COOPER TIRE & RUBBER CO
Form 10-Q
May 06, 2009

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

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

For the quarterly period ended March 31, 2009

OR

o **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	34-4297750
(State or other jurisdiction of incorporation or organization)	(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 þ No o

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 o No o

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

Large accelerated filer o Accelerated filer þ Non-accelerated filer o Smaller reporting company o
(Do not check if a 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 o No þ

Number of shares of common stock of registrant outstanding
at April 30, 2009: 58,951,825

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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, 2008 (Note 1)	**March 31, 2009 (Unaudited)**
ASSETS		
Current assets:		
Cash and cash equivalents	$ 247,672	**$ 232,693**
Accounts receivable, less allowances of $11,021 in 2008 and $11,169 in 2009	318,109	**351,447**
Inventories at lower of cost or market:		
Finished goods	247,187	**267,948**
Work in process	28,234	**32,388**
Raw materials and supplies	144,691	**100,169**
	420,112	**400,505**
Other current assets	58,290	**60,284**
Total current assets	1,044,183	**1,044,929**
Property, plant and equipment:		
Land and land improvements	33,731	**33,716**
Buildings	319,025	**319,076**
Machinery and equipment	1,627,896	**1,634,071**
Molds, cores and rings	273,641	**275,753**
	2,254,293	**2,262,616**
Less accumulated depreciation and amortization	1,353,019	**1,375,972**
Net property, plant and equipment	901,274	**886,644**
Intangibles, net of accumulated amortization of $24,096 in 2008 and $24,439 in 2009	19,902	**19,559**
Restricted cash	2,432	**2,308**
Other assets	75,105	**72,447**
	$ 2,042,896	**$ 2,025,887**
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Notes payable	$ 184,774	**$ 163,311**
Accounts payable	248,637	**262,031**
Accrued liabilities	123,771	**132,976**
Income taxes	1,409	**2,105**
Liabilities of discontinued operations	1,182	**1,174**
Current portion of long term debt	147,761	**140,741**

Total current liabilities	707,534	**702,338**
Long-term debt	325,749	**328,389**
Postretirement benefits other than pensions	236,025	**244,711**
Pension benefits	268,773	**265,787**
Other long-term liabilities	115,803	**123,596**
Long-term liabilities related to the sale of automotive operations	8,046	**7,805**
Stockholders equity:		
Preferred stock, $1 par value; 5,000,000 shares authorized; none issued		
Common stock, $1 par value; 300,000,000 shares authorized; 86,322,514 shares issued in 2008 and in 2009	86,323	**86,323**
Capital in excess of par value	43,764	**44,022**
Retained earnings	1,106,344	**1,078,842**
Cumulative other comprehensive loss	(450,079)	**(449,340)**
	786,352	**759,847**
Less: common shares in treasury at cost (27,411,564 in 2008 and 27,370,689 in 2009)	(492,236)	**(491,416)**
Total parent stockholders equity	294,116	**268,431**
Noncontrolling shareholders interests in consolidated subsidiaries	86,850	**84,830**
Total stockholders equity	380,966	**353,261**
	$ 2,042,896	**$ 2,025,887**

See accompanying notes.

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COOPER TIRE & RUBBER COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
THREE MONTHS ENDED MARCH 31, 2008 AND 2009
(UNAUDITED)
(Dollar amounts in thousands except per-share amounts)

	2008	**2009**
Net sales	$ 679,321	**$ 571,408**
Cost of products sold	623,083	**521,139**
Gross profit	56,238	**50,269**
Selling, general and administrative	46,684	**45,106**
Restructuring		**14,352**
Settlement of retiree medical case		**7,050**
Operating profit (loss)	9,554	**(16,239)**
Interest expense	(11,478)	**(12,655)**
Interest income	3,723	**1,375**
Debt extinguishment expense	(583)	
Dividend from unconsolidated subsidiary	1,943	
Other net	1,317	**823**
Income (loss) from continuing operations before income taxes	4,476	**(26,696)**
Income tax expense (benefit)	1,048	**(3,773)**
Income (loss) from continuing operations	3,428	**(22,923)**
Income (loss) from discontinued operations, net of income taxes	344	**(364)**
Net income (loss)	3,772	**(23,287)**
Net income (loss) attributable to noncontrolling shareholders interests	(2,086)	**2,020**
Net income (loss) attributable to Cooper Tire & Rubber Company	$ 1,686	**$ (21,267)**
Basic earnings per share:		
Income (loss) from continuing operations attributable to Cooper Tire & Rubber Company	$ 0.02	**$ (0.35)**
Income (loss) from discontinued operations	0.01	**(0.01)**

Net income (loss) attributable to Cooper Tire & Rubber Company	$	0.03	**$**	**(0.36)**
Diluted earnings per share:				
Income (loss) from continuing operations attributable to Cooper Tire & Rubber Company	$	0.02	**$**	**(0.35)**
Income (loss) from discontinued operations		0.01		**(0.01)**
Net income (loss) attributable to Cooper Tire & Rubber Company	$	0.03	**$**	**(0.36)**
Weighted average number of shares outstanding (000 s):				
Basic		59,484		**58,941**
Diluted		60,474		**58,941**
Dividends per share	$	0.105	**$**	**0.105**

See accompanying notes.

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COOPER TIRE & RUBBER COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2008 AND 2009
(UNAUDITED)
(Dollar amounts in thousands)

	2008	**2009**
Operating activities:		
Net income (loss)	$ 3,772	**$ (23,287)**
Adjustments to reconcile net income (loss) to net cash provided by (used in) continuing operations:		
Income from discontinued operations, net of income taxes	(344)	**364**
Depreciation	34,019	**30,551**
Amortization	1,358	**566**
Deferred income taxes	192	**(66)**
Stock based compensation	2,270	**838**
Change in LIFO inventory reserve	8,830	**(87,559)**
Amortization of unrecognized postretirement benefits	3,269	**7,410**
Loss (gain) on sale of assets	97	**(46)**
Debt extinguishment costs	583	
Changes in operating assets and liabilities of continuing operations:		
Accounts receivable	(16,987)	**(36,396)**
Inventories	(100,373)	**105,610**
Other current assets	(768)	**1,855**
Accounts payable	9,456	**14,027**
Accrued liabilities	(975)	**14,923**
Other items	8,011	**4,471**
Net cash provided by (used in) continuing operations	(47,590)	**33,261**
Net cash used in discontinued operations	*(94)*	***(613)***
Net cash provided by (used in) operating activities	(47,684)	**32,648**
Investing activities:		
Property, plant and equipment	(31,664)	**(16,917)**
Proceeds from the sale of available-for-sale debt securities	626	
Investments in unconsolidated subsidiary		**(86)**
Acquisition of business, net of cash acquired	(5,956)	
Proceeds from the sale of assets		**208**
Net cash used in investing activities	(36,994)	**(16,795)**
Financing activities:		
Issuance of (payments on) short-term debt	37,486	**(17,310)**
Payments on long-term debt	(14,000)	**(4,380)**
Premium paid on debt repurchases	(543)	
Contributions of joint venture partner	4,250	
Purchase of treasury shares	(13,853)	
Payment of dividends	(6,218)	**(6,190)**

Issuance of common shares and excess tax benefits on options	297	
Net cash provided by (used in) financing activities	7,419	**(27,880)**
Effects of exchange rate changes on cash of continuing operations	(2,647)	**(2,952)**
Changes in cash and cash equivalents	(79,906)	**(14,979)**
Cash and cash equivalents at beginning of year	345,947	**247,672**
Cash and cash equivalents at end of period	$ 266,041	**$ 232,693**

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 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 sales of passenger replacement tires are generally strongest during the third and fourth quarters of the year. Winter tires are sold principally during the months of August through November. Operating results for the three-month period ended March 31, 2009 are not necessarily indicative of the results that may be expected for the year ended December 31, 2009.

   The balance sheet at December 31, 2008 has been derived from the audited 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.

   For further information, refer to the consolidated financial statements and footnotes thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2008.

   On January 1, 2009, the Company adopted Statement of Financial Accounting Standards (SFAS) No 160, Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51 . SFAS No. 160 changes the reporting of noncontrolling interests in the consolidated statement of operations and the consolidated balance sheet. Certain amounts for the prior year have been reclassified to conform to 2009 presentations. On the Consolidated Statements of Operations, the 2009 caption Net income (loss) attributable to Cooper Tire & Rubber Company is comparable to the caption Net income (loss) used in prior years.

2. On January 1, 2009, the Company adopted the provisions of SFAS No. 161.

   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 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.

   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 unrealized gains and losses on such forward contracts are recorded as a separate component of stockholders equity in the accompanying consolidated balance sheets and reclassified into earnings as the hedged transaction affects earnings.

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The Company assesses hedge effectiveness 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. 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. Any hedge ineffectiveness is recorded as an adjustment in the accompanying consolidated financial statements of operations in the period in which the ineffectiveness occurs. For periods presented, an immaterial amount of ineffectiveness has been identified and recorded.

The following table presents the location and amounts of derivative instrument fair values in the Statement of Financial Position:

	December 31, 2008		March 31, 2009	
Derivative assets designated as hedging instruments under SFAS No. 133 Foreign exchange contracts	Accrued liabilities	$(1,058)	Accrued liabilities	$(5,627)
Derivative assets not designated as hedging instruments under SFAS No. 133 Foreign exchange contracts	Accrued liabilities	$ (194)	Accrued liabilities	$ (514)

In accordance with SFAS No. 157, 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.

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.

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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 March 31, 2009:

		Fair Value Measurements at March 31, 2009 Using		
Foreign Exchange Contracts	**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)**
March 31, 2009	$(6,141)		$ (6,141)	
December 31, 2008	$(1,252)		$ (1,252)	

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

Derivatives in SFAS No. 133 Cash Flow Hedging Relationships	Amount of Gain (Loss) Recognized in Other Comprehensive Income on Derivative (Effective Portion) Three Months Ended March 31, 2009	Location of Gain (Loss) Reclassified from Other Comprehensive Income into Income (Effective Portion)	Amount of Gain (Loss) Reclassified from Other Comprehensive Income into Income (Effective Portion) Three Months Ended March 31, 2009	Location of Gain (Loss) Recognized in Income of Derivative (Ineffective Portion)	Amount of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion) Three Months Ended March 31, 2009
Foreign exchange contracts	$ 2,974	Other - net	$ 5,712	Other - net	$ 153

Gains on foreign currency exchange contracts not designated as hedging instruments are recorded in Other net on the income statement and amounted to $80 for the period ended March 31, 2009.

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

	Three months ended March 31	
	2008	**2009**
Revenues from external customers:		
North American Tire	$ 497,672	**$ 439,317**
International Tire	231,780	**166,212**
Eliminations	(50,131)	**(34,121)**
Net sales	$ 679,321	**$ 571,408**
Segment profit (loss):		
North American Tire	$ 8,144	**$ (3,620)**
International Tire	6,909	**(2,821)**
Eliminations	(1,269)	**(274)**
Unallocated corporate charges	(4,230)	**(9,524)**
Operating profit (loss)	9,554	**(16,239)**
Interest expense	(11,478)	**(12,655)**
Interest income	3,723	**1,375**
Debt extinguishment	(583)	
Dividend from unconsolidated subsidiary	1,943	
Other net	1,317	**823**
Income (loss) from continuing operations before income taxes	$ 4,476	**$ (26,696)**

4. At December 31, 2008, approximately 33 percent of the Company s inventories had been valued under the LIFO method. With the decrease in inventory in the Company s operations in China and lower raw material costs, approximately 57 percent of the Company s inventories at March 31, 2009 have been 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 $221,854 and $134,295 at December 31, 2008 and March 31, 2009, respectively, from current cost which would be reported under the first-in, first-out method.
5. The following table discloses the amount of stock based compensation expense for the three-month period ended March 31, 2008 and 2009 relating to continuing operations:

Stock Based Compensation

Three months ended March 31

	2008	**2009**
Stock options	$ 91	**$ 86**
Restricted stock units	615	**400**
Performance based units	1,564	**352**
Total stock based compensation	$ 2,270	**$ 838**

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 any units earned in 2009 will vest in February 2010. As part of the 2008 2010 plan, any units earned in 2009 will vest in February 2011. No units were earned in 2008.

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

The following table provides details of the restricted stock unit activity for the three months ended March 31, 2009:

Restricted stock units outstanding at January 1, 2009	403,637
Restricted stock units granted	
Accrued dividend equivalents	9,370
Restricted stock units settled	(39,852)
Restricted stock units cancelled	(1,527)
Restricted stock units outstanding at March 31, 2009	371,628

6. The following table discloses the amount of net periodic benefit costs for the three months ended March 31, 2008 and 2009 for the Company s defined benefit plans and other postretirement benefits relating to continuing operations:

	Pension Benefits		Other Postretirement Benefits	
	2008	**2009**	2008	**2009**
Components of net periodic benefit cost:				
Service cost	$ 5,524	**$ 3,387**	$ 1,244	**$ 853**
Interest cost	16,269	**14,618**	3,873	**3,706**
Expected return on plan assets	(20,508)	**(13,687)**		
Amortization of prior service cost	126	**(1,456)**	(77)	**(77)**
Recognized actuarial loss	2,921	**8,925**	299	**18**
Net periodic benefit cost	$ 4,332	**$ 11,787**	$ 5,339	**$ 4,500**

Included in the amortization of prior service cost, is the amount attributable to the Albany, Georgia plant closure which has been recorded as restructuring expense.

During 2009, the Company has minimum global pension funding requirements of between $35,000 and $40,000.

7. On an annual basis, disclosure of comprehensive income is incorporated into the Statement of Shareholders Equity. This statement is not presented on a quarterly basis. 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 benefits plans.

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The Company s comprehensive income (loss) is as follows:

	Three months ended March 31	
	2008	**2009**
Income (loss) from continuing operations	$ 1,342	**$ (23,628)**
Other comprehensive income (loss):		
Currency translation adjustments	10,936	**(2,982)**
Unrealized net gains (losses) on derivative instruments and marketable securities	(5,351)	**3,367**
Unrecognized postretirement benefit plans	2,989	**354**
Comprehensive income (loss) from continuing operations	$ 9,916	**$ (22,889)**

8. During the first quarter of 2009, the Company recorded restructuring expenses associated with the planned closure of its Albany, Georgia manufacturing facility. This initiative, announced December 17, 2008, will result in a workforce reduction of approximately 1,400 people and cost between $120,000 and $145,000 for restructuring expense and asset impairment.

   The Company recorded $4,852 of equipment relocation and other costs during the first quarter of 2009. The Company also recorded $9,454 of employee related costs. Included in employee related costs are severance costs of $10,707 partially offset by the amortization of prior service cost related to pension benefits. Through March 31, 2009, the Company has recorded $90,290 of restructuring costs associated with this initiative.

   At January 1, 2009, the accrued severance balance was $429 and the first quarter severance cost increased the balance to $11,136. During the quarter, the Company made $36 of severance payments resulting in an accrued severance balance at March 31, 2009 of $11,100.

   The Company also recorded restructuring expenses associated with the closure of the Dayton, New Jersey distribution center. This initiative will impact nine people and cost between $450 and $500. During the first quarter of 2009, the Company recorded $46 of severance cost bringing the total cost of this initiative to $464 to date.

9. 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:

	2008	**2009**
Reserve at January 1	$ 16,510	**$ 18,244**
Additions	4,663	**2,423**
Payments	(3,638)	**(3,084)**
Reserve at March 31	$ 17,535	**$ 17,583**

10. 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

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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 United States. 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 35 to 40 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.

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 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.

The Company determines its reserves using the number of incidents expected during a year. During the first quarter of 2009, the Company increased its products liability reserve by $14,678. The addition of another quarter of self-insured incidents accounted for $9,410 of this increase and amounts on existing reserves increased by $5,268.

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 $6,313 during the first quarter of 2009 to resolve cases and claims. The Company s products liability reserve balance at December 31, 2008 totaled $123,632 (current portion of $28,737) and the balance at March 31, 2009 totaled $131,997 (current portion of $28,737).

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.

Products liability costs totaled $27,876 and $20,568 for the periods ended March 31, 2008 and 2009, respectively, and include recoveries of legal fees of $4,168 and $1,426 in the periods ended March 31, 2008 and 2009, respectively. Policies applicable to claims occurring on April 1, 2003 and thereafter do not provide for recovery of legal fees.

11. For the quarter ended March 31, 2009, the Company recorded an income tax benefit for continuing operations of $3,773, which includes an expected recoverable from a specified liability loss carry back. The effective tax rate for the three-month period ended March 31, 2009, for continuing operations is 16.2 percent, exclusive of discrete items, using forecasted jurisdictional annual effective rates. For comparable periods in 2008, the effective tax rate for continuing operations, exclusive of discrete items, was 32.4 percent using an aggregate worldwide forecasted rate. The change in the tax rate, exclusive of discrete items, relates primarily to the recording of a valuation allowance for the anticipated U.S. net operating loss that exceeds the carry back capacity relating to a specified liability loss , foreign net operating losses, and the mix of earnings or loss by jurisdiction as compared to 2008.

    The Company maintains a valuation allowance pursuant to SFAS No. 109, 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 assets will 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 relates 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 $222,758 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 $8,072 for deferred tax assets associated with losses in foreign jurisdictions.

    The Company maintains a FIN No. 48, Accounting for Uncertainty in Income Taxes liability for unrecognized tax benefits for permanent and temporary book/tax differences for continuing operations. At March 31, 2009, the Company s liability, exclusive of interest, totals approximately $7,405. The Company

accrued approximately $122 of interest expense for the quarter ended March 31, 2009, which has been recorded as a discrete item in its tax provision.

During 2008 the Company became aware of a potentially favorable settlement of the pending bilateral Advance Pricing Agreement (APA) negotiations between the U.S. and Canada. This relates to pre-disposition years (2000-2004) of a discontinued operation. Pursuant to the related sales agreement, the Company is responsible for all pre-disposition tax obligations and is entitled to all tax refunds applicable to that period. The Company believes the settlement could be significant but is unable to quantify with certainty the overall impact to the Company until the APA agreements are finalized and signed by all parties. Complex recalculations will be required for the affected income tax returns of the discontinued operation s Canadian subsidiary to quantify the tax refund. This overpayment is ultimately due to the Company under the sales agreement. However, the party obligated to pay the Company may not be able to pay any or all of the amount of such obligation due to certain legal limitations or restrictions that may be imposed on such party. The potential APA settlement terms will also result in an increased tax obligation to the Company on its consolidated U.S. income tax returns for the pre-disposition years which will require complicated recalculations of the impacted returns. At such time as a more definitive estimate of the overall impact from the resolution of the APA can be made and the certainty as to the amount of such payment to the Company is assured, the Company will record the outcome to discontinued operations.

The Company and its subsidiaries are subject to income taxes in the U.S. federal jurisdiction and various state and foreign jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal, state and foreign tax examinations by tax authorities for years prior to 2000.

12. The Company and the United Steelworkers entered into a series of letter agreements beginning in 1991 establishing maximum annual amounts that the Company would contribute for funding the cost of health care coverage for certain union retirees who retired after specific dates. Prior to January 1, 2004, the maximum annual amounts had never been implemented. On January 1, 2004, however, the Company implemented the existing letter agreement according to its terms and began requiring these retirees and surviving spouses to make contributions for the cost of their health care coverage.

On April 18, 2006, a group of the Company s union retirees and surviving spouses filed a lawsuit in the U.S. District Court for the Northern District of Ohio on behalf of a purported class claiming that the Company was not entitled to impose *any* contribution requirement pursuant to the letter agreements and that Plaintiffs were promised lifetime benefits, at no cost, after retirement under the terms of the union-Cooper negotiated Pension and Insurance Agreements in effect at the time that they retired.

On May 13, 2008, 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 holding that a series of pension and insurance agreements negotiated by the Company and its various union locals over the years conferred vested lifetime health care benefits upon certain Company hourly retirees. The court further held that these benefits were not subject to the caps on the Company s annual contributions for retiree health care benefits that the Company had negotiated with the union locals. Subsequent to that order, the court granted the plaintiffs motion for class certification. The Company has initiated the process of pursuing an appeal of the order to the Sixth Circuit of Appeals, while simultaneously reviewing other means of satisfactorily resolving the case through settlement discussions. As a result of the settlement discussions and in an attempt to resolve the claims relating to health care benefits for all of the Company s hourly union-represented retirees, a related lawsuit, *Johnson, et al v. Cooper Tire & Rubber Company*, was filed on February 3, 2009, with the court on behalf of a different, smaller group of hourly union-represented retirees. The second case has been stayed pending the parties settlement discussions.

In April, 2009, the parties negotiated a tentative agreement intended to resolve all related claims for these matters. The tentative agreement, which is subject to various approvals, provides for 1) specified payments to the plaintiffs and attorney fees 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.

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While the tentative agreement could be modified before it becomes effective and the related cases are concluded, the Company believes it is probable that the related costs of resolving these cases will be close to the amounts in the tentative agreement and, accordingly, has recorded $ 7.1 million of expense during the first quarter relating to the specified payments and attorney fees. The estimated present value of costs related to the plan amendment is expected to be approximately $7.7 million which has been reflected as an increase in the accrual for Other Post-employment Benefits with an offset to the Accumulated Other Comprehensive Income component of Shareholders Equity and will be amortized as a charge to operations over the remaining life expectancy of the affected plan participants beginning with the effective date of the changes.

13. On April 9, 2009, the Company announced pension benefits in the Spectrum (salaried employees) Plan would be frozen effective July 1, 2009. The impact of the pension freeze is estimated to be a reduction in pension expense for 2009 of $7.8 million which will be reflected in the Company s financial statements in future quarters and the recognition of a pension curtailment gain of approximately $11.0 million which will be recorded in the second quarter. Also effective July 1, 2009, the Company has instituted an enhanced matching feature in the Spectrum 401(K) plan at an estimated cost for 2009 of $2.8 million which will also be reflected in future quarters.

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 and future outlook of each of the Company s segments, and information concerning both the liquidity and capital resources of the Company. An important qualification regarding the forward-looking statements made in this discussion is then presented.

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Consolidated Results of Operations

(Dollar amounts in millions except per share amounts)

	Three months ended March 31		
	2008	Change	2009
Revenues:			
North American Tire	$ 497.7	-11.7%	$ 439.3
International Tire	231.8	-28.3%	166.2
Eliminations	(50.2)	-32.1%	(34.1)
Net sales	$ 679.3	-15.9%	$ 571.4
Segment profit (loss):			
North American Tire	$ 8.1	n/m	$ (3.6)
International Tire	6.9	n/m	(2.8)
Unallocated corporate charges	(4.2)	126.2%	(9.5)
Eliminations	(1.2)	-75.0%	(0.3)
Operating profit (loss)	9.6	n/m	(16.2)
Interest expense	(11.5)	9.6%	(12.6)
Debt extinguishment expense	(0.6)	-100.0%	
Interest income	3.7	-62.2%	1.4
Dividend from unconsolidated subsidiary	1.9	-100.0%	
Other net	1.3	-38.5%	0.8
Income (loss) from continuing operations before income taxes	4.4	n/m	(26.6)
Income tax benefit (expense)	(1.0)	n/m	3.7
Income (loss) from continuing operations	3.4	n/m	(22.9)
Income (loss) from discontinued operations, net of income taxes	0.3	n/m	(0.4)
Noncontrolling shareholders interests	(2.0)	n/m	2.0
Income (loss) from continuing operations attributable to Cooper Tire & Rubber Company	$ 1.7	n/m	$ (21.3)
Basic earnings per share	$ 0.02		$ (0.35)
Diluted earnings per share	$ 0.02		$ (0.35)

Consolidated net sales for the three-month period ended March 31, 2009 were $107.9 million lower than for the comparable period one year ago. The decrease in net sales for the first quarter of 2009 compared to the first quarter of 2008 was primarily the result of lower volumes in both the North American Tire Operations and International Tire Operations segments, partially offset by improved pricing.

The operating loss in the first quarter of 2009 was a decrease of $25.8 million from the operating profit reported for the first quarter of 2008. The impact of lower unit volumes and restructuring costs were partially offset by improved pricing and lower products liability costs.

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The Company results reflect lower costs of certain of its principal raw materials during the first quarter of 2009 after experiencing record high costs for raw materials in the fourth quarter of 2008. The principal raw materials for the Company include natural rubber, synthetic rubber, carbon black, chemicals and reinforcement components. Approximately 65 percent of the Company s raw materials are petroleum-based. Crude oil pricing continues to be volatile but is lower than the historic highs experienced in 2008. Natural rubber prices also reflected extreme volatility as reduced global demand for rubber produced products caused natural rubber prices to fall in the first quarter of 2009 after reaching record high price levels in the latter part of 2008. The decreases in the cost of petroleum-based materials and natural rubber were the most significant drivers of lower raw material costs during the first quarter of 2009, which were down approximately $9.0 million from the first quarter of 2008. The pricing volatility in these commodities contributes to the difficulty in managing the costs of raw materials.

The Company manages the procurement of its raw materials to assure supply and to obtain the most favorable pricing. For natural rubber and natural gas, procurement is managed by buying forward of production requirements and utilizing the spot market when advantageous. 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. These arrangements provide quantities necessary to satisfy normal manufacturing demands.

Products liability costs totaled $27.9 million and $20.6 million in the first quarter of 2008 and 2009, respectively, and include recoveries of legal fees of $4.2 million and $1.4 million in the first quarter of 2008 and 2009, respectively. Insurance policies applicable to claims occurring on April 1, 2003, and thereafter, do not provide for recovery of legal fees.

Additional information related to the Company s accounting for products liability costs appears in the Notes to Consolidated Financial Statements.

Selling, general and administrative expenses were $45.1 million in the first quarter of 2009 (7.9 percent of net sales) and $46.7 million in the first quarter of 2008 (6.9 percent of net sales). The decrease in selling, general and administrative expenses was due primarily to lower stock based compensation expense.

During the first quarter of 2009, the Company recorded $14.4 million in restructuring costs related to the planned closures of its Albany, Georgia manufacturing facility and its Dayton, New Jersey distribution center. Additional information related to these restructuring initiatives appears in the Notes to Consolidated Financial Statements.

As discussed in the Notes to Consolidated Financial Statements, the Company recorded a $7.1 million charge during the first quarter related to the agreement reached in the *Cates* retiree medical legal case.

Interest expense increased $1.1 million in the first quarter of 2009 from the first quarter of 2008 due to additional debt related to investments in China.

The Company incurred $0.6 million in costs associated with the repurchase of $14.0 million of its long-term debt during the first quarter of 2008. No such costs were incurred in the first quarter of 2009.

Interest income in the first quarter of 2009 decreased $2.3 million compared to the first quarter of 2008 as a result of lower cash levels and short-term investments in 2009 than in 2008.

The Company recorded dividend income of $1.9 million from its investment in Kumho Tire Co., Inc. in 2008. The Company sold this investment in the third quarter of 2008.

Other net decreased by $.5 million in the first quarter of 2009 compared to 2008. The Company recorded foreign currency losses in 2009 compared to foreign currency gains in 2008 resulting in a decrease of $2.5 million and recorded losses from an unconsolidated subsidiary of $.8 million in 2009. Proceeds from the settlement of a lawsuit of $1.8 million were recorded in 2009 while losses on asset sales of $1.0 million were recorded in the first quarter of 2008.

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For the quarter ended March 31, 2009, the Company recorded an income tax benefit for continuing operations of $3.8 million, which includes an expected recoverable from a specified liability loss carry back. The effective tax rate for the quarter ended March 31, 2009, for continuing operations is 16.2 percent, exclusive of discrete items, using forecasted jurisdictional annual effective rates. For the comparable period in 2008, the effective tax rate for continuing operations, exclusive of discrete items, was 32.4 percent using an aggregate worldwide forecasted rate. The change in the tax rate, exclusive of discrete items, relates primarily to the recording of a valuation allowance for the anticipated U.S. net operating loss that exceeds the carry back capacity relating to a current year specified liability loss , foreign net operating losses, and the mix of earnings or loss by jurisdiction as compared to 2008.

The Company maintains a valuation allowance pursuant to SFAS No. 109, 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 assets will 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 relates 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 $222.8 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 $8.1 million for deferred tax assets associated with losses in foreign jurisdictions.

North American Tire Operations Segment

	Three months ended March 31		
(Dollar amounts in millions)	**2008**	**Change**	**2009**
Sales	$497.7	-11.7%	$439.3
Operating profit (loss)	$ 8.1	n/m	$ (3.6)
United States unit shipments changes:			
Passenger tires			
Segment		-23.0%	
RMA members		-13.1%	
Total Industry		-12.9%	
Light truck tires			
Segment		-26.7%	
RMA members		-21.8%	
Total Industry		-21.0%	
Total light vehicle tires			
Segment		-23.7%	
RMA members		-14.3%	
Total Industry		-14.0%	
Total segment unit sales change		-19.6%	

Overview

The North American Tire Operations segment produces passenger car and light truck tires, primarily for sale in the United States replacement market. 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 decreased $58.4 million in the first quarter of 2009 from levels in 2008. The decrease in sales was a result of lower unit volume (-$97.9 million), offset by improved pricing and product mix ($39.6 million). The segment experienced a decrease in unit sales in most product categories, most notably in the economy passenger and light truck tire lines. The improved pricing was the result of price increases implemented during 2008. The improved mix was the result of the decreased unit sales of economy tires. Increased sales of the Cooper brand as a percentage of the segment s total sales also contributed to the improved mix.

In the United States, the segment s unit sales of total light vehicle tires decreased 23.7 percent in the first quarter of 2009 compared to the first quarter of 2008. This decrease was larger than the 14.0 percent decrease in total light vehicle shipments experienced by the total industry (which includes an estimate for non-RMA members). The industry decrease in light vehicle tire units was primarily due to the overall economic conditions in North America. Recession concerns have caused delays in replacement tire purchases. Volumes in the segment decreased more significantly than the industry due to greater weakness in the private label portion of the industry of which the segment has a significant portion of its sales.

Operating Profit

Segment operating profit decreased $11.8 million in the first quarter of 2009 from the level in the first quarter of 2008. The decrease in operating profit was due to lower unit volumes (-$21.4 million), restructuring costs, nearly all of which pertain to the closure of the Albany, Georgia manufacturing facility (-$14.4 million) and the effects of production curtailments (-$18.0 million). These decreases were partially offset by improved pricing and product mix ($20.8 million), lower raw material costs ($7.8 million), lower products liability costs ($7.3 million) and improved plant operations ($7.2 million).

During the first quarter of 2009, the segment began to see raw material costs moderating after reaching record high cost levels in the latter part of 2008. Under the Company s LIFO cost flow assumptions, some of these moderating raw material costs were charged to cost of goods sold in the quarter.

A combination of events during the first quarter of 2008 resulted in higher products liability costs than in the first quarter of 2009. Details of the methodology used to calculate the products liability reserve are discussed in the Notes to Consolidated Financial Statements.

During the first quarter of 2009, the segment incurred $14.4 million of restructuring costs for the closure of its Albany, Georgia manufacturing facility and its distribution center in Dayton, New Jersey. The Albany closure was the result of global over capacity and the segment s plans to optimize its global manufacturing footprint.

Segment Outlook

The segment will continue implementing the Company s strategic plan during 2009. The plan initially communicated in February 2008 calls for the segment to improve its cost structure, pursue profitable top line growth and improve organizational capabilities.

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New products will be launched in the economy and value segment of the market to support growth. The recently launched premium passenger touring, premium SUV and light truck product offerings are intended to continue satisfying customer requirements and supporting growth. The segment will also pursue business in channels where it believes it is under-represented. The demand for light vehicle replacement tires is expected to remain soft in 2009 as consumers around the globe are affected by the recession. This will continue to put pressure on the segment s results until its capacity can be aligned to market demands, or demand recovers. There have been several signals recently that demand for replacement tires may be stabilizing. If consumers in North America regain confidence, it is possible that there could be a release of pent up demand for replacement tires resulting in an increase in sales.

To more closely align capacity to projected demand, the segment will be closing its Albany, Georgia facility in an initiative scheduled to be completed during the first quarter of 2010 or sooner. Production of certain of the products manufactured at that facility will be transferred to the Company s remaining facilities. The manufacturing operations are expected to improve in cost competitiveness as Six Sigma, LEAN, automation and other projects continue to be implemented and the segment improves its utilization of its remaining manufacturing facilities.

Radial medium truck and certain light vehicle tire products will continue to be sourced from manufacturers in China and Mexico. During 2009 the amount of product imported into the United States should increase over the amount imported during 2008. The quantity of tires imported will be influenced by the demand in the United States.

Raw material prices have proven very difficult to accurately predict as commodity markets remain volatile. The segment expects prices for commodities will stabilize at lower levels in the first half of 2009 and then begin to increase as demand for commodities strengthens.

The segment believes as it continues implementing projects aligned with its strategic plan that it will improve its competitive position. Successful implementation of these actions and improvement in market or industry conditions would drive the segment s improved operating results.

International Tire Operations Segment

	Three months ended March 31		
(Dollar amounts in millions)	**2008**	**Change**	**2009**
Sales	$231.8	-28.3%	$166.2
Operating profit (loss)	$ 6.9	n/m	$ (2.8)
Unit sales change		-24.2%	

Overview

The International Tire Operations segment manufactures and markets passenger car, light truck and motorcycle tires for the international replacement market, as well as racing tires and tire retread materials, in Europe, Russia and other markets. The segment s Cooper Chengshan joint venture manufactures for and markets passenger car and light truck radial tires as well as radial and bias medium truck tires in the international market. The segment s Cooper Kenda joint venture manufactures tires to be exported to markets outside of China. Until May 2012, all of the tires produced by this joint venture will be sold to Cooper Tire & Rubber Company.

Sales

Sales of the International Tire Operations segment decreased $65.6 million, or 28.3 percent, in the first quarter of 2009 compared to the first quarter of 2008. The foreign currency impact of a stronger United States dollar in relation to the British pound and the Chinese renminbi decreased sales $13.3 million in the first quarter of 2009. The remainder of the decrease in net sales in the first quarter of 2009 compared to the first quarter of 2008 was due primarily to lower unit volumes (-$51.4 million) due to overall market weakness in the European, Asian and other international markets.

Operating Profit

Operating profit for the segment in the first quarter of 2009 was $9.7 million lower than in the first quarter of 2008. The impacts of lower unit volumes (-$6.6 million), pricing adjustments net of improved mix (-$2.3 million) and manufacturing operations impacted by production curtailments and higher utility costs (-$8.3 million) were partially offset by a favorable foreign currency impact ($4.5 million), lower raw material costs ($1.5 million) and reduced selling, general and administrative costs ($1.6 million).

Segment Outlook

The European operations will continue to focus on growing in profitable products and channels. New products that will meet the needs of niche segments will continue to be released in 2009. The manufacturing facility in Melksham, England will concentrate on high performance, racing and motorcycle products. Demand in Europe is projected to be weak throughout 2009.

The segment will continue efforts to expand its presence in Asia. This growth is targeted to occur in products and brands that will provide increased returns. Due to the global and Asian economic recession, the level of growth of the segment s shipments in Asia is likely to be less than in recent years.

Manufacturing operations in China will continue to export products around the globe, but expect to be affected by the weakened global demand for light vehicle tires. All of the segment s manufacturing facilities will be implementing projects to improve competitiveness.

The segment s volumes and margins will likely remain under pressure in 2009 unless global demand for light vehicle and radial medium tires improves.

Outlook for Company

The Company expects continued pressure on the industry as demand for tires is influenced by the weakened global macroeconomic environment. Recent signals, including stabilization in miles driven and increased consumer confidence indicate that it is possible there will be a recovery of volume in the future. This will be partially driven by the confidence of the consumer who has delayed tire purchases. The Company is continuing to focus on implementing its plan that will position it to capitalize on future opportunities.

Maintaining adequate levels of liquidity will be a primary focus for the Company and it will continue to rigorously control all cash expenditures. Expansion and other uses of capital including share purchases and debt prepayments are likely to be restricted until capital markets resume a more normal level of activity.

Raw material prices are lower than the historic highs of 2008. It is difficult to accurately forecast raw material prices but, as demand for commodities increase, it is likely that the prices for raw materials will increase.

Additionally, the Company continues to be cautious in its expectations of future profitability because of the uncontrollable factors which impact this industry: consumer confidence, gasoline prices, raw material cost volatility, intense competition and currency fluctuations.

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Liquidity and Capital Resources

Generation and uses of cash Net cash provided by operating activities of continuing operations was $33 million in the first three months of 2009, an improvement of $81 million from the first three months of 2008. The change in inventories was the primary reason for this improvement.

Net cash used in investing activities during the first quarter of 2009 reflects capital expenditures of $17 million, a reduction of $15 million from 2008 levels. Also, in 2008 the Company made the final payment associated with the purchase of Cooper Chengshan.

The issuances of debt in 2008 relate to the Company s operations in China. During the first quarter of 2009, the Company s Asian subsidiaries repaid $21.7 million and refinanced $90.7 million of debt reducing outstanding debt balances by $25.8 million, after the impacts of currency exchange fluctuations.

During the first quarter of 2008, the Company repurchased $14.0 million of its Senior Notes due in 2009 and repurchased 803,300 shares of its common stock for $13.9 million. The Company has remaining authorization to repurchase $104 million of debt and $40 million for share repurchases but the Company has temporarily suspended its debt and share repurchase programs.

During the first quarter of 2008, the Company s Cooper Kenda joint venture received $4.3 million of capital contributions from its joint venture partner.

Dividends paid on the Company s common shares in the first quarter of 2008 and 2009 were $6.2 million.

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 a September 2010 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 March 31, 2009, the Company had cash and cash equivalents of $233 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 March 31, 2009 was $240 million. The additional borrowing capacity on the Asian credit lines totaled $77 million.

The Company expects capital expenditures for 2009 to be in the $100 to $120 million range of which approximately $47 million will be in consolidated entities where the Company s ownership is at or near 50 percent.

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The following table summarizes long-term debt at March 31, 2009:

Parent company	
7.75% unsecured notes due December 2009	$ 96.9
8% unsecured notes due December 2019	173.6
7.625% unsecured notes due March 2027	116.9
Capitalized leases and other	5.1
	392.5
Subsidiaries	
3.693% to 5.58% unsecured notes due in 2009	33.3
3.718% to 7.47% unsecured notes due in 2010	14.9
5.4% to 7.56% unsecured notes due in 2011	18.2
5.4% unsecured notes due in 2012	10.2
	76.6
Less current maturities	140.7
	$ 328.4

Contingencies

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 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 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 t 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, crude petroleum 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;
- 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 including closure of the Albany, Georgia facility;
- 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 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 March 31, 2009 from those detailed in the Company s Annual Report on Form 10-K filed with the SEC for the year ended December 31, 2008.

Item 4. CONTROLS AND PROCEDURES

Pursuant to the requirements of the Sarbanes-Oxley Act of 2002, the Company s management, with the participation of the Chief Executive Officer and Chief Financial Officer of the Company, have evaluated, as of the end of the period covered by this Quarterly Report on Form 10-Q, the effectiveness of the Company s disclosure controls and procedures, including its internal controls and procedures. 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 in identifying the information required to be disclosed in the Company s periodic reports filed with the SEC, including this Quarterly Report on Form 10-Q, and ensuring that such information is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms.

There have been no changes in the Company s internal control over financial reporting during the first quarter of 2009 that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

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 12 for a discussion of this litigation.

Item 1A. RISK FACTORS

At March 31, 2009, 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.

The subprime mortgage crisis, decline in housing markets and disruptions in the financial markets, including the bankruptcy, restructuring, sale or acquisition of major financial institutions, may adversely affect the availability of credit already arranged, and the availability and cost of credit in the future. The disruptions in the financial markets also have affected business and consumer spending patterns. These disruptions could result in further volatility in raw material costs, reductions in sales of the Company s products, reductions in asset values, longer sales cycles, and increased price competition, as well as reductions in the borrowing base under the Company s credit facilities. There can be no assurances that U.S. and non-U.S. governmental responses to the disruptions in the financial markets will restore business or consumer confidence, stabilize markets or increase liquidity and the availability of credit.

The deterioration in the macroeconomic environment, including disruptions in the credit markets, is also impacting the Company s customers and retail consumers. Similarly, these macroeconomic disruptions are also impacting the Company s suppliers. Depending upon the severity and duration of these factors, the Company s profitability and liquidity position could be negatively impacted.

The above factors have created overcapacity in the industry which may lead to significantly increased price competition and product discounts, resulting in lower margins in the business.

Pricing volatility for raw materials, including rubber and carbon black, could result in increased costs and may affect the Company s profitability.

The pricing volatility for natural rubber and petroleum-based materials contribute 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 materials supplies will increase the Company s production costs and affect its margins and results of operations 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 eight 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. Overall, the Company s energy costs were at historically high levels on average during 2008. Increasing 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.

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. Some of the Company s competitors have operations in lower-cost countries. Increased 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 reduce costs by reducing excess capacity, leveraging global purchasing of raw materials, improving

productivity, eliminating redundancies and increasing production at low-cost supply sources. If the Company is unable to offset continued pressures with improved operating efficiencies and reduced spending, its sales, margins, operating results and market share would decline.

The Company may be unable to recover new product 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 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, continental Europe, Mexico and Asia (primarily in China). The Company has expanded its operations in Asia, constructed a manufacturing plant in China and invested in a tire manufacturing facility 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 Asia and elsewhere and otherwise achieve its objectives relating to its foreign operations. 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 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. 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, increases in the salary increase 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.

The market turmoil described in the first Risk Factor above caused disruption in the capital markets and losses during 2008 in the Company s pension investments. At December 31, 2008, on a global basis, the Company s pension funds obligations measured on a projected benefit obligation basis, exceeded plan assets by $269 million compared to underfunding of $43 million at the end of 2007. The Company s minimum global pension funding requirements are between $35 million and $40 million in 2009 and, based on current assumptions, higher levels in 2010 and thereafter. In the event of further declines in the market value of the Company s pension assets, the Company could experience changes to its Consolidated Balance Sheet which would include an increase to Other long-term liabilities and a corresponding decrease in Stockholders equity through Other comprehensive income.

In connection with the closure of the manufacturing facility in Albany, Georgia, the Company has been engaged in discussions with the Pension Benefit Guarantee Corporation (PBGC) regarding the potential for additional

pension funding obligations. The Company s current estimates of pension funding for 2009 include amounts related to this initiative, however, if the PBGC determines additional pension funding is necessary, the Company will be required to utilize cash to make such additional contributions and such use of cash could have an adverse effect on the Company s results of operations, cash flow and financial results.

Cooper and the United Steelworkers entered into a series of letter agreements beginning in 1991 establishing maximum annual amounts that Cooper would contribute for funding the cost of health care coverage for certain union retirees who retired after specific dates. Prior to January 1, 2004, the maximum annual amounts had never been implemented. On January 1, 2004, however, Cooper implemented the existing letter agreement according to its terms and began requiring these retirees and surviving spouses to make contributions for the cost of their health care coverage.

On April 18, 2006, a group of Cooper union retirees and surviving spouses filed a lawsuit in the U.S. District Court for the Northern District of Ohio on behalf of a purported class claiming that Cooper was not entitled to impose *any* contribution requirement pursuant to the letter agreements and that Plaintiffs were promised lifetime benefits, at no cost, after retirement under the terms of the union-Cooper negotiated Pension and Insurance Agreements in effect at the time that they retired.

On May 13, 2008, 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 holding that a series of pension and insurance agreements negotiated by the Company and its various union locals over the years conferred vested lifetime health care benefits upon certain Company hourly retirees. The court further held that these benefits were not subject to the caps on the Company s annual contributions for retiree health care benefits that the Company had negotiated with the union locals. Subsequent to that order, the court granted the plaintiffs motion for class certification. The Company has initiated the process of pursuing an appeal of the order to the Sixth Circuit of Appeals, while simultaneously reviewing other means of satisfactorily resolving the case through settlement discussions. As a result of the settlement discussions and in an attempt to resolve the claims relating to health care benefits for all of the Company s hourly union-represented retirees, a related lawsuit, *Johnson, et al v. Cooper Tire & Rubber Company*, was filed on February 3, 2009, with the court on behalf of a different, smaller group of hourly union-represented retirees. The second case has been stayed pending the parties settlement discussions.

In April, 2009, the parties negotiated a tentative agreement intended to resolve all related claims for these matters. The tentative agreement, which is subject to various approvals, provides for 1) specified payments to the plaintiffs and attorney fees 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.

While the tentative agreement could be modified before it becomes effective and the related cases are concluded, the Company believes it is probable that the related costs of resolving these cases will be close to the amounts in the tentative agreement and, accordingly, has recorded $7.1 million of expense during the first quarter relating to the specified payments and attorney fees. The estimated present value of costs related to the plan amendment is expected to be approximately $7.7 million which has been reflected as an increase in the accrual for Other Post-employment Benefits with an offset to the Accumulated Other Comprehensive Income component of Shareholders Equity and will be amortized as a charge to operations over the remaining live expectancy of the affected plan participants beginning with the effective date of the changes.

The Financial Accounting Standards Board may propose 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.

Compliance with the TREAD Act and similar regulatory initiatives could increase the cost of operating the Company s business.

The Company is subject to the Transportation Recall Enhancement Accountability and Documentation Act, or the TREAD Act, which was adopted in 2000. Proposed and final rules issued under the TREAD Act regulate test standards, tire labeling, tire pressure monitoring, early warning reporting, tire recalls and record retention.

Compliance with TREAD Act regulations has increased, and will continue to increase, the cost of producing and distributing tires in the U.S. Compliance with the TREAD Act and other federal, state and local laws and regulations 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.

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, under the TREAD Act or otherwise, could occur in the future. A substantial recall could harm the Company s reputation, operating results and financial position.

Beginning with the third quarter, 2003, the TREAD Act required that all tire companies submit quarterly data to NHTSA on fatalities, injuries and property damage claims on tires. On July 22, 2008, the U.S. District Court of Appeals for the District of Columbia Circuit ruled that this data is not subject to automatic exemption from disclosure made in response to requests under the Freedom of Information Act. Consequently, the Company s data, which is unverified at the time of submission to NHTSA, may be made public in the near future. The impact, if any, of this release on current or future litigation or on future sales is not known at this time.

***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. employees are currently represented by unions. The labor agreement at Findlay does not expire until October 2011 and the labor agreement at Texarkana does not expire until January 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 or its collective bargaining agreements with those unions. If the Company fails to extend or renegotiate its agreements with the labor unions on satisfactory terms, or if its unionized employees were to engage in a strike or other work stoppages, the Company s business and operating results could suffer.

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.

Capital and Financial Markets; Liquidity.

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. As a result of the credit and liquidity crisis in the United States and throughout the global financial system, substantial volatility in world capital markets and the banking industry has occurred. This volatility and other events have had a significant negative impact on financial markets, as well as the overall economy. From a financial perspective, this

unprecedented instability may make it difficult for the Company to access the credit market 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.

At March 31, 2009, the Company has $141 million of long-term debt maturing within one year, of which approximately $97 million is in the parent company, and an additional $163 million of short term notes payable in partially-owned, consolidated subsidiaries.

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 decline.

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 capabilities and enablers to support strategic goals.

On December 17, 2008, the Company announced its intent to close its Albany, Georgia manufacturing facility. This initiative is discussed under Restructuring in the Management Discussion and Analysis. Estimates of charges and cash outlays related to the plant closing are based on various assumptions which could differ from actual costs and cash outlays required to complete the plant closure.

If the assumptions used in developing the strategic plan or restructuring costs and cash outlays vary significantly from actual conditions and/or the Company does not successfully execute specific tactics supporting the plan or the transfer of products from the Albany, Georgia facility to its other North America facilities, 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.

The Company may not be successful in integrating future 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 other than as disclosed elsewhere in this report. 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. These risks could also reduce the Company s flexibility to respond to changes in its industry or in general economic conditions.

Future acquisitions and their related financings may adversely affect the Company s liquidity and capital resources.

The Company may finance any future acquisitions, including those that are part of its Asian strategy, 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. In connection with its acquisition of Cooper Chengshan, beginning January 1, 2009 and continuing through December 31, 2011, the minority interest partner has the right to sell and, if exercised, the Company has the obligation to purchase, the remaining 49 percent minority interest share at a minimum price of $62.7 million. 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.

The Company is required to comply with environmental laws and regulations that 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 August through November. The seasonality of this portion of the Company s business may affect its operating results from quarter-to-quarter.

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

A valuation allowance is required pursuant to SFAS No. 109, 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 assets will 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

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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 $222.8 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 $8.1 million for 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 first quarter 2009 by $0.4 million. The pension liability and associated deferred tax asset adjustment recorded to equity as a result of SFAS No. 158, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans, accounts for $139.3 million of the total valuation allowance at March 31, 2009.

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 Company adopted SFAS No. 158 in December 2006 and the statement of financial position reflects the impacts of this accounting standard.

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 Capital and Financial Markets; Liquidity.

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.

In connection with its acquisition of Cooper Chengshan, beginning January 1, 2009 and continuing through December 31, 2011, the minority interest partner has the right to sell and, if exercised, the Company has the obligation to purchase, the remaining 49 percent minority interest share at a minimum price of $62.7 million.

The minority investment in a tire plant 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.

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Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

(a) The Company s Annual Meeting of Stockholders was held on May 5, 2009.

(b) All of the nominees for directors, as listed below under (c) and on pages 3 and 4 of the Company s Proxy Statement dated March 26, 2009, were elected. The following directors have terms of office which continued after the Annual Meeting.

Roy V. Armes	Steven M. Chapman
Laurie J. Breininger	Richard L. Wambold
Thomas P. Capo	Robert D. Welding

(c) A description of each matter voted upon at the Annual Meeting is contained on pages 3, 4 and 7 of the Company s Proxy Statement dated March 26, 2009, which pages are incorporated herein by reference.

The number of votes cast by common stockholders with respect to each matter is as follows:

(i) Election of directors

	Term Expires	Affirmative Votes	Withheld Votes
John J. Holland	2012	48,686,158	1,589,155
John F. Meier	2012	47,347,003	2,928,310
John H. Shuey	2012	47,464,680	2,810,634

At March 9, 2009, the record date, there were 58,948,505 shares of common stock issued and outstanding and entitled to vote at the Annual Meeting. Each of the directors received in excess of a majority of votes cast for their respective election.

(ii) Ratification of the selection of the Company s independent auditors. The votes that had been submitted on the proposal were as follows:

Affirmative Votes	48,398,444
Negative Votes	1,676,012
Abstentions	200,855

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/ P. G. Weaver

P. G. Weaver
Vice President and Chief Financial Officer
(Principal Financial Officer)

/s/ R. W. Huber

R. W. Huber
Director of External Reporting
(Principal Accounting Officer)

May 6, 2009
(Date)