustments on the Company's earnings per share and the Company's comprehensive income:

	Three months ended September 30, 2009		Nine months ended September 30, 2009	
	As Originally Reported	Restated	As Originally Reported	Restated
Basic earnings per share:				
Income from continuing operations available to Cooper Tire & Rubber Company common stockholders	\$ 0.79	\$ 0.87	\$ 0.85	\$ 1.02
Loss from discontinued operations	(0.01)	(0.01)	(0.64)	(0.64)
Net income available to Cooper Tire & Rubber Company common stockholders	\$ 0.79*	\$ 0.87*	\$ 0.21	\$ 0.38
Diluted earnings per share:				
Income from continuing operations available to Cooper Tire & Rubber Company common stockholders	\$ 0.77	\$ 0.85	\$ 0.84	\$ 1.00
Loss from discontinued operations	(0.01)	(0.01)	(0.63)	(0.63)
Net income available to Cooper Tire & Rubber Company common stockholders	\$ 0.77*	\$ 0.84	\$ 0.21	\$ 0.38*

* *Amounts do not
add due to
rounding*

	Three months ended September 30, 2009		Nine months ended September 30, 2009	
	As Originally Reported	Restated	As Originally Reported	Restated
Net income attributable to Cooper Tire & Rubber Company	\$ 46,831	\$ 46,831	\$ 12,604	\$ 12,604
Other comprehensive income (loss):				

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Currency translation adjustments	(2,013)	(2,431)	8,962	8,730
Unrealized net gains (losses) on derivative instruments and marketable securities, net of tax	(2,273)	(2,273)	(6,886)	(6,886)
Unrecognized postretirement benefit plans, net of tax	13,225	13,225	14,725	14,725
Comprehensive income attributable to Cooper Tire & Rubber Company	55,770	55,352	29,405	29,173
Net income attributable to noncontrolling shareholders interests	10,664	10,664	15,282	15,282
Other comprehensive income Currency translation adjustments		418		232
Comprehensive income attributable to noncontrolling shareholders interests	10,664	11,082	15,282	15,514
Total comprehensive income	\$ 66,434	\$ 66,434	\$ 44,687	\$ 44,687

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The consolidated financial statements include the accounts of the Company, its majority-owned (based on voting interests) subsidiaries and variable-interest entities for which the Company is the primary beneficiary. Acquired businesses are included in the consolidated financial statements from the dates of acquisition. The Company consolidates certain joint ventures in which it has a variable interest based on power to direct the activities and significant participation in expected returns of the joint ventures. On January 1, 2010, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 167, Amendments to FASB Interpretation No. 46(R) . The requirements of SFAS No. 167 have been incorporated into Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 810, Consolidation . SFAS No. 167 changes the consolidation guidance for variable interest entities and the adoption of this standard did not have a material impact on the Company s consolidated financial statements. All intercompany accounts and transactions have been eliminated.

The equity method of accounting is followed for investments in 20 percent to 50 percent owned companies that are not otherwise consolidated based on variable interests. The Company s investment in a tire manufacturing facility in Mexico represents an approximate 38 percent ownership interest and is accounted for under the equity method.

The cost method is followed in those situations where the Company s ownership is less than 20 percent and the Company does not have the ability to exercise significant influence over the affiliate.

The Company entered into a joint venture with Kenda Tire Company to construct and operate a tire manufacturing facility in the People s Republic of China (PRC) which began production in 2007. Until May 2012, all of the tires produced by this joint venture are required to be exported and sold to Cooper Tire & Rubber Company and its affiliates at a price that provides an acceptable return to the joint venture. Due to this requirement, the Company has the power to direct the manufacturing operations of the joint venture to produce the types of tires required by the Company to meet its global demands. The Company has determined it is the primary beneficiary of this joint venture because of the operational control and the fact it currently receives all of the tires produced by this manufacturing operation.

The Company has also entered into a joint venture with Nemet International to market and distribute Cooper, Pneustone and associated brand tires in Mexico. The Company has determined it has the power to control the purchasing and marketing of tires for this joint venture. The Company has determined it is the primary beneficiary of this joint venture due to its ability to control the primary economic activity.

Since the Company has determined that each of these entities, Cooper Kenda and Cooper de Mexico, is a Variable Interest Entity (VIE) and it is the primary beneficiary, it has included their assets, liabilities and operating results in its consolidated financial statements. Assets recognized as a result of consolidating these VIEs do not represent additional assets that could be used to satisfy claims against the Company s general assets. Conversely, liabilities recognized as a result of consolidating these VIEs do not represent additional claims against the Company s general assets; rather, they represent claims against the specific assets of the consolidated VIEs. The Company has recorded the interest related to the joint venture partners ownership in noncontrolling shareholders interests in consolidated subsidiaries.

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The following table summarizes the balance sheets of those variable interest entities at December 31, 2009 and September 30, 2010:

	December 31, 2009	September 30, 2010
Assets		
Cash and cash equivalents	\$ 23,998	\$ 22,378
Accounts receivable	9,359	12,493
Inventories	16,472	21,838
Prepaid expenses	2,688	3,395
Total current assets	52,517	60,104
Net property, plant and equipment	139,705	135,013
Intangibles and other assets	12,773	12,274
Total assets	\$ 204,995	\$ 207,391
Liabilities and stockholders' equity		
Notes payable	\$ 87,016	\$ 77,437
Accounts payable	7,147	10,295
Accrued liabilities	1,118	(1,414)
Current portion of long-term debt	10,525	
Current liabilities	105,806	86,318
Stockholders' equity	99,189	121,073
Total liabilities and stockholders' equity	\$ 204,995	\$ 207,391

Accounting Pronouncements

In January 2010, the FASB issued guidance to amend the disclosure requirements related to recurring and nonrecurring fair value measurements. The guidance requires disclosure of transfers of assets and liabilities between Level 1 and Level 2 of the fair value measurement hierarchy, including the reasons and the timing of the transfers and information on purchases, sales, issuances, and settlements on a gross basis in the reconciliation of the assets and liabilities measured under Level 3 of the fair value measurement hierarchy. The Company has adopted this guidance as of January 1, 2010 and it did not have a material impact on the Company's consolidated financial statements.

In June 2009, the FASB issued accounting guidance on accounting for transfers of financial assets. This guidance amends previous guidance by including: the elimination of the qualifying special-purpose entity (QSPE) concept; a new

participating interest definition that must be met for transfers of portions of financial assets to be eligible for sale accounting; clarifications and changes to the derecognition criteria for a transfer to be accounted for as a sale; and a change to the amount of recognized gain or loss on a transfer of financial assets accounted for as a sale when beneficial interests are received by the transferor. Additionally, the guidance requires extensive new disclosures regarding an entity's involvement in a transfer of financial assets. Finally, existing QSPEs (prior to the effective date of this guidance) must be evaluated for consolidation by reporting entities in accordance with the applicable consolidation guidance upon the elimination of this concept. The Company adopted this new guidance effective January 1, 2010 and it did not have an impact on the Company's consolidated financial statements.

In February 2010, the FASB amended its guidance on the accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or available to be issued, otherwise known as subsequent events. Specifically, these changes clarify that an entity that is required to file or furnish its financial statements with the Securities and Exchange Commission is not required to disclose the date through which subsequent events have been evaluated. Other than the elimination of disclosing the date through which management has performed its evaluation for subsequent events, the adoption of these changes had no impact on the Company's consolidated financial statements.

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2. Earnings per share is computed on the basis of the weighted average number of common shares outstanding each period. Diluted earnings per share from continuing operations includes the dilutive effect of stock options and other stock units. The following table sets forth the computation of basic and diluted earnings per share:

	Three months ended September 30		Nine months ended September 30	
	Restated 2009	2010	Restated 2009	2010
Numerator				
Income from continuing operations attributable to Cooper Tire & Rubber Company	\$ 47,168	\$ 44,598	\$ 50,390	\$ 75,886
Reversal of accretion of redeemable noncontrolling shareholders interest	4,545		9,939	
Numerator for basic and diluted earnings per share income from continuing operations available to common stockholders	\$ 51,713	\$ 44,598	\$ 60,329	\$ 75,886
Denominator				
Denominator for basic earnings per share weighted average shares outstanding	59,331	61,440	59,078	61,217
Effect of dilutive securities stock options and other stock units	1,719	1,319	1,017	1,339
Denominator for diluted earnings per share adjusted weighted average shares outstanding	61,050	62,759	60,095	62,556
Basic earnings per share:				
Income from continuing operations available to Cooper Tire & Rubber Company common stockholders	\$ 0.87	\$ 0.73	\$ 1.02	\$ 1.24
Income (loss) from discontinued operations, net of income taxes	(0.01)		(0.64)	0.40
Net income available to Cooper Tire & Rubber Company common stockholders	\$ 0.87*	\$ 0.73	\$ 0.38	\$ 1.64
Diluted earnings per share:				
Income from continuing operations available to Cooper Tire & Rubber	\$ 0.85	\$ 0.71	\$ 1.00	\$ 1.21

Company common stockholders				
Income (loss) from discontinued operations, net of income taxes	(0.01)		(0.63)	0.39
Net income available to Cooper Tire & Rubber Company common stockholders	\$ 0.84	\$ 0.71	\$ 0.38*	\$ 1.60

* *Amounts do not
add due to
rounding*

3. Derivative financial instruments are utilized by the Company to reduce foreign currency exchange risks. The Company has established policies and procedures for risk assessment and the approval, reporting and monitoring of derivative financial instrument activities. The Company does not enter into financial instruments for trading or speculative purposes. The derivative financial instruments include fair value and cash flow hedges of foreign currency exposures. Exchange rate fluctuations on the foreign currency-denominated intercompany loans and obligations are offset by the change in values of the fair value foreign currency hedges. The Company presently hedges exposures in the Euro, Canadian dollar, British pound sterling, Swiss franc, Swedish kronar, Mexican peso and Chinese renminbi generally for transactions expected to occur within the next 12 months. The notional amount of these foreign currency derivative instruments at December 31, 2009 and September 30, 2010 was \$207,600 and \$201,500, respectively. The counterparties to each of these agreements are major commercial banks.

The Company uses foreign currency forward contracts as hedges of the fair value of certain non-U.S. dollar denominated asset and liability positions, primarily accounts receivable and debt. Gains and losses resulting from the impact of currency exchange rate movements on these forward contracts are recognized in the accompanying consolidated statements of income in the period in which the exchange rates change and offset the foreign currency gains and losses on the underlying exposure being hedged.

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Foreign currency forward contracts are also used to hedge variable cash flows associated with forecasted sales and purchases denominated in currencies that are not the functional currency of certain entities. The forward contracts have maturities of less than twelve months pursuant to the Company's policies and hedging practices. These forward contracts meet the criteria for and have been designated as cash flow hedges. Accordingly, the effective portion of the change in fair value of such forward contracts (approximately \$(2,160) and \$(2,022) as of December 31, 2009 and September 30, 2010, respectively) are recorded as a separate component of stockholders equity in the accompanying Condensed Consolidated Balance Sheets and reclassified into net sales as the hedged transaction affects earnings.

The Company assesses hedge ineffectiveness quarterly using the hypothetical derivative methodology. In doing so, the Company monitors the actual and forecasted foreign currency sales and purchases versus the amounts hedged to identify any hedge ineffectiveness. Any hedge ineffectiveness is recorded as an adjustment in the accompanying consolidated financial statements of operations in the period in which the ineffectiveness occurs. The Company also performs regression analysis comparing the change in value of the hedging contracts versus the underlying foreign currency sales and purchases, which confirms a high correlation and hedge effectiveness.

The following table presents the location and amounts of derivative instrument fair values in the Condensed Consolidated Balance Sheets:

(assets)/liabilities	December 31, 2009		September 30, 2010	
	Accrued		Accrued	
Derivatives designated as hedging instruments	liabilities	\$ 2,158	liabilities	\$ 2,093
Derivatives not designated as hedging instruments	liabilities	\$ (78)	liabilities	\$ 397

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The following table presents the location and amount of gains and losses on derivative instruments in the consolidated statement of operations:

	Amount of Gain (Loss) Recognized in Other Comprehensive Income on Derivative (Effective Portion)		Amount of (Gain) Loss Reclassified from Other Comprehensive Income into Income (Effective Portion)		Amount of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion)	
	Three Months Ended Sept 30, 2009	Three Months Ended Sept 30, 2010	Three Months Ended Sept 30, 2009	Three Months Ended Sept 30, 2010	Three Months Ended Sept 30, 2009	Three Months Ended Sept 30, 2010
Derivatives in Cash Flow Hedging Relationships Foreign exchange contracts	\$ (2,183)	\$ (6,739)	\$ 641	\$ 880	\$ (242)	\$ 172
Derivatives in Cash Flow Hedging Relationships Foreign exchange contracts	Nine Months Ended Sept 30, 2009	Nine Months Ended Sept 30, 2010	Nine Months Ended Sept 30, 2009	Nine Months Ended Sept 30, 2010	Nine Months Ended Sept 30, 2009	Nine Months Ended Sept 30, 2010
	\$ (6,838)	\$ 824	\$ (1,460)	\$ (685)	\$ (530)	\$ (43)
			Amount of Gain (Loss) Recognized in Income on Derivatives			
Derivatives not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivatives Other income (expense)	Three Months Ended Sept 30, 2009	Three Months Ended Sept 30, 2010	Nine Months Ended Sept 30, 2009	Nine Months Ended Sept 30, 2010	
Foreign exchange contracts		\$ 129	\$ (438)	\$ (800)	\$ (594)	
Interest rate swap contracts	Other income (expense)	(142)		1,855		
		\$ (13)	\$ (438)	\$ 1,055	\$ (594)	

The Company has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into the three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within the different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the

instrument.

Financial assets and liabilities recorded on the Consolidated Balance Sheet are categorized based on the inputs to the valuation techniques as follows:

Level 1. Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Company has the ability to access.

Level 2. Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs include the following:

- a. Quoted prices for similar assets or liabilities in active markets;
- b. Quoted prices for identical or similar assets or liabilities in non-active markets;
- c. Pricing models whose inputs are observable for substantially the full term of the asset or liability; and
- d. Pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability.

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Level 3. Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

The following table presents the Company's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of September 30, 2010 and December 31, 2009:

	Total Derivative (Assets) Liabilities	Quoted Prices in Active Markets for Identical Assets Level (1)	Significant Other Observable Inputs Level (2)	Significant Unobservable Inputs Level (3)
Derivative Contracts				
September 30, 2010	\$ 2,490		\$ 2,490	
December 31, 2009	\$ 2,080		\$ 2,080	

The land, building and certain manufacturing equipment located at Albany, Georgia are now classified as assets held for sale at estimated fair value less costs to sell determined based on discussions with interested third parties. The fair value of these assets, \$9,000 at September 30, 2010, is considered a Level 2 valuation. See Footnote 9 for additional details on the Albany restructuring initiative.

The fair value of the Company's debt is based upon prices of similar instruments in the marketplace. The carrying amounts and fair values of the Company's financial instruments are as follows:

	December 31, 2009		September 30, 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	\$ 426,981	\$ 426,981	\$ 347,412	\$ 347,412
Notes payable	(156,719)	(156,719)	(138,002)	(138,002)
Current portion of long-term debt	(15,515)	(15,515)	(5,076)	(5,076)
Long-term debt	(330,971)	(309,371)	(325,703)	(322,103)
Derivative financial instruments	(2,080)	(2,080)	(2,490)	(2,490)

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4. The following table details information on the Company's operating segments.

	Three months ended September 30		Nine months ended September 30	
	2009	2010	2009	2010
Revenues:				
North American Tire	\$ 573,886	\$ 647,787	\$ 1,440,536	\$ 1,754,472
International Tire	296,841	325,200	720,235	930,913
Eliminations	(67,933)	(90,045)	(154,840)	(244,041)
Net sales	\$ 802,794	\$ 882,942	\$ 2,005,931	\$ 2,441,344
Segment profit (loss):				
North American Tire	\$ 47,618	\$ 54,971	\$ 71,949	\$ 88,253
International Tire	29,902	20,511	46,285	63,589
Eliminations	(520)	(1,183)	(1,579)	(1,650)
Unallocated corporate charges	(6,312)	(7,169)	(20,733)	(16,425)
Operating profit	70,688	67,130	95,922	133,767
Interest expense	11,440	9,397	36,192	27,276
Interest income	(2,259)	(2,166)	(4,739)	(4,150)
Other expense (income)	1,047	(719)	(1,025)	(1,944)
Income from continuing operations before income taxes and noncontrolling shareholders' interests	\$ 60,460	\$ 60,618	\$ 65,494	\$ 112,585

5. At December 31, 2009, approximately 45 percent of the Company's inventories had been valued under the LIFO method. At September 30, 2010, approximately 40 percent of the Company's inventories are valued under the LIFO method. The remaining inventories have been valued under the FIFO method or average cost method. All inventories are stated at the lower of cost or market.

Under the LIFO method, inventories have been reduced by approximately \$127,064 and \$167,185 at December 31, 2009 and September 30, 2010, respectively, from current cost which would be reported under the first-in, first-out method.

6. The Company's incentive compensation plans allow the Company to grant awards to key employees in the form of stock options, stock awards, restricted stock units, stock appreciation rights, performance units, dividend equivalents and other awards. Compensation related to these awards is determined based on the fair value on the date of grant and is amortized to expense over the vesting period. For restricted stock units and performance based units, the Company recognizes compensation expense based on the earlier of the vesting date or the date when the employee becomes eligible to retire. If awards can be settled in cash, these awards are recorded as liabilities and marked to market.

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The following table discloses the amount of stock based compensation expense for the three-month and nine-month periods ended September 30, 2009 and 2010 relating to continuing operations:

	Stock Based Compensation			
	Three months ended September 30		Nine months ended September 30	
	2009	2010	2009	2010
Stock options	\$ 287	\$ 398	\$ 657	\$ 1,015
Restricted stock units	434	63	1,214	707
Performance based units	697	1,650	1,881	3,921
Total stock based compensation	\$ 1,418	\$ 2,111	\$ 3,752	\$ 5,643

Executives participating in the Company's Long-Term Incentive Plan for the plan year 2007-2009 and 2008-2010, earn performance based units based on the Company's financial performance. As part of the 2007-2009 plan, the units earned in 2007 and 2009 vested in February 2010. As part of the 2008-2010 plan, the units earned in 2009 and any units earned in 2010 will vest at December 31, 2010. No units were earned in 2008.

In April 2009, executives participating in the 2009-2011 Long-Term Incentive Plan were granted stock options which vest one-third each year from April 2010 through April 2012.

Executives participating in the Company's Long-Term Incentive Plan for the plan year 2010-2012, earn performance based units and cash. Any units and cash earned during 2010 will vest at December 31, 2012. The executives also received stock options in March 2010 which will vest one-third each year from March 2011 through March 2013.

The fair value of options granted was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions as of September 30:

	2009	2010
Risk-free interest rate	2.2%	2.8%
Dividend yield	2.7%	2.2%
Expected volatility of the Company's common stock	0.570	0.604
Expected life in years	6.0	6.0

The weighted-average fair value of options granted in April of 2009 was \$2.08, and of options granted in March of 2010 was \$9.01. The estimated fair value of options is amortized to expense over the options' vesting period.

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The following table provides details of the stock option activity for the nine months ended September 30, 2009 and 2010:

	Long-Term Incentive Plan	
	Years	
	2009 - 2011	2010 - 2012
January 1, 2009		
Outstanding		
Exercisable		
Granted	1,155,000	
September 30, 2009		
Outstanding	1,155,000	
Exercisable		
January 1, 2010		
Outstanding	1,037,000	
Exercisable	59,000	
Granted		
Exercised	(181,500)	303,120
September 30, 2010		
Outstanding	855,500	303,120
Exercisable	203,500	

The following table provides details of the restricted stock unit activity for the nine months ended September 30, 2009 and 2010:

	2009	2010
Restricted stock units outstanding at January 1	403,637	526,809
Restricted stock units granted	42,473	
Accrued dividend equivalents	16,147	4,478
Restricted stock units settled	(40,564)	(251,225)
Restricted stock units cancelled	(3,729)	(4,149)
Restricted stock units outstanding at September 30	417,964	275,913

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The following table provides details of the performance based units earned under the Company's Long-Term Incentive Plans for the nine months ended September 30, 2009 and 2010:

	Long-Term Incentive Plan	
	Years	
	2007-2009	2008-2010
Performance-based units outstanding at January 1, 2009	290,671	
Accrued dividend equivalents	12,725	
Performance-based units settled		
Performance-based units outstanding at September 30, 2009	303,396	
Performance-based units outstanding at January 1, 2010	559,951	290,860
Accrued dividend equivalents		4,721
Performance-based units settled	(559,951)	
Performance-based units outstanding at September 30, 2010		295,581

The Company's restricted stock units and performance based units are not participating securities. These units will be converted into shares of Company common stock in accordance with the distribution date indicated in the agreements. Restricted stock units earn dividend equivalents from the time of the award until distribution is made in common shares. Performance based units earn dividend equivalents from the time the units have been earned based upon Company performance metrics until distribution is made in common shares. Dividend equivalents are only earned subject to vesting of the underlying restricted stock units or performance based units, accordingly, such units do not represent participating securities.

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7. The following tables disclose the amount of net periodic benefit costs for the three-month and nine-month periods ended September 30, 2009 and 2010 for the Company's defined benefit plans and other postretirement benefits relating to continuing operations:

	Pension Benefits			
	Three months ended September 30		Nine months ended September 30	
	2009	2010	2009	2010
Components of net periodic benefit cost:				
Service cost	\$ 806	\$ 1,663	\$ 7,332	\$ 4,970
Interest cost	14,378	15,588	43,603	46,644
Expected return on plan assets	(14,095)	(16,349)	(41,674)	(48,934)
Amortization of prior service cost	(270)	(156)	(803)	(463)
Recognized actuarial loss	8,087	8,428	35,908	25,240
Spectrum plan freeze			(10,133)	
Albany curtailment gain	(1,193)		(4,906)	
Albany settlement loss	5,108		6,008	4,751
Net periodic benefit cost	\$ 12,821	\$ 9,174	\$ 35,335	\$ 32,208

	Other Postretirement Benefits			
	Three months ended September 30		Nine months ended September 30	
	2009	2010	2009	2010
Components of net periodic benefit cost:				
Service cost	\$ 828	\$ 790	\$ 2,728	\$ 2,371
Interest cost	3,501	3,528	10,901	10,586
Amortization of prior service cost	(80)	(135)	(230)	(407)
Recognized actuarial loss (gain)	(150)			
Net periodic benefit cost	\$ 4,099	\$ 4,183	\$ 13,399	\$ 12,550

During 2010, the Company expects to contribute between \$35,000 and \$45,000 to its domestic and foreign pension plans. On May 11, 2010, the Company filed a Form S-3 which will permit the Company to fund a portion of the expected domestic contributions in the form of Company common stock.

In March 2010, the Patient Protection and Affordable Care Act and the Health Care and Education Affordability Act of 2010 (the Acts) were enacted. The primary focus of the Acts is to significantly reform health care in the U.S. The Acts will reduce the tax deduction available to the Company to the extent of receipt of Medicare Part D prescription drug subsidies; however, this will not have a material impact on the Company's financial results. The Company is currently evaluating other effects of the Acts.

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8. The following table reconciles the beginning and end of the period equity accounts attributable to Cooper Tire & Rubber Company and to the noncontrolling shareholders' interests.

	Total Parent Stockholders Equity	Noncontrolling Shareholders Interests in Consolidated Subsidiaries	Total Stockholders Equity	Redeemable Noncontrolling Shareholders Interests
Balance at December 31, 2009	\$ 330,808	\$ 49,716	\$ 380,524	\$ 83,528
Net income	100,251	3,057	103,308	14,343
Other comprehensive income (loss)	42,977	999	43,976	(1,327)
Dividends payable to noncontrolling shareholders				(11,637)
Contribution of noncontrolling shareholder		6,750	6,750	
Acquisition of noncontrolling shareholders interest	1,384		1,384	(19,304)
Stock compensation plans, including tax benefit of \$472	5,942		5,942	
Cash dividends \$.315 per share	(19,309)		(19,309)	
Balance at September 30, 2010	\$ 462,053	\$ 60,522	\$ 522,575	\$ 65,603

The following table provides the details of the Company's comprehensive income. Comprehensive income includes net income and components of other comprehensive income, such as foreign currency translation adjustments, unrealized gains or losses on certain marketable securities and derivative instruments and unrecognized postretirement benefit plans.

The Company's comprehensive income is as follows:

	Three months ended September 30		Nine months ended September 30	
	2009	2010	2009	2010
Net income attributable to Cooper Tire & Rubber Company	\$ 46,831	\$ 44,598	\$ 12,604	\$ 100,251
Other comprehensive income:				
Currency translation adjustments	(2,431) ¹	9,590	8,730 ¹	4,434
Unrealized net gains (losses) on derivative instruments and marketable securities, net of tax	(2,273)	(5,032)	(6,886)	361
Unrecognized postretirement benefit plans, net of tax	13,225	2,547	14,725	38,182
Comprehensive income attributable to Cooper Tire & Rubber Company	55,352 ¹	51,703	29,173 ¹	143,228
Net income attributable to noncontrolling shareholders' interests	10,664	5,710	15,282	17,400
Other comprehensive income:				
Currency translation adjustments	418 ¹	1,504	232 ¹	(328)

Comprehensive income attributable to noncontrolling shareholders' interests	11,082 ¹	7,214	15,514 ¹	17,072
Total comprehensive income	\$ 66,434	\$ 58,917	\$ 44,687	\$ 160,300

1 Amounts have been restated, see Footnote 1 for additional information.

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9. The table below details the Company's restructuring expenses for the periods indicated:

	Three months ended September 30		Nine months ended September 30	
	2009	2010	2009	2010
Albany plant closure				
Asset writedowns	\$	\$	\$	\$ 1,000
Equipment relocated and other costs	6,596	4,471	17,617	12,980
Employee related costs	5,741		17,037	4,751
	12,337	4,471	34,654	18,731
Distribution center				
Employee related costs	1,048		1,387	
Europe headcount reduction				
Employee related costs		295	405	1,073
Total restructuring costs	\$ 13,385	\$ 4,766	\$ 36,446	\$ 19,804

During the third quarter of 2010, the Company recorded restructuring expenses associated with the two initiatives described below.

Albany manufacturing facility closure

The Company recorded \$4,471 of restructuring expense during the third quarter of 2010 associated with the closure of its Albany, Georgia manufacturing facility. This initiative, announced December 17, 2008, resulted in a workforce reduction of approximately 1,330 people. The total cost of this initiative was \$141,390 for restructuring expense and asset impairment. This initiative was completed at September 30, 2010.

During the first nine months of 2010, the Company has recorded \$18,731 of restructuring expense related to the Albany closure.

At January 1, 2010, the accrued severance balance was \$848 and the Company made \$717 of severance payments during the first nine months of 2010 resulting in an accrued severance balance at September 30, 2010, of \$131. All other employee related, equipment relocation and other costs are expensed as incurred.

International Tire Operations segment headcount reduction

The Company's International Tire operations segment, at its European location, implemented a workforce reduction program during the second quarter of 2010. This initiative impacted 67 employees with a total cost of approximately \$1,073. This initiative was completed during the third quarter of 2010. Employee severance of \$1,073 has been accrued for this initiative and payments of \$777 have been made resulting in an accrued severance balance of \$296 at September 30, 2010.

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10. The Company provides for the estimated cost of product warranties at the time revenue is recognized based primarily on historical return rates, estimates of the eligible tire population, and the value of tires to be replaced. The following table summarizes the activity in the Company's product warranty liabilities for 2009 and 2010:

	2009	2010
Reserve at January 1	\$ 18,244	\$ 23,814
Additions	14,757	15,376
Payments	(11,949)	(15,670)
Reserve at September 30	\$ 21,052	\$ 23,520

11. The Company is a defendant in various products liability claims brought in numerous jurisdictions in which individuals seek damages resulting from automobile accidents allegedly caused by defective tires manufactured by the Company. Each of the products liability claims faced by the Company generally involve different types of tires, models and lines, different circumstances surrounding the accident such as different applications, vehicles, speeds, road conditions, weather conditions, driver error, tire repair and maintenance practices, service life conditions, as well as different jurisdictions and different injuries. In addition, in many of the Company's products liability lawsuits the plaintiff alleges that his or her harm was caused by one or more co-defendants who acted independently of the Company. Accordingly, both the claims asserted and the resolutions of those claims have an enormous amount of variability. The aggregate amount of damages asserted at any point in time is not determinable since often times when claims are filed, the plaintiffs do not specify the amount of damages. Even when there is an amount alleged, at times the amount is wildly inflated and has no rational basis. The fact that the Company is a defendant in products liability lawsuits is not surprising given the current litigation climate which is largely confined to the U.S. However, the fact that the Company is subject to claims does not indicate that there is a quality issue with the Company's tires. The Company sells approximately 30 to 35 million passenger, light truck, SUV, high performance, ultra high performance and radial medium truck tires per year in North America. The Company estimates that approximately 300 million Cooper-produced tires made up of thousands of different specifications are still on the road in North America. While tire disablements do occur, it is the Company's and the tire industry's experience that the vast majority of tire failures relate to service-related conditions which are entirely out of the Company's control such as failure to maintain proper tire pressure, improper maintenance, road hazard and excessive speed. The Company's exposure for each claim occurring prior to April 1, 2003, is limited by the coverage provided by its excess liability insurance program. The program for that period includes a relatively low per claim retention and a policy year aggregate retention limit on claims arising from occurrences which took place during a particular policy year. Effective April 1, 2003, the Company established a new excess liability insurance program. The new program covers the Company's products liability claims occurring on or after April 1, 2003, and is occurrence-based insurance coverage which includes an increased per claim retention limit, increased policy limits and the establishment of a captive insurance company. The Company accrues costs for products liability at the time a loss is probable and the amount of loss can be estimated. The Company believes the probability of loss can be established and the amount of loss can be estimated only after certain minimum information is available, including verification that Company-produced products were involved in the incident giving rise to the claim, the condition of the product purported to be involved in the claim, the nature of the incident giving rise to the claim and the extent of the purported injury or damages. In cases where such information is known, each products liability claim is evaluated based on its specific facts and circumstances. A judgment is then made to determine the requirement for establishment or revision of an accrual for any potential liability. The liability often cannot be determined with precision until the claim is resolved.

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Pursuant to applicable accounting rules, the Company accrues the minimum liability for each known claim when the estimated outcome is a range of possible loss and no one amount within that range is more likely than another. The Company uses a range of settlements because an average settlement cost would not be meaningful since the products liability claims faced by the Company are unique and widely variable. The cases involve different types of tires, models and lines, different circumstances surrounding the accident such as different applications, vehicles, speeds, road conditions, weather conditions, driver error, tire repair and maintenance practices, service life conditions, as well as different jurisdictions and different injuries. In addition, in many of the Company's products liability lawsuits the plaintiff alleges that his or her harm was caused by one or more co-defendants who acted independently of the Company. Accordingly, the claims asserted and the resolutions of those claims have an enormous amount of variability. The costs of resolved cases have ranged from zero dollars to \$12 million in one case with no average that is meaningful. No specific accrual is made for individual unasserted claims or for premature claims, asserted claims where the minimum information needed to evaluate the probability of a liability is not yet known. However, an accrual for such claims based, in part, on management's expectations for future litigation activity and the settled claims history is maintained. Because of the speculative nature of litigation in the U.S., the Company does not believe a meaningful aggregate range of potential loss for asserted and unasserted claims can be determined. The Company's experience has demonstrated that its estimates have been reasonably accurate and, on average, cases are settled at amounts close to the reserves established. However, it is possible an individual claim from time to time may result in an aberration from the norm and could have a material impact. The Company determines its reserves using the number of incidents expected during a year. During the third quarter of 2010, the Company increased its products liability reserve by \$13,689. The addition of another quarter of self-insured incidents accounted for \$9,890 of this increase and changes in estimated amounts on existing reserves increased by \$3,799.

During the first nine months of 2010, the Company increased its products liability reserve by \$63,766. The addition of another nine months of self-insured incidents accounted for \$29,670 of this increase. The Company revised its estimates of future settlements for unasserted and premature claims, which increased the reserve by \$1,065. Finally, changes in estimated amounts on existing reserves increased by \$33,031. Of this amount, \$21,800 was the result of the Company increasing its self-insured portion of a jury verdict in one case during the first quarter. The Company intends to appeal the case. The Company considered the impact of this case when evaluating the assumptions used in establishing reserve balances and did not adjust its assumptions based solely on this case.

The time frame for the payment of a products liability claim is too variable to be meaningful. From the time a claim is filed to its ultimate disposition depends on the unique nature of the case, how it is resolved—claim dismissed, negotiated settlement, trial verdict and appeals process—and is highly dependent on jurisdiction, specific facts, the plaintiff's attorney, the court's docket and other factors. Given that some claims may be resolved in weeks and others may take five years or more, it is impossible to predict with any reasonable reliability the time frame over which the accrued amounts may be paid.

The Company paid \$16,594 during the third quarter of 2010 to resolve cases and claims and has paid \$33,454 through the first nine months of 2010. The Company's products liability reserve balance at December 31, 2009 totaled \$151,421 (current portion of \$30,805) and the balance at September 30, 2010, totaled \$181,733 (current portion of \$34,229).

The products liability expense reported by the Company includes amortization of insurance premium costs, adjustments to settlement reserves and legal costs incurred in defending claims against the Company offset by recoveries of legal fees. Legal costs are expensed as incurred and products liability insurance premiums are amortized over coverage periods. The Company is entitled to reimbursement, under certain insurance contracts in place for periods ending prior to April 1, 2003, of legal fees expensed in prior periods based on events occurring in those periods. The Company records the reimbursements under such policies in the period the conditions for reimbursement are met.

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For the three-month periods ended September 30, 2009 and 2010, products liability expenses totaled \$20,968 and \$21,270, respectively. For the nine-month periods ended September 30, 2009 and 2010, products liability expenses totaled \$61,888 and \$80,988, respectively, and include recoveries of legal fees of \$2,368 and \$5,623 in the periods ended September 30, 2009 and 2010, respectively. Policies applicable to claims occurring on April 1, 2003, and thereafter do not provide for recovery of legal fees.

12. For the quarter ended September 30, 2010, the Company recorded an income tax expense for continuing operations of \$10,309 as compared to \$2,628 for the comparable period in 2009. The provision includes a tax expense for discrete items of \$905 relating primarily to return to provision changes in estimates for the 2009 U.S. tax return, the impact on deferred taxes from the reduction in the United Kingdom (U.K.) statutory rate, and valuation allowance adjustments. The effective tax rate for continuing operations, exclusive of discrete items, for the quarter and nine month periods ended September 30, 2010, is 15.5 and 18.3 percent, respectively, using the applicable effective tax rate determined using forecasted multi-jurisdictional annual effective tax rates. For comparable periods in 2009, the effective tax rate for continuing operations, exclusive of discrete items, was 6.4 percent and -0.9 percent, respectively, using forecasted jurisdictional annual effective tax rates.

The \$7,681 increase in tax expense for the quarter relates primarily to the reduction in the impact of the U.S. valuation allowances of \$2,964; differences in the effective tax rates of international operations of \$2,535; and increases in discrete tax expense items of \$2,116.

For the nine month period ended September 30, 2010, the Company recorded income tax expense for continuing operations of \$19,299 compared to a tax benefit of \$178 recorded for the nine month period ended September 30, 2009. The \$19,477 increase in tax expense relates primarily to: \$16,491 from the impact of increases in earnings at the U.S. statutory rate; \$5,865 from the reduction in the impact of the U.S. valuation allowances; \$(1,195) from differences in the effective tax rates of international operations; and \$(1,684) from reduced discrete tax expense items.

The Company maintains a valuation allowance pursuant to ASC 740, Accounting for Income Taxes, on its net U.S. deferred tax asset position. The valuation allowance will be maintained as long as it is more likely than not that some portion of the deferred tax asset may not be realized. Deferred tax assets and liabilities are determined separately for each taxing jurisdiction in which the Company conducts its operations or otherwise generates taxable income or losses. In the U.S., the Company has recorded significant deferred tax assets, the largest of which relate to products liability, pension and other postretirement benefit obligations. These deferred tax assets are partially offset by deferred tax liabilities, the most significant of which relates to accelerated depreciation. Based upon this assessment, the Company maintains a \$175,873 valuation allowance for the portion of U.S. deferred tax assets exceeding its U.S. deferred tax liabilities. In addition, the Company has recorded valuation allowances of \$2,451 for deferred tax assets associated with losses in foreign jurisdictions.

In conjunction with the Company's ongoing review of its actual results and anticipated future earnings, the Company reassesses the possibility of releasing the Valuation Allowance currently in place on its U.S. deferred tax assets. Based upon this assessment, the release of the Valuation Allowance may occur during 2010 or 2011. The required accounting for the release will involve significant tax amounts and it will impact earnings in the quarter in which it is deemed appropriate to release the reserve. At September 30, 2010, the U.S. Valuation Allowance was approximately \$176 million.

The Company also maintains an ASC 740-10, Accounting for Uncertainty in Income Taxes liability for unrecognized tax benefits for permanent and temporary book/tax differences for continuing operations. At September 30, 2010, the Company's liability, exclusive of interest, totals approximately \$7,411. The Company accrued approximately \$20 of interest expense for the quarter which has been recorded as a discrete item in the tax provision.

At September 30, 2010, the Company has a receivable for approximately \$26,393 of U.S. cash tax refunds, including interest. It is anticipated that approximately \$12,956 of these receivables will be collected in 2010.

In 2003 the Company initiated bilateral Advance Pricing Agreement (APA) negotiations with the Canadian and U.S. governments to change its intercompany transfer pricing process between a formerly owned subsidiary, Cooper-Standard Automotive, Inc., ("CSA") and its Canadian affiliate. In 2009 the governments settled the APA between the governments and the taxpayers for periods 2000-2007. On August 19, 2009, the Company filed an

action in the United States Bankruptcy Court, District of Delaware, in response to the Bankruptcy petition filed by Cooper-Standard Holdings Inc. on August 3, 2009. The action related to the tax refunds owed to the Company pursuant to the September 16, 2004 sale agreement of CSA for pre-disposition periods ending December 23, 2004. On March 17, 2010, the Company entered into a settlement agreement with Cooper Standard Holdings, Inc., et al. to resolve the subject proceedings. The approved settlement agreement was docketed by the Court on April 15 and became final and non-appealable on April 29, 2010. Pursuant to the settlement agreement, CSA paid the Company approximately \$17,639. In addition CSA provided a letter of credit to be issued for the benefit of the Company in the initial amount of \$7,000 in connection with the Company's guaranty of a lease for certain property in Surgoinsville, Tennessee. The letter of credit will be payable to the Company for amounts that the Company is called upon to pay in connection with the Company's guaranty. The settlement agreement also provides for mutual releases with only certain limited obligations under the 2004 sale agreement to remain in force. Based upon the settlement, the Company released liabilities recorded on its books relating to the disposition of CSA in the amount of \$7,400 through Discontinued Operations net of the tax impact.

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13. On February 2, 2010, in the case of *Cates, et al v. Cooper Tire & Rubber Company*, the United States District Court for the Northern District of Ohio entered an order approving the settlement agreement negotiated by the parties in April 2009, in its entirety, as being fair, reasonable and adequate and dismissed, with prejudice, the case and a related lawsuit, *Johnson, et al v. Cooper Tire & Rubber Company*. The settlement agreement provides for 1) a cash payment of \$7,050 to the Plaintiffs for reimbursement of costs; and 2) modification to the Company's approach and costs of providing future health care to specified current retiree groups which will result in an amendment to the Company's retiree medical plan.

A group of the Company's union retirees and surviving spouses filed the Cates lawsuit on behalf of a purported class claiming that the Company was not entitled to impose any contribution requirement for the cost of their health care coverage pursuant to a series of letter agreements entered into by the Company and the United Steelworkers and that Plaintiffs were promised lifetime benefits, at no cost, after retirement. As a result of settlement discussions, the related Johnson case was filed with the Court on behalf of a different, smaller group of hourly union-represented retirees.

The Company has amended its retiree medical plan to reflect the changed method of providing future health care to specified current retiree groups. As a consequence of the settlement agreement, the Company recorded \$7,050 of expense during the first quarter of 2009 relating to the specified payments. Also during the first quarter of 2009, the actuarial value of costs related to the plan amendment was estimated to be approximately \$7,700 which was reflected as an increase in the accrual for Other Post-employment Benefits with an offset to the Cumulative Other Comprehensive Loss component of Shareholders' Equity. The Company has finalized the impact of the amendment on its accrual for Other Post-employment Benefits and recorded the impact during the second quarter of 2010. As a result of plan design changes, lower per capita health care costs experienced compared to the costs assumed in early 2009 and other assumption updates, the Company has recorded a reduction of \$9,700 to the accrual for Other Post-employment Benefits with an offset to the Cumulative Other Comprehensive Loss component of Shareholders' Equity as a change in actuarial assumptions.

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14. In connection with the investment in Cooper Chengshan, beginning January 1, 2009 and continuing through December 31, 2011, the noncontrolling shareholders have the option, which is embedded in the noncontrolling interest, to require the Company to purchase the remaining 49 percent noncontrolling share at the greater of a minimum price of \$62,700 or a formula price that varies based on operating results of the entity. The combination of a noncontrolling interest and a put option resulted in a redeemable noncontrolling shareholder interest. The put option is not separated from the shares as an embedded derivative because the underlying shares are not readily convertible into cash.

The noncontrolling interest is redeemable at other than fair value as the put value is determined based on a specified formula as described above. The Company records the noncontrolling shareholders interests in Cooper Chengshan at the greater of 1) the initial carrying amount, increased or decreased for the noncontrolling shareholders share of net income or loss and its share of other comprehensive income or loss and dividends (carrying amount) or 2) the value of the put option which is determined based on the greater of the minimum amount or the formula derived amount. Prior to exercisability of the put option on January 1, 2009, the noncontrolling shareholders interest has been recorded at the greater of 1) the carrying amount or 2) the cumulative amount required to accrete the initial carrying amount to the redemption value using the effective interest method which resulted in the reversal of accretion of \$4,545 and \$9,939 during the three and nine month periods ended September 30, 2009, respectively, with an offset to Retained earnings. According to authoritative accounting guidance, the redeemable noncontrolling shareholders interests are classified outside of permanent equity, as a mezzanine item, on the Company s Condensed Consolidated Balance Sheets.

According to authoritative accounting guidance for redeemable noncontrolling shareholders interests, to the extent the noncontrolling shareholders have a contractual right to receive an amount upon exercise of a put option that is other than fair value, and such amount is greater than carrying value, then the noncontrolling shareholder has, in substance, received a dividend distribution that is different than other common stockholders. Therefore accretion adjustments to the carrying value of noncontrolling shareholders interests to reflect the put option amount should also be reflected in the computation of earnings per share available to Cooper Tire & Rubber Company common stockholders. During 2009, the Company recorded adjustments to the redeemable noncontrolling shareholders interests which are shown in footnote 2.

In 2009, the Company was notified by a noncontrolling shareholder that it had exercised its put option and after governmental approval, the Company purchased the 14 percent share for \$17,920 on March 31, 2010. The remaining noncontrolling shareholder has the right to sell its 35 percent share to the Company at a minimum price of \$44,780. At September 30, 2010, the formula price of \$45,417 exceeds the minimum price, however, the carrying value exceeds the formula price and the carrying value is the amount shown on the Company s Condensed Consolidated Balance Sheets.

Item 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Management s Discussion and Analysis of Financial Condition and Results of Operations (MD&A) presents information related to the consolidated results of operations of the Company, a discussion of the past results of each of the Company s segments, future outlook for the Company and information concerning both the liquidity and capital resources of the Company. The Company has updated its listing of risk factors to be considered when making investment decisions with respect to the Company s securities and this listing is included in Item 1A. Risk Factors.

Table of Contents**Consolidated Results of Operations**

(Dollar amounts in millions except per share amounts)

	Three months ended September 30			Nine months ended September 30		
	2009	Change	2010	2009	Change	2010
Revenues:						
North American Tire	\$ 573.9	12.9%	\$ 647.8	\$ 1,440.6	21.8%	\$ 1,754.4
International Tire	296.8	9.6%	325.2	720.2	29.3%	930.9
Eliminations	(67.9)	32.7%	(90.1)	(154.9)	57.5%	(244.0)
Net sales	\$ 802.8	10.0%	\$ 882.9	\$ 2,005.9	21.7%	\$ 2,441.3
Segment profit (loss):						
North American Tire	\$ 47.6	15.5%	\$ 55.0	\$ 71.9	22.8%	\$ 88.3
International Tire	29.9	-31.4%	20.5	46.3	37.4%	63.6
Eliminations	(0.5)	n/m	(1.2)	(1.6)	6.2%	(1.7)
Unallocated corporate charges	(6.3)	14.3%	(7.2)	(20.7)	-20.8%	(16.4)
Operating profit	70.7	-5.1%	67.1	95.9	39.5%	133.8
Interest expense	11.4	-17.5%	9.4	36.2	-24.6%	27.3
Interest income	(2.2)	0.0%	(2.2)	(4.8)	-12.5%	(4.2)
Other expense (income)	1.1	n/m	(0.7)	(1.0)	90.0%	(1.9)
Income from continuing operations before income taxes	60.4		60.6	65.5		112.6
Income tax expense (benefit)	2.6		10.3	(0.2)		19.3
Income from continuing operations	57.8		50.3	65.7		93.3
Noncontrolling shareholders interests	10.7		5.7	15.3		17.4
Income from continuing operations attributable to Cooper Tire & Rubber Company	\$ 47.1		\$ 44.6	\$ 50.4		\$ 75.9
Basic earnings per share	\$ 0.871		\$ 0.73	\$ 1.021		\$ 1.24

Diluted earnings per share	\$ 0.851	\$ 0.71	\$ 1.001	\$ 1.21
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1 Amounts have been restated, see Footnote 1 for additional information.

Consolidated net sales for the three-month period ended September 30, 2010, were \$80 million higher than the comparable period one year ago. The increase in net sales for the third quarter of 2010 compared to the third quarter of 2009 was attributable to favorable pricing and mix (\$136 million) offset by lower unit sales volumes (\$54 million) in both the North American Tire Operations and International Tire Operations segments. Sales volumes in the prior year were supported by high levels of inventory which were not available to meet continued strong demand in 2010. Operating profit in the third quarter of 2010 decreased by \$4 million from the third quarter of 2009. Higher raw material costs experienced in both segments (\$155 million) and decreased volume (\$5 million) were partially offset by improved net pricing and mix (\$123 million) which contributed positively to both segments. In addition, manufacturing efficiencies (\$11 million), decreased restructuring expenses (\$9 million) and lower production curtailment costs due to increased capacity utilization (\$6 million) were recognized in the North American Tire Operations segment. Other costs, including distribution and currency impacts were favorable (\$7 million). Consolidated net sales for the nine-month period ended September 30, 2010 were \$435 million higher than the comparable period one year ago. The increase in net sales for the first nine months of 2010 compared to the first nine months of 2009 was primarily the result of higher unit volumes (\$212 million) and favorable pricing and mix (\$216 million) in both the North American Tire Operations and International Tire Operations segments. Also contributing to the increase in net sales in the first nine months of 2010 was favorable foreign exchange rates recorded in the International Tire Operations segment (\$7 million).

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Operating profit in the first nine months of 2010 increased by \$38 million from the first nine months of 2009. The favorable impacts of improved net pricing and mix (\$220 million) and higher sales unit volumes (\$63 million) in the North American and International Tire Operations segments, as well as lower production curtailment costs (\$50 million), reduced restructuring expenses (\$17 million) and better manufacturing efficiencies (\$14 million), were the primary contributors to the increased profits. Other costs, including distribution and currency impacts were favorable (\$19 million). Partially offsetting these improvements were higher raw material costs in both segments (\$326 million) and higher products liability charges (\$19 million) recorded in the North American Tire Operations segment.

After decreasing during the first half of 2009, commodity costs for the Company's principal raw materials began to increase during the second half of 2009 and this continued through the first nine months of 2010. The principal raw materials for the Company include natural rubber, synthetic rubber, carbon black, chemicals and steel reinforcement components. Approximately 65 percent of the Company's raw materials are petroleum-based. The increases in the cost of natural rubber and petroleum-based materials were the most significant drivers of higher raw material costs during the first nine months of 2010.

The Company strives to assure raw material supply and to obtain the most favorable pricing possible. For natural rubber and natural gas, procurement is managed through a combination of buying forward of production requirements and utilizing the spot market. For other principal materials, procurement arrangements include supply agreements that may contain formula-based pricing based on commodity indices, multi-year agreements or spot purchase contracts. While the Company uses these arrangements to satisfy normal manufacturing demands, the pricing volatility in these commodities contributes to the difficulty in managing the costs of raw materials.

Products liability expenses totaled \$21 million and \$21 million in the third quarter of 2010 and 2009, respectively. Products liability expenses totaled \$81 million and \$62 million in the first nine months of 2010 and 2009, respectively, and included recoveries of legal fees of \$6 million and \$2 million in the first nine months of 2010 and 2009, respectively. The majority of the increase in products liability expense for the year is due to the Company recording an additional \$22 million for its self-insured portion of a jury verdict in one case during the first quarter of 2010. The Company intends to appeal the case. Additional information related to the Company's accounting for products liability costs appears in the Notes to Condensed Consolidated Financial Statements.

Selling, general and administrative expenses were \$56 million in the third quarter of 2010 (6.4 percent of net sales) and \$56 million in the third quarter of 2009 (7.0 percent of net sales). Although these expenses totaled the same amount in both years, the reduced percent to net sales is a result of increased sales in 2010. For the nine-month period ended September 30, 2010, selling, general and administrative expenses were \$155 million (6.4 percent of net sales) compared to \$152 million (7.6 percent of net sales) for the comparable period of 2009. This increase was due to higher professional service expense, costs associated with the Company's ERP implementation and costs associated with maintaining the Company's closed facility in Albany, Georgia.

During the third quarter of 2010, the Company recorded \$5 million in restructuring costs related to the closure of its Albany, Georgia manufacturing facility and a personnel reduction in Cooper Europe. For the nine months ended September 30, 2010, the Company has recorded \$20 million in restructuring costs related to these initiatives. Additional information related to these restructuring initiatives appears in the Notes to Condensed Consolidated Financial Statements.

As discussed in the Notes to Condensed Consolidated Financial Statements, the Company recorded a \$7 million charge during the first quarter of 2009 related to the agreement reached in the *Cates* retiree medical legal case which is reflected as unallocated corporate charges in 2009.

Interest expense decreased \$2 million during the third quarter and decreased \$9 million during the nine month period of 2010 from the comparable 2009 periods due to lower debt levels in both the parent Company and its subsidiaries. The Company repaid \$97 million of its parent company Senior Notes in December 2009.

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Other expense (income) increased by \$2 million in the third quarter of 2010 compared to 2009 primarily as a result of improvement in the impact of foreign currency compared to the third quarter of 2009. Additionally, earnings in an unconsolidated subsidiary improved from the third quarter of the prior year. Other income increased \$1 million for the first nine months of 2010 compared to 2009. Earnings in the unconsolidated subsidiary improved \$3 million and foreign currency losses decreased \$1 million in the first nine months of 2010 compared to the same period in 2009. Proceeds were recorded by the Company from the settlement of a lawsuit of \$2 million during the first quarter of 2009.

For the quarter ended September 30, 2010, the Company recorded an income tax expense for continuing operations of \$10 million as compared to \$3 million for the comparable period in 2009. The provision includes a tax expense for discrete items of \$1 million relating primarily to return to provision changes in estimates for the 2009 U.S. tax return, the impact on deferred taxes from the reduction in the U.K. statutory rate, and valuation allowance adjustments. The effective tax rate for continuing operations, net of discrete items, for the quarter and nine month periods ended September 30, 2010, is 15.5 and 18.3 percent, respectively, using the applicable effective tax rate determined using forecasted multi-jurisdictional annual effective tax rates. For comparable periods in 2009, the effective tax rate for continuing operations, exclusive of discrete items, was 6.4 percent and -0.9 percent, respectively, using forecasted jurisdictional annual effective tax rates.

The \$8 million increase in tax expense for the quarter relates primarily to the reduction in the impact of the U.S. valuation allowances of \$3 million; differences in the effective tax rates of international operations of \$3 million; and increases in discrete tax expense items of \$2 million.

For the nine month period ended September 30, 2010, the Company recorded income tax expense for continuing operations of \$19 million compared to a tax benefit recorded for the nine month period ended September 30, 2009. The \$20 million increase in tax expense relates primarily to: \$17 million from the impact of increases in earnings at the U.S. statutory rate; \$6 million from the reduction in the impact of the U.S. valuation allowances; \$(1 million) from differences in the effective tax rates of international operations; and \$(2 million) from reduced discrete tax expense items.

The Company maintains a valuation allowance pursuant to ASC 740, Accounting for Income Taxes, on its net U.S. deferred tax asset position. The valuation allowance will be maintained as long as it is more likely than not that some portion of the deferred tax asset may not be realized. Deferred tax assets and liabilities are determined separately for each taxing jurisdiction in which the Company conducts its operations or otherwise generates taxable income or losses. In the U.S., the Company has recorded significant deferred tax assets, the largest of which relate to products liability, pension and other postretirement benefit obligations. These deferred tax assets are partially offset by deferred tax liabilities, the most significant of which relates to accelerated depreciation. Based upon this assessment, the Company maintains a \$176 million valuation allowance for the portion of U.S. deferred tax assets exceeding its U.S. deferred tax liabilities. In addition, the Company has recorded valuation allowances of \$3 million for deferred tax assets associated with losses in foreign jurisdictions.

In conjunction with the Company's ongoing review of its actual results and anticipated future earnings, the Company reassesses the possibility of releasing the Valuation Allowance currently in place on its U.S. deferred tax assets. Based upon this assessment, the release of the Valuation Allowance may occur during 2010 or 2011. The required accounting for the release will involve significant tax amounts and it will impact earnings in the quarter in which it is deemed appropriate to release the reserve. At September 30, 2010, the U.S. Valuation Allowance was approximately \$176 million.

As discussed in the Notes to Consolidated Financial Statements, the Company has been involved with Advance Pricing Agreement negotiations with the governments of Canada and the United States. During the second quarter of 2009, the Company recorded an income tax and interest obligation related to the Advance Pricing Agreement of \$34.5 million. This was recorded as a current tax liability and is included as part of discontinued operations. Based upon the settlement, during the second quarter of 2010, the Company received approximately \$17.6 million and released liabilities recorded on its books relating to the disposition of Cooper Standard Automotive in the amount of \$7.4 million through Discontinued Operations net of the tax impact.

Table of Contents**North American Tire Operations Segment**

(Dollar amounts in millions)	Three months ended September			Nine months ended September 30		
	2009	30 Change	2010	2009	Change	2010
Sales	\$ 573.9	12.9%	\$ 647.8	\$ 1,440.6	21.8%	\$ 1,754.4
Operating profit	\$ 47.6	15.5%	\$ 55.0	\$ 71.9	22.8%	\$ 88.3
United States unit shipments changes:						
Passenger tires						
Segment		0.4%			13.5%	
RMA members		2.3%			6.8%	
Total Industry		-2.2%			6.6%	
Light truck tires						
Segment		-11.9%			7.4%	
RMA members		3.6%			7.6%	
Total Industry		-5.7%			2.6%	
Total light vehicle tires						
Segment		-1.8%			12.4%	
RMA members		2.4%			6.9%	
Total Industry		-2.7%			6.1%	
Total segment unit sales changes		-3.8%			10.1%	

Overview

The North American Tire Operations segment manufactures and markets passenger car and light truck tires, primarily for sale in the United States replacement market. The segment also distributes tires for racing, medium truck and motorcycles that are manufactured at the Company's subsidiaries. Major distribution channels and customers include independent tire dealers, wholesale distributors, regional and national retail tire chains, and large retail chains that sell tires as well as other automotive products. The segment does not sell its products directly to end users, except through three Company-owned retail stores, and does not manufacture tires for sale to the automobile original equipment manufacturers (OEMs).

Sales

Sales of the North American Tire Operations segment increased \$74 million, or 12.9 percent, in the third quarter of 2010 from levels in 2009. The increase in sales was a result of improved pricing and mix (\$86 million), offset by lower unit sales volumes (\$12 million). In the United States, the segment's unit shipments of total light vehicle tires decreased 1.8 percent in the third quarter of 2010 compared with the third quarter of 2009. This decrease trailed the 2.4 percent increase in total light vehicle shipments experienced by the members of the Rubber Manufacturers Association (RMA), but was better than the 2.7 percent decrease in total light vehicle shipments for the total industry (which includes an estimate for non-Rubber Manufacturers Association members). Sales of house brands remain strong. The Company's ability to grow in certain product segments was limited by the amount of capacity and inventory available to support strong demand for products especially in light truck and SUV tires.

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Sales of the North American Tire Operations segment increased \$314 million, or 21.8 percent, in the first nine months of 2010 from levels in 2009. The increase in sales was a result of higher unit sales volumes (\$155 million) and improved pricing and mix (\$160 million). In the United States, the segment's unit shipments of total light vehicle tires increased 12.4 percent in the first nine months of 2010 compared with the same period in 2009. This increase exceeded the 6.9 percent increase in total light vehicle shipments experienced by all members of the RMA, and also exceeded the 6.1 percent increase in total light vehicle shipments for the total industry for the first nine months. This improvement occurred across nearly all product lines as the segment was able to continue to increase market share for the nine month period.

Operating Profit

North American Tire Operations segment operating profit increased \$7 million in the third quarter of 2010 from the third quarter of 2009. Operating profit increased as a result of favorable net pricing and mix (\$75 million), improved manufacturing efficiencies (\$11 million), lower restructuring costs (\$9 million), reduced production curtailment costs as a result of better capacity utilization (\$6 million) and improvement in other costs, distribution costs and the timing of incentives (\$5 million). These improvements were partially offset by higher raw material costs (\$96 million) and decreased unit sales volume (\$3 million).

Operating profit for the segment increased \$16 million in the first nine months of 2010 from the first nine months of 2009. The increase in operating profit was due to favorable net pricing and mix (\$126 million), reduced production curtailment costs (\$47 million), higher unit sales volumes (\$38 million), lower restructuring costs (\$17 million), manufacturing efficiencies (\$9 million) and improvement in other costs including favorable distribution costs (\$6 million). These improvements were partially offset by higher raw material costs (\$208 million) and increased products liability charges (\$19 million) recorded primarily during the first quarter of 2010.

During 2010, the North American Tire Operations segment has been experiencing rapidly increasing raw material costs which had been declining during the first half of 2009. The segment's raw material index increased by 32.2 percent for the nine months ended September 30, 2010, from the same period of 2009. The raw material index increased a significant 35.9 percent for the third quarter of 2010 when compared to the third quarter of 2009.

International Tire Operations Segment

(Dollar amounts in millions)	Three months ended September 30			Nine months ended September 30		
	2009	Change	2010	2009	Change	2010
Sales	\$ 296.8	9.6%	\$ 325.2	\$ 720.2	29.3%	\$ 930.9
Operating profit	\$ 29.9	-31.4%	\$ 20.5	\$ 46.3	37.4%	\$ 63.6
Unit sales change		-6.7%			16.9%	

Overview

The International Tire Operations segment manufactures and markets passenger car, light truck, motorcycle and racing tires and tire retread materials for the global replacement tire market. The Cooper Chengshan joint venture manufactures and markets passenger car and light truck radial tires as well as radial and bias medium truck tires in the international market. The Cooper Kenda joint venture manufactures light vehicle tires to be exported to markets outside of the PRC. Under the current agreement, until May 2012, all of the tires produced by this joint venture will be exported and sold to the Company and its affiliates.

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Sales

Sales of the International Tire Operations segment increased \$28 million, or 9.6 percent, in the third quarter of 2010 compared to the third quarter of 2009. Contributing to the increase in sales were favorable pricing and mix (\$49 million), partially offset by lower unit sales volumes (\$20 million). The lower unit sales volume was driven by the Company's focus on selected product segments, especially a reduction in lower margin bias tire volumes. Sales of the International Tire Operations segment increased \$211 million, or 29.3 percent, in the first nine months of 2010 compared to the same period in 2009. The segment recognized higher unit volumes (\$147 million) primarily from the Company's joint venture operations in Asia. Other factors contributing to the increased sales were favorable pricing and mix (\$57 million) and currency impacts (\$7 million). Despite the increase in unit sales volumes, the segment actively reduced its production of certain low margin tires, including bias products.

Operating Profit

The International Tire Operations segment operating profit in the third quarter of 2010 was \$9 million lower than in the same period of 2009. The decrease in operating profit was due to higher raw material costs recognized within the quarter (\$59 million) and lower unit sales volumes (\$2 million). Partially offsetting these impacts favorable net pricing and mix (\$48 million) and other cost changes including the impact of the currency impacts (\$4 million). Operating profit for the segment in the first nine months of 2010 was \$17 million higher than in the first nine months of 2009. The increase in operating profit was due to favorable net pricing and mix (\$94 million), higher unit sales volumes (\$25 million), improved production utilization and manufacturing costs (\$8 million) and favorable currency impacts (\$6 million). These increases were partially offset by higher raw material costs during the first nine months of 2010 (\$118 million).

Outlook for Company

The Company continues to be guided by its Strategic Plan which calls for achieving profitable top line growth, improving its global cost structure and improving organizational capabilities. This focus and prudent management of critical resources should drive increased shareholder value.

The Company expects sales growth rates will vary by region as economic conditions differ around the globe. Despite more challenging comparables for sales growth, the Company expects demand for its products to remain strong. Actual growth rates may be limited by available capacity although the Company intends to produce ten percent more units globally in 2011 than in 2010. A portion of this production is intended to support increased inventory levels to help meet customer service expectations.

The Company will continue to launch new products to pursue profitable growth and meet market demands. A significant portion of the Company's future growth will be in emerging markets that have high growth rates including the PRC. The Company expects this will position it for growth at or above industry rates over the medium term. Persistent volatility makes it difficult to accurately predict raw material prices. The Company expects that raw material costs will continue to be elevated in the near future. It is likely the fourth quarter underlying raw material prices will increase sequentially from the third quarter by between two and four percent. Increases in the prices of natural rubber and other commodities will likely continue to drive these costs higher in 2011. The Company implemented a price increase in North America on November 1, 2010 to address raw material costs. It has also increased prices in the International segment to address the same concerns.

The Company expects its effective tax rate for 2010 will most likely be between 15 percent and 20 percent.

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The Company has a proven history of successful execution and is optimistic about its opportunities to improve results. Changing industry and economic conditions can still present challenges. The Company's opportunities include among others, further improvement to operations and the ability to grow profitably in various global regions and with new products. The Company continues to analyze its options to support growth through a variety of actions that would be beneficial to shareholders. Successful implementation of the Company's Strategic Plan or further improvement in industry conditions could lead to stronger performance and results.

Liquidity and Capital Resources

Generation and uses of cash Net cash provided by operating activities of continuing operations was \$50 million in the first nine months of 2010. Net income attributable to continuing operations provided \$93 million and other non-cash charges totaled \$129 million. Partially offsetting these sources of cash were changes in working capital accounts which consumed \$172 million as accounts receivable and inventories increased during 2010. During the first nine months of 2009, net cash provided by continuing operations was \$326 million. Net income attributable to continuing operations contributed \$66 million in cash flow and other non-cash charges added \$121 million. Changes in working capital accounts contributed an additional \$139 million as inventories decreased in 2009.

Net cash used in investing activities during the first nine months of 2009 and 2010 reflect capital expenditures of \$64 million and \$75 million, respectively.

During the first nine months of 2009 and 2010, the Company repaid \$76 million and \$36 million of debt, respectively. In 2010, the Company's Cooper Kenda joint venture received \$6.7 million of capital contributions from its joint venture partner. Also in the first quarter of 2010, the Company paid \$18 million to purchase an additional 14 percent interest in its Cooper Chengshan joint venture increasing its ownership share to 65 percent.

Dividends paid on the Company's common shares in the first nine months of 2009 and 2010 were \$19 million. During the second quarter of 2010, the Company paid \$12 million in dividends to noncontrolling shareholders in the Cooper Chengshan joint venture.

Available credit facilities Domestically, the Company has a revolving credit facility with a consortium of six banks that provides up to \$200 million based on available collateral and expires November 9, 2012. The Company also has an accounts receivable securitization facility with a \$125 million limit with an August 2011 maturity. These credit facilities remain undrawn and have no significant financial covenants until available credit is less than specified amounts.

The Company's consolidated joint ventures in Asia have annual renewable unsecured credit lines that provide up to \$200 million of borrowings and do not contain financial covenants.

Available cash and contractual commitments At September 30, 2010, the Company had cash and cash equivalents of \$347 million. The Company's additional borrowing capacity, based on eligible collateral through use of its credit facility with its bank group and its accounts receivable securitization facility at September 30, 2010, was \$218 million. This includes the \$38 million used to guarantee letters of credit. The additional borrowing capacity on the Asian credit lines totaled \$141 million.

The Company expects capital expenditures for 2010 to be in the \$120 to \$130 million range of which approximately \$35 million will be in consolidated entities where the Company's ownership exceeds 50 percent.

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The following table summarizes long-term debt at September 30, 2010:

Parent company	
8% unsecured notes due December 2019	\$ 173.6
7.625% unsecured notes due March 2027	116.9
Capitalized leases and other	10.5
	301.0
Consolidated Subsidiaries	
5.4% unsecured notes due in 2010	4.5
5.13% unsecured notes due in 2011	5.2
4.86% to 5.13% unsecured notes due in 2012	20.1
	29.8
Total debt	330.8
Less current maturities	5.1
	\$ 325.7

The Company's partially owned, consolidated subsidiary operations in the PRC have short-term notes payable of \$138.0 million at September 30, 2010.

Credit agency ratings During the second quarter of 2010, Standard & Poor's raised the Company's long-term corporate credit and senior unsecured debt ratings to BB- from B.

Contingencies**Litigation**

The Company is a defendant in various products liability claims brought in numerous jurisdictions in which individuals seek damages resulting from automobile accidents allegedly caused by defective tires manufactured by the Company. Each of the products liability claims faced by the Company generally involve different types of tires, models and lines, different circumstances surrounding the accident such as different applications, vehicles, speeds, road conditions, weather conditions, driver error, tire repair and maintenance practices, service life conditions, as well as different jurisdictions and different injuries. In addition, in many of the Company's products liability lawsuits the plaintiff alleges that his or her harm was caused by one or more co-defendants who acted independently of the Company. Accordingly, both the claims asserted and the resolutions of those claims have an enormous amount of variability. The aggregate amount of damages asserted at any point in time is not determinable since often times when claims are filed, the plaintiffs do not specify the amount of damages. Even when there is an amount alleged, at times the amount is wildly inflated and has no rational basis.

Pursuant to applicable accounting rules, the Company accrues the minimum liability for each known claim when the estimated outcome is a range of possible loss and no one amount within that range is more likely than another. The Company uses a range of settlements because an average settlement cost would not be meaningful since the products liability claims faced by the Company are unique and widely variable. The costs have ranged from zero dollars to \$12 million in one case with no average that is meaningful. No specific accrual is made for individual unasserted claims or for premature claims, asserted claims where the minimum information needed to evaluate the probability of a liability is not yet known. However, an accrual for such claims based, in part, on management's expectations for future litigation activity and the settled claims history is maintained. Because of the speculative nature of litigation in the United States, the Company does not believe a meaningful aggregate range of potential loss for asserted and unasserted claims can be determined. The Company's experience has demonstrated that its estimates have been

reasonably accurate and, on average, cases are settled at amounts close to the reserves established. However, it is possible an individual claim from time to time may result in an aberration from the norm and could have a material impact.

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Forward-Looking Statements

This report contains what the Company believes are forward-looking statements, as that term is defined under the Private Securities Litigation Reform Act of 1995, regarding projections, expectations or matters that the Company anticipates may happen with respect to the future performance of the industries in which the Company operates, the economies of the United States and other countries, or the performance of the Company itself, which involve uncertainty and risk. Such forward-looking statements are generally, though not always, preceded by words such as anticipates, expects, believes, projects, intends, plans, estimates, and similar terms that connote a view to the future and are not merely recitations of historical fact. Such statements are made solely on the basis of the Company's current views and perceptions of future events, and there can be no assurance that such statements will prove to be true. It is possible that actual results may differ materially from those projections or expectations due to a variety of factors, including but not limited to:

- changes in economic and business conditions in the world;
- the failure to achieve expected sales levels;
- consolidation among the Company's competitors and customers;
- technology advancements;
- the failure of the Company's suppliers to timely deliver products in accordance with contract specifications;
- changes in interest and foreign exchange rates;
- changes in the Company's customer relationships, including loss of particular business for competitive or other reasons;
- the impact of reductions in the insurance program covering the principal risks to the Company, and other unanticipated events and conditions;
- volatility in raw material and energy prices, including those of steel, petroleum-based products and natural gas and the unavailability of such raw materials or energy sources;
- the inability to obtain and maintain price increases to offset higher production or material costs;
- increased competitive activity including actions by larger competitors or low-cost producers;
- the inability to recover the costs to develop and test new products and processes;
- the risks associated with doing business outside of the United States;
- changes in pension expense and/or funding resulting from investment performance of the Company's pension plan assets and changes in discount rate, salary increase rate, and expected return on plan assets assumptions, or changes to related accounting regulations;
- government regulatory initiatives, including regulations under the TREAD Act;
- the impact of labor problems, including a strike brought against the Company or against one or more of its large customers or suppliers;
- litigation brought against the Company including products liability;
- an adverse change in the Company's credit ratings, which could increase its borrowing costs and/or hamper its access to the credit markets;
- changes to the credit markets and/or access to those markets;
- inaccurate assumptions used in developing the Company's strategic plan or the inability or failure to successfully implement the Company's strategic plan;
- inability to adequately protect the Company's intellectual property rights;
- failure to successfully integrate acquisitions into operations or their related financings may impact liquidity and capital resources;
- inability to use deferred tax assets;
- recent changes of tariffs for certain tires imported into the United States from the Peoples Republic of China, and;
- changes in the Company's relationship with joint venture partners.

It is not possible to foresee or identify all such factors. Any forward-looking statements in this report are based on certain assumptions and analyses made by the Company in light of its experience and perception of historical trends, current conditions, expected future developments and other factors it believes are appropriate in the circumstances. Prospective investors are cautioned that any such statements are not a guarantee of future performance and actual

results or developments may differ materially from those projected.

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The Company makes no commitment to update any forward-looking statement included herein or to disclose any facts, events or circumstances that may affect the accuracy of any forward-looking statement. Further information covering issues that could materially affect financial performance is contained in the Company's periodic filings with the U. S. Securities and Exchange Commission (SEC).

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in market risk at September 30, 2010, from those detailed in the Company's Annual Report on Form 10-K filed with the SEC for the year ended December 31, 2009.

Item 4. CONTROLS AND PROCEDURES

The Company maintains disclosure controls and procedures designed to ensure that information required to be disclosed in the reports the Company files or submits as defined in Rules 13a-15(e) of the Securities and Exchange Act of 1934, as amended (Exchange Act) is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms, and that such information is accumulated and communicated to the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) to allow timely decisions regarding required disclosures. The Company, under the supervision and with the participation of management, including the CEO and CFO, evaluated the effectiveness of the design and operation of its disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) as of June 30, 2010. In its evaluation, management of the Company identified a material weakness in its disclosure controls and procedures related to the Company's accounting for joint ventures, with specific emphasis on monitoring and applying changes in authoritative guidance. Based solely on this material weakness, the Company's CEO and CFO concluded that its disclosure controls and procedures were not effective as of June 30, 2010.

The Company has taken a series of steps designed to improve its control processes. These actions include a review of the accounting for joint ventures from acquisition to present with a special focus on changes to reporting guidance that may affect the Company's accounting. The Company has also implemented measures to enhance the controls by which authoritative guidance is monitored and applied on a regular basis and has monitored the effectiveness of the corrective actions.

The Company, under the supervision and with the participation of management, including the CEO and CFO, evaluated the effectiveness of the design and operation of its disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) as of September 30, 2010. Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures were effective.

There were no other changes in the Company's internal control over financial reporting that occurred during the quarter ended September 30, 2010 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

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Part II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

The Company is a defendant in various judicial proceedings arising in the ordinary course of business. A significant portion of these proceedings are products liability cases in which individuals involved in vehicle accidents seek damages resulting from allegedly defective tires manufactured by the Company. In the future, products liability costs could have a materially greater impact on the consolidated results of operations and financial position of the Company than in the past.

The Company is a party to the case of *Cates, et al* as well as a related lawsuit, *Johnson, et al*. See Footnote 13 for a discussion of this litigation.

Item 1A. RISK FACTORS

At September 30, 2010, the Company has updated the risk factors related to the Company and its subsidiaries which follow:

The Company is facing heightened risks due to the current business environment.

Current global economic conditions may affect demand for the Company's products, create volatility in raw material costs and affect the availability and cost of credit. These conditions also affect the Company's customers and suppliers as well as retail customers.

A deterioration in the global macroeconomic environment or in specific regions could impact the Company and, depending upon the severity and duration of these factors, the Company's profitability and liquidity position could be negatively impacted.

This may also be the result of increased price competition and product discounts, resulting in lower margins in the business.

Inadequate supply of key raw materials and pricing volatility for raw materials could result in increased costs and may affect the Company's profitability.

The pricing volatility for natural rubber and petroleum-based materials contributes to the difficulty in managing the costs of raw materials. Costs for certain raw materials used in the Company's operations, including natural rubber, chemicals, carbon black, steel reinforcements and synthetic rubber remain volatile. Increasing costs for raw material supplies will increase the Company's production costs and affect its margins if the Company is unable to pass the higher production costs on to its customers in the form of price increases.

Further, if the Company is unable to obtain adequate supplies of raw materials in a timely manner, its operations could be interrupted. In recent years, the severity of hurricanes and the consolidation of the supplier base have had an impact on the availability of raw materials.

If the price of natural gas or other energy sources increases, the Company's operating expenses could increase significantly.

The Company's manufacturing facilities rely principally on natural gas, as well as electrical power and other energy sources. High demand and limited availability of natural gas and other energy sources have resulted in significant increases in energy costs in the past several years which have increased the Company's operating expenses and transportation costs. Higher energy costs would increase the Company's production costs and adversely affect its margins and results of operations.

Further, if the Company is unable to obtain adequate sources of energy, its operations could be interrupted.

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The Company's industry is highly competitive, and it may not be able to compete effectively with low-cost producers and larger competitors.

The replacement tire industry is a highly competitive, global industry. Some of the Company's competitors are large companies with relatively greater financial resources. Most of the Company's competitors have operations in lower-cost countries. Intense competitive activity in the replacement tire industry has caused, and will continue to cause, pressures on the Company's business. The Company's ability to compete successfully will depend in part on its ability to balance capacity with demand, leverage global purchasing of raw materials, make required investments to improve productivity, eliminate redundancies and increase production at low-cost, high-quality supply sources. If the Company is unable to offset continued pressures with improved operating efficiencies, its sales, margins, operating results and market share would decline and the decline could become material.

The Company may be unable to recover new product and process development and testing costs, which could increase the cost of operating its business.

The Company's business strategy emphasizes the development of new equipment and new products and using new technology to improve quality, performance and operating efficiency. Developing new products and technologies requires significant investment and capital expenditures, is technologically challenging and requires extensive testing and accurate anticipation of technological and market trends. If the Company fails to develop new products that are appealing to its customers, or fails to develop products on time and within budgeted amounts, the Company may be unable to recover its product development and testing costs.

The Company conducts its manufacturing, sales and distribution operations on a worldwide basis and is subject to risks associated with doing business outside the United States.

The Company has operations worldwide, including in the U.S., the United Kingdom, Europe, Mexico and the PRC. The Company has two joint venture manufacturing plants, Cooper Chengshan and Cooper Kenda, in the PRC and has continued to expand operations in that country. The Company has also invested in a tire manufacturing operation in Mexico. There are a number of risks in doing business abroad, including political and economic uncertainty, social unrest, shortages of trained labor and the uncertainties associated with entering into joint ventures or similar arrangements in foreign countries. These risks may impact the Company's ability to expand its operations in the PRC and elsewhere and otherwise achieve its objectives relating to its foreign operations including utilizing these locations as suppliers to other markets. In addition, compliance with multiple and potentially conflicting foreign laws and regulations, import and export limitations and exchange controls is burdensome and expensive. The Company's foreign operations also subject it to the risks of international terrorism and hostilities and to foreign currency risks, including exchange rate fluctuations and limits on the repatriation of funds.

The Company's results could be impacted by the tariffs recently imposed by the United States government on tires imported from the PRC.

On September 26, 2009, a tariff was imposed on light vehicle tires imported into the United States from the PRC at a level of 35 percent for the first 12 months, 30 percent for the second 12 months, and 25 percent for the third 12 months. The Company's ability to competitively source tires from its operations in the PRC could be significantly impacted. Other effects, including impacts on the price of tires, responsive actions from other governments and the opportunity for other low cost competitors to establish a presence in the United States could also have significant impacts on the Company's results.

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The Company's expenditures for pension and other postretirement obligations could be materially higher than it has predicted if its underlying assumptions prove to be incorrect.

The Company provides defined benefit and hybrid pension plan coverage to union and non-union U.S. employees and a contributory defined benefit plan in the U.K. The Company's pension expense and its required contributions to its pension plans are directly affected by the value of plan assets, the projected and actual rates of return on plan assets and the actuarial assumptions the Company uses to measure its defined benefit pension plan obligations, including the discount rate at which future projected and accumulated pension obligations are discounted to a present value and the inflation rate. The Company could experience increased pension expense due to a combination of factors, including the decreased investment performance of its pension plan assets, decreases in the discount rate and changes in its assumptions relating to the expected return on plan assets. The Company could also experience increased other postretirement expense due to decreases in the discount rate and/or increases in the health care trend rate.

In the event of declines in the market value of the Company's pension assets or lower discount rates to measure the present value of pension obligations, the Company could experience changes to its Consolidated Balance Sheet which would include an increase to Pension benefits liabilities and a corresponding decrease in Stockholders' equity through Cumulative other comprehensive loss and could result in higher minimum funding requirements.

The Company is facing unknown risks relating to enactment of healthcare legislation.

The Company is facing unknown risks emanating from the enactment of legislation by the U.S. government including the *Patient Protection and Affordable Care Act* and the related *Healthcare and Education Reconciliation Act* which are collectively referred to as healthcare legislation. This major legislation is being enacted over a period of several years and the ultimate cost and the potentially adverse impact to the Company and its employees cannot be quantified at this time.

Compliance with regulatory initiatives could increase the cost of operating the Company's business.

The Company is subject to federal, state and local laws and regulations. Compliance with those now in effect, or that may be enacted, could require significant capital expenditures, increase the Company's production costs and affect its earnings and results of operations.

Clean oil directive number 2005/69/EC in the European Union (EU) was effective January 1, 2010, and requires all tires manufactured after this date and sold in the EU, to use non-aromatic oils. The Company is in compliance with this directive. Additional countries may legislate similar clean oil requirements which could increase the cost of materials used in the Company's products.

In addition, while the Company believes that its tires are free from design and manufacturing defects, it is possible that a recall of the Company's tires could occur in the future. A substantial recall could harm the Company's reputation, operating results and financial position.

Any interruption in the Company's skilled workforce could impair its operations and harm its earnings and results of operations.

The Company's operations depend on maintaining a skilled workforce and any interruption of its workforce due to shortages of skilled technical, production and professional workers could interrupt the Company's operations and affect its operating results. Further, a significant number of the Company's U.S. and U.K. employees are currently represented by unions. The labor agreement at the Findlay, Ohio operation expires October 2011 and the labor agreement at the Texarkana, Arkansas operations expires January 2012. The labor agreement in Melksham, England expires March 2012. Although the Company believes that its relations with its employees are generally good, the Company cannot provide assurance that it will be able to successfully maintain its relations with its employees. If the Company fails to extend or renegotiate its collective bargaining agreements with the labor unions on satisfactory terms, or if its unionized employees were to engage in a strike or other work disruptions, the Company's business and operating results could suffer.

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The Company has a risk of exposure to products liability claims which, if successful, could have a negative impact on its financial position, cash flows and results of operations.

The Company's operations expose it to potential liability for personal injury or death as an alleged result of the failure of or conditions in the products that it designs and manufactures. Specifically, the Company is a party to a number of products liability cases in which individuals involved in motor vehicle accidents seek damages resulting from allegedly defective tires that it manufactured. Products liability claims and lawsuits, including possible class action litigation, could have a negative effect on the Company's financial position, cash flows and results of operations. Those claims may result in material losses in the future and cause the Company to incur significant litigation defense costs. Further, the Company cannot provide assurance that its insurance coverage will be adequate to address any claims that may arise. A successful claim brought against the Company in excess of its available insurance coverage may have a significant negative impact on its business and financial condition.

Further, the Company cannot provide assurance that it will be able to maintain adequate insurance coverage in the future at an acceptable cost or at all.

The Company has a risk due to volatility of the capital and financial markets.

The Company periodically requires access to the capital and financial markets as a significant source of liquidity for capital requirements that it cannot satisfy by cash on hand or operating cash flows. Substantial volatility in world capital markets and the banking industry may make it difficult for the Company to access credit markets and to obtain financing or refinancing, as the case may be, on satisfactory terms or at all. In addition, various additional factors, including a deterioration of the Company's credit ratings or its business or financial condition, could further impair its access to the capital markets. See also related comments under "There are risks associated with the Company's global strategy of using joint ventures and partially owned subsidiaries" below.

Additionally, any inability to access the capital markets, including the ability to refinance existing debt when due, could require the Company to defer critical capital expenditures, reduce or not pay dividends, reduce spending in areas of strategic importance, sell important assets or, in extreme cases, seek protection from creditors.

If assumptions used in developing the Company's strategic plan are inaccurate or the Company is unable to execute its strategic plan effectively, its profitability and financial position could be negatively impacted.

In February 2008, the Company announced its strategic plan which contains three imperatives:

Build a sustainable, competitive cost position,

Drive profitable top line growth, and

Build bold organizational capabilities and enablers to support strategic goals.

If the assumptions used in developing the strategic plan vary significantly from actual conditions, the Company's sales, margins and profitability could be harmed.

The Company may not be able to protect its intellectual property rights adequately.

The Company's success depends in part upon its ability to use and protect its proprietary technology and other intellectual property, which generally covers various aspects in the design and manufacture of its products and processes. The Company owns and uses tradenames and trademarks worldwide. The Company relies upon a combination of trade secrets, confidentiality policies, nondisclosure and other contractual arrangements and patent, copyright and trademark laws to protect its intellectual property rights. The steps the Company takes in this regard may not be adequate to prevent or deter challenges, reverse engineering or infringement or other violations of its intellectual property, and the Company may not be able to detect unauthorized use or take appropriate and timely steps to enforce its intellectual property rights. In addition, the laws of some countries may not protect and enforce the Company's intellectual property rights to the same extent as the laws of the United States.

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The Company may not be successful in executing and integrating acquisitions into its operations, which could harm its results of operations and financial condition.

The Company routinely evaluates potential acquisitions and may pursue acquisition opportunities, some of which could be material to its business. While the Company believes there are a number of potential acquisition candidates available that would complement its business, it currently has no agreements to acquire any specific business or material assets. The Company cannot predict whether it will be successful in pursuing any acquisition opportunities or what the consequences of any acquisition would be. Additionally, in any future acquisitions, the Company may encounter various risks, including:

the possible inability to integrate an acquired business into its operations;

increased intangible asset amortization;

diversion of management's attention;

loss of key management personnel;

unanticipated problems or liabilities; and

increased labor and regulatory compliance costs of acquired businesses.

Some or all of those risks could impair the Company's results of operations and impact its financial condition. The Company may finance any future acquisitions from internally generated funds, bank borrowings, public offerings or private placements of equity or debt securities, or a combination of the foregoing. Future acquisitions may involve the expenditure of significant funds and management time. Future acquisitions may also require the Company to increase its borrowings under its bank credit facilities or other debt instruments, or to seek new sources of liquidity. Increased borrowings would correspondingly increase the Company's financial leverage, and could result in lower credit ratings and increased future borrowing costs. These risks could also reduce the Company's flexibility to respond to changes in its industry or in general economic conditions.

The Company is required to comply with environmental laws and regulations that could cause it to incur significant costs.

The Company's manufacturing facilities are subject to numerous laws and regulations designed to protect the environment, and the Company expects that additional requirements with respect to environmental matters will be imposed on it in the future. Material future expenditures may be necessary if compliance standards change or material unknown conditions that require remediation are discovered. If the Company fails to comply with present and future environmental laws and regulations, it could be subject to future liabilities or the suspension of production, which could harm its business or results of operations. Environmental laws could also restrict the Company's ability to expand its facilities or could require it to acquire costly equipment or to incur other significant expenses in connection with its manufacturing processes.

A portion of the Company's business is seasonal, which may affect its period-to-period results.

Although there is year-round demand for replacement tires, demand for passenger replacement tires is typically strongest during the third and fourth quarters of the year in the northern hemisphere where the majority of the Company's business is conducted, principally due to higher demand for winter tires during the months of June through November. The seasonality of this portion of the Company's business may affect its operating results from quarter-to-quarter.

Table of Contents***The realizability of deferred tax assets may affect the Company's profitability and cash flows.***

A valuation allowance is required pursuant to ASC 740 relating to *Accounting for Income Taxes*, when, based upon an assessment which is largely dependent upon objectively verifiable evidence including recent operating loss history, expected reversal of existing deferred tax liabilities and tax loss carry back capacity, it is more likely than not that some portion of the deferred tax asset may not be realized. Deferred tax assets and liabilities are determined separately for each taxing jurisdiction in which the Company conducts its operations or otherwise generates taxable income or losses. In the United States, the Company has recorded significant deferred tax assets, the largest of which relate to tax attribute carryforwards, products liabilities, pension and other post retirement benefit obligations. These deferred tax assets are partially offset by deferred tax liabilities, the most significant of which relates to accelerated depreciation. Based upon this assessment, the Company maintains a \$175.9 million valuation allowance for the portion of U.S. deferred tax assets exceeding deferred tax liabilities. In addition, the Company has recorded valuation allowances of \$2.5 million for certain non-U.S. net deferred tax assets primarily associated with losses in foreign jurisdictions. As a result of changes in the amount of U.S. and certain foreign net deferred tax assets during the year, the valuation allowance was decreased in the third quarter of 2010 by \$0.3 million. The pension liability and associated deferred tax asset accounts for \$116.3 million of the total valuation allowance at September 30, 2010.

The impact of new accounting standards on determining pension and other postretirement benefit plans expense may have a negative impact on the Company's results of operations.

The Financial Accounting Standards Board is considering the second part of its review of accounting for pension and postretirement benefit plans. This second phase of this project may result in changes to the current manner in which pension and other postretirement benefit plan costs are expensed. These changes could result in higher pension and other postretirement costs.

There are risks associated with the Company's global strategy of using joint ventures and partially owned subsidiaries.

The Company's strategy includes expanding its global footprint through the use of joint ventures and other partially owned subsidiaries. These entities operate in countries outside of the U.S., are generally less well capitalized than the Company and bear risks similar to the risks of the Company. However, there are specific additional risks applicable to these subsidiaries and these risks, in turn, add potential risks to the Company. Such risks include: somewhat greater risk of sudden changes in laws and regulations which could impact their competitiveness, risk of joint venture partners or other investors failing to meet their obligations under related shareholders' agreements and risk of being denied access to the capital markets which could lead to resource demands on the Company in order to maintain or advance its strategy. The Company's outstanding notes and primary credit facility contain cross default provisions in the event of certain defaults by the Company under other agreements with third parties, including certain of the agreements with the Company's joint venture partners or other investors. In the event joint venture partners or other investors do not satisfy their funding or other obligations and the Company does not or cannot satisfy such obligations, the Company could be in default under its outstanding notes and primary credit facility and, accordingly, be required to repay or refinance such obligations. There is no assurance that the Company would be able to repay such obligations or that the current noteholders or creditors would agree to refinance or to modify the existing arrangements on acceptable terms or at all. For further discussion of access to the capital markets, see above. The Company has a risk due to volatility of the capital and financial markets.

The two consolidated Chinese joint ventures have been financed in part using multiple loans from several lenders to finance facility construction, expansions and working capital needs. These loans are generally for terms of three years or less. Therefore, debt maturities occur frequently and access to the capital markets is crucial to their ability to maintain sufficient liquidity to support their operations.

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In connection with its acquisition of Cooper Chengshan, beginning January 1, 2009, and continuing through December 31, 2011, the noncontrolling shareholders have the right to sell and, if exercised, the Company had the obligation to purchase, the remaining 49 percent minority interest share at a minimum price of \$62.7 million. The Company received notification from one of its noncontrolling shareholders of its intention to exercise its put option. After receiving governmental approvals, the Company purchased the 14 percent share for \$17.9 million on March 31, 2010. The remaining shares may be sold to the Company under the put option through December 31, 2011. The minority investment in a tire operation in Mexico, which is not consolidated with the Company's results, is being funded largely by loans from the Company. The amount of such loans fluctuates with its results of operations and working capital needs and its ability to repay the existing loans is heavily dependent upon successful operations and cash flows.

The Company may fail to maintain an effective system of internal control over financial reporting and it may not be able to accurately report its financial results, and current and potential stockholders may lose confidence in its financial reporting.

The Company is required by the SEC to establish and maintain adequate internal control over financial reporting that provides reasonable assurance regarding the reliability of its financial reporting and the preparation of financial statements in accordance with generally accepted accounting principles. The Company is likewise required, on a quarterly basis, to evaluate the effectiveness of its internal controls and to disclose any changes and material weaknesses in those internal controls.

As described in greater detail elsewhere in this Quarterly Report on Form 10-Q, in connection with the restatement process, the Company identified a material weakness with regard to the reporting of its noncontrolling shareholders interests.

In connection with this restatement, the Company has taken a series of steps designed to improve its control processes. These actions include a review of the accounting for joint ventures from acquisition to present with a special focus on changes to reporting guidance that may affect the Company's accounting. The Company also implemented measures to enhance the controls by which authoritative guidance will be monitored and applied on a regular basis. The Company believes these measures appropriately remediated the material weakness described above.

Item 6. EXHIBITS

(a) Exhibits

- (31.1) Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- (31.2) Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- (32) Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

COOPER TIRE & RUBBER COMPANY

/s/ B. E. Hughes

B. E. Hughes

Vice President and Chief Financial Officer

(Principal Financial Officer)

/s/ R. W. Huber

R. W. Huber

Director of External Reporting

(Principal Accounting Officer)

November 1, 2010

(Date)