

COOPER TIRE & RUBBER CO

FORM 10-K (Annual Report)

Filed 02/26/09 for the Period Ending 12/31/08

Address	LIMA & WESTERN AVENUES FINDLAY, OH 45840
Telephone	4194231321
CIK	0000024491
Symbol	CTB
SIC Code	3011 - Tires and Inner Tubes
Industry	Tires
Sector	Consumer Cyclical
Fiscal Year	12/31

Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K

For Annual and Transition Reports Pursuant to Sections 13 or 15(d) of the Securities Exchange Act of 1934

(Mark One)

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2008

or

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from _____ to _____

Commission File Number 001-04329



COOPER TIRE & RUBBER COMPANY
(Exact name of registrant as specified in its charter)

DELAWARE
(State of incorporation)

701 Lima Avenue, Findlay, Ohio
(Address of principal executive offices)

34-4297750
(I.R.S. employer
identification no.)
45840
(Zip Code)

Registrant's telephone number, including area code: (419) 423-1321

Securities registered pursuant to Section 12(b) of the Act:

(Title of each class)	(Name of each exchange on which registered)
Common Stock, \$1 par value per share	New York Stock Exchange
Rights to Purchase Series A Preferred Stock	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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 Accelerated filer Non-accelerated filer Smaller reporting company
(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 No

The aggregate market value of the voting common stock held by non-affiliates of the registrant at June 30, 2008 was \$455,673,829.

The number of shares outstanding of the registrant's common stock as of January 31, 2009 was 58,932,281.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information from the registrant's definitive proxy statement for its 2009 Annual Meeting of Stockholders is hereby incorporated by reference into Part III, Items 10 - 14, of this report.

TABLE OF CONTENTS
 COOPER TIRE & RUBBER COMPANY – FORM 10-K
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008

	Page
Cover	1
Table of Contents	2
Part I	
Item 1 – Business	2-6
Item 1A – Risk Factors	6-11
Item 1B – Unresolved Staff Comments	11
Item 2 – Properties	11-12
Item 3 – Legal Proceedings	12
Item 4 – Submission of Matters to a Vote of Security Holders	12
Part II	
Item 5 – Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	14-16
Item 6 – Selected Financial Data	17
Item 7 – Management’s Discussion and Analysis of Financial Condition and Results of Operations	18-34
Item 7A – Quantitative and Qualitative Disclosures About Market Risk	34
Item 8 – Financial Statements and Supplementary Data	35-71
Item 9 – Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	72
Item 9A – Controls and Procedures	72-73
Item 9B – Other Information	73
Part III	
Item 10 – Directors and Corporate Governance	73
Item 11 – Executive Compensation	73
Item 12 – Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	74
Item 13 – Certain Relationships and Related Transactions, and Director Independence	74
Item 14 – Principal Accountant Fees and Services	74
Part IV	
Item 15 – Exhibits and Financial Statement Schedules	75
Signatures	76
Exhibit Index	77-79
EX-10(I)	
EX-10(II)	
EX-10(XVI)	
EX-13	
EX-21	
EX-23	
EX-24	
EX-31.1	
EX-31.2	
EX-32	

PART I

Item 1. BUSINESS

Cooper Tire & Rubber Company (“Cooper” or the “Company”) is a leading manufacturer of replacement tires. It is the fourth largest tire manufacturer in North America and, according to a recognized trade source, is the ninth largest tire company in the world based on sales. Cooper focuses on the manufacture and sale of passenger and light truck replacement tires. It also manufactures radial medium and bias light truck tires. The Company also manufactures and sells motorcycle and racing tires.

The Company is organized into two separate, reportable business segments: North American Tire Operations and International Tire Operations. Each segment is managed separately. Additional information on the Company’s segments, including their financial results, total assets, products, markets and presence in particular geographic areas, appears in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the “Business Segments” note to the consolidated financial statements.

Cooper was incorporated in the state of Delaware in 1930 as the successor to a business originally founded in 1914. Based in Findlay, Ohio, Cooper currently operates 8 manufacturing facilities and 40 distribution centers in 10 countries. As of December 31, 2008, the Company employed 13,311 persons worldwide.

Business Segments

North American Tire Operations

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 other large automotive product retail chains. 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”).

The segment operates in a highly competitive industry, which includes Bridgestone Corporation, Goodyear Tire & Rubber Company and Groupe Michelin. These competitors are substantially larger than the Company and serve OEMs as well as the replacement portion of the tire market. The segment also faces competition from low-cost producers in Asia and South America. Some of those producers are foreign subsidiaries of its competitors in North America. The segment had a market share in 2008 of approximately 13 percent of all light vehicle replacement tire sales in the United States. A small percentage of the products manufactured by the segment in the United States are exported throughout the world.

Success in competing for the sale of replacement tires is dependent upon many factors, the most important of which are price, quality, line coverage, availability through appropriate distribution channels and relationships with dealers. Other factors of importance are warranty, credit terms and other value-added programs. The segment has built close working relationships through the years with its independent dealers. It believes those relationships have enabled it to obtain a competitive advantage in the replacement market. As a steadily increasing percentage of replacement tires are sold by large regional and national tire retailers, the segment has increased its penetration of those distribution channels, while maintaining a focus on its traditionally strong network of independent dealers. In addition, as an increasing percentage of replacement tires sold are in the high performance and ultra-high performance categories, the segment has worked aggressively to increase its production capacity of this type of premium tire to keep up with increasing customer requirements. Part of this capacity expansion is comprised of the outsourcing of tires to manufacturers in Asia and Mexico. The segment currently has a manufacturing supply agreement with an Asian and a Mexican manufacturer to provide tires for distribution in the United States.

The replacement tire business has a broad customer base. Overall, a balanced mix of customers and the offering of both proprietary brand and private label tires help to protect the segment from the adverse effects that could result from the loss of a major customer. Customers place orders on a month-to-month basis and the segment adjusts production and inventory to meet those orders which results in varying backlogs of orders at different times of the year.

International Tire Operations Segment

The International Tire Operations segment has manufacturing facilities in the United Kingdom and China. The segment has two sales offices and an administrative office in China through which it is managing and developing the Company’s increasing commercial relationships in Asia.

In the United Kingdom, the segment currently produces passenger car, light truck, racing and motorcycle tires and markets these products primarily to dealers in the replacement markets in the United Kingdom, continental Europe and Scandinavia. The segment has subsidiaries in France, Germany, Italy, Spain and Switzerland for marketing its products in continental Europe. The segment does not sell its products directly to end users and does not manufacture tires for sale to OEMs in Europe, other than several small contracts with specialty vehicle manufacturers in the United Kingdom.

In China, the segment currently produces passenger car, bias, radial light and medium truck tires, and off-the-road tires. These products are manufactured for export to Europe and North America and are also marketed to dealers in the replacement tire market within China. Only a small percentage of the tires manufactured in China are sold to OEMs.

The segment has a joint venture with an Asian partner and has constructed a manufacturing plant in China. Production in this facility commenced in the first quarter of 2007. In addition, the segment currently has a manufacturing supply agreement with an Asian manufacturer to provide entry-level passenger tires from China for distribution in the European market.

As in North America, the segment operates in a highly competitive industry, which includes Bridgestone Corporation, Goodyear Tire & Rubber Company and Groupe Michelin. These competitors are substantially larger than the Company and serve OEMs as well as the replacement portion of the tire market. The segment also faces competition from low-cost producers in Asia.

Discontinued Operations

The discontinued operations as reported in this Form 10-K include the operations of Cooper-Standard Automotive (formerly the Automotive segment), which was sold on December 23, 2004, and the operations of the Oliver Rubber Company (formerly a subsidiary which was part of the North American Tire Operations segment), which was sold on October 5, 2007.

Cooper-Standard Automotive produced components, systems, subsystems and modules for incorporation into the passenger vehicles and light trucks manufactured by the global automotive OEMs. The Company's Oliver Rubber Company subsidiary produced tread rubber and retreading equipment.

The Company elected to sell Cooper-Standard Automotive and Oliver Rubber Company in order to more fully focus management attention and Company resources on the primary business of replacement tires.

Raw Materials

The Company's principal raw materials include natural rubber, synthetic rubber, carbon black, chemicals and steel reinforcement components. The Company acquires its raw materials from various sources around the world to assure continuing supplies for its manufacturing operations and mitigate the risk of potential supply disruptions.

The Company experienced significant increases in the costs of certain of its principal raw materials during 2008 when compared with the levels experienced during 2007. Approximately 65 percent of the Company's raw materials are petroleum-based and crude oil continued its upward trend by setting new price highs in the third quarter of 2008. Natural rubber prices also peaked at all-time highs during 2008. The increases in the cost of natural rubber and petroleum-based materials were the most significant drivers of higher raw material costs during the year. In the fourth quarter of 2008 the pricing of certain commodities began to decline. The pricing volatility of these commodities contributes to the difficulty in managing the costs of raw materials.

During 2008 the Company experienced difficulties in obtaining some of the raw materials it uses in production. These shortages were initially driven by changes in the quantity of production of certain raw materials by the Company's suppliers. This situation was further exacerbated in the third quarter by the impacts of Hurricane Ike in the gulf region of the United States.

The Company's International Tire Operations pre-purchased significant amounts of raw materials, particularly natural rubber during a period when prices for these commodities were high. This was done with the intent of assuring supply and minimizing future cost increases. At the end of 2008 demand for tires severely declined affecting the rate at which these raw materials could be used. The Company was required to record a charge of \$5.8 million related to these raw materials at the end of 2008 to adhere to lower of cost or market accounting principles.

The Company has a purchasing office in Singapore to acquire natural rubber and various raw materials directly from producers in Southeast Asia. This purchasing operation enables the Company to work directly with producers to continually improve consistency and quality and to reduce the costs of materials, transportation and transactions.

The Company is an equity investor in RubberNetwork.com LLC, which was established by the major manufacturers in the tire and rubber industry to achieve cost savings through increased efficiencies and opportunities for relevant benchmarking in the procurement and processing of raw materials, indirect materials and services through the application of strategic sourcing and supply chain management. The Company recognized significant savings in purchasing certain raw materials, indirect materials and services through the use of this procurement method during 2008.

The Company's contractual relationships with its raw material suppliers are generally based on long-term agreements and/or purchase order arrangements. For natural rubber and natural gas, procurement is managed by buying forward 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 purchases. These arrangements only cover quantities needed to satisfy normal manufacturing demands.

Working Capital

The Company's working capital consists mainly of inventory, accounts receivable, and accounts payable. These working capital accounts are closely managed by the Company. Inventories turn regularly, but typically increase during the first half of the year before declining as a result of increased sales in the second half. Inventory balances as presented on the balance sheet are valued at a Last In First Out (LIFO) basis for the North American segment. Accounts receivable and accounts payable are also affected by this business cycle, typically requiring the Company to have greater working capital needs during the second and third quarters. The Company engages in a rigorous credit analysis of its customers and monitors their financial positions. The Company will offer incentives to certain customers to encourage the payment of account balances prior to their scheduled due dates.

Table of Contents

At December 31, 2008, the Company held cash of \$248 million. The Company's finished goods inventory at December 31, 2008 is higher than in the prior year as the Company built inventory to improve customer service levels. The reduced demand in the replacement tire industry due to the global economic slowdown has also contributed to higher finished goods and raw materials inventories.

Research, Development and Product Improvement

The Company directs its research activities toward product development, improvements in quality and operating efficiency. The Company conducts extensive testing of current tire lines, as well as new concepts in tire design, construction and materials. During 2008, approximately 61 million miles of tests were performed on indoor test wheels and in monitored road tests. The Company has a tire and vehicle test track in Texas that assists with the Company's testing activities. Uniformity equipment is used to physically monitor its manufactured tires for high standards of ride quality. The Company continues to design and develop specialized equipment to fit the precise needs of its manufacturing and quality control requirements. Research and development expenditures were \$23.2 million, \$22.1 million and \$23.1 million during 2006, 2007 and 2008, respectively.

Patents, Intellectual Property and Trademarks

The Company owns and/or has licenses to use patents and intellectual property, covering various aspects in the design and manufacture of its products and processes, and equipment for the manufacture of its products that will continue to be amortized over the next three to ten years. While the Company believes these assets as a group are of material importance, it does not consider any one asset or group of these assets to be of such importance that the loss or expiration thereof would materially affect its business.

The Company owns and uses tradenames and trademarks worldwide. While the Company believes such tradenames and trademarks as a group are of material importance, the trademarks the Company considers most significant to its business are those using the words "Cooper," "Mastercraft" and "Avon." The Company believes all of these significant trademarks are valid and will have unlimited duration as long as they are adequately protected and appropriately used. Certain other tradenames and trademarks are being amortized over the next 9 to 21 years.

Seasonal Trends

There is a year-round demand for passenger and truck replacement tires, but passenger replacement tire sales are generally strongest during the third and fourth quarters of the year. Winter tires are sold principally during the months of August through November.

Environmental Matters

The Company recognizes the importance of compliance in environmental matters and has an organizational structure to supervise environmental activities, planning and programs. The Company also participates in activities concerning general industry environmental matters.

The Company's manufacturing facilities, like those of the industry generally, are subject to numerous laws and regulations designed to protect the environment. In general, the Company has not experienced difficulty in complying with these requirements and believes they have not had a material adverse effect on its financial condition or the results of its operations. The Company expects additional requirements with respect to environmental matters will be imposed in the future. The Company's 2008 expense and capital expenditures for environmental matters at its facilities were not material, nor is it expected that expenditures in 2009 for such uses will be material.

Foreign Operations

The Company has a manufacturing facility, a technical center, a distribution center and its European headquarters office located in the United Kingdom. There are five distribution centers and five sales offices in Europe. The Company has two manufacturing facilities, 18 distribution centers, a technical center, two sales offices and an administrative office in China. The Company also has a purchasing office in Singapore. In Mexico, the Company has a sales office and four distribution centers.

The Company believes the risks of conducting business in less developed markets, including China and other Asian countries, are somewhat greater than in the United States, Canadian and Western European markets. This is due to the potential for currency volatility, high interest and inflation rates, and the general political and economic instability that are associated with emerging markets.

The Company's 2008 net sales attributable to its foreign subsidiaries, and shipments of exports from the United States, approximated \$1,070 million, or approximately 37 percent of consolidated net sales. Additional information on the Company's foreign operations can be found in the "Business Segments" note to the consolidated financial statements.

Available Information

The Company makes available free of charge on or through its Internet website its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as soon as reasonably practicable after it electronically files such material with, or furnishes it to, the U.S. Securities and Exchange Commission ("SEC"). The Company's internet address is <http://www.coopertire.com>. The Company has adopted charters for each of its Audit, Compensation and Nominating and Governance Committees, corporate governance guidelines and a code of business ethics and conduct which are available on the Company's internet website and will be available to any stockholder who requests them from the Company's Director of Investor Relations. The information contained on the Company's website is not incorporated by reference in this annual report on Form 10-K and should not be considered a part of this report.

Item 1A. RISK FACTORS

The Company has further updated 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). Recently, 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 has 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 expects global pension funding of between \$45 million and \$50 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.

Management cannot reasonably determine the scope or amount of possible liabilities that could result from an unfavorable settlement or resolution of these claims and no reserves for these claims have been established as of December 31, 2008. However, it is possible that an unfavorable resolution of these claims could have an adverse effect on the Company's financial condition, cash flow and results of operations, and there can be no assurance that the Company will be able to achieve a favorable settlement or resolution of these claims.

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 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.

During 2009, the Company has \$147 million of long-term debt maturing of which approximately \$97 million is in the parent company and an additional \$185 million of short term notes payable in partially-owned, consolidated subsidiaries for a total amount due of \$332 million.

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 four imperatives:

- Build a sustainable, competitive cost position,
- Secure cost effective supply,
- Drive profitable top line growth, and
- Build bold capabilities and enablers to support strategic goals.

In October 2008 the Company announced a network capacity study for its United States operations. This study was triggered by recent market supply and demand conditions. At the conclusion of this study, 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 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 \$222.1 million valuation allowance for the portion of U.S. deferred tax assets exceeding deferred tax liabilities. 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 increased in 2008 by \$135.5 million. In addition, the Company has recorded valuation allowances of \$9.2 million for net

Table of Contents

deferred tax assets primarily associated with losses in foreign jurisdictions. 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 \$142.3 million of the total valuation allowance at December 31, 2008.

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.

Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 2. PROPERTIES

As shown in the following table, at December 31, 2008 the Company maintained 70 manufacturing, distribution, retail stores and office facilities worldwide. The Company owns a majority of the manufacturing facilities while some manufacturing, distribution and office facilities are leased.

Table of Contents

<u>Type of Facility</u>	<u>North American Tire Operations</u>		<u>International Tire Operations</u>		<u>Total</u>
	<u>United States</u>	<u>Mexico</u>	<u>Europe</u>	<u>Asia</u>	
Manufacturing	5	-	1	2	8
Distribution	12	4	6	18	40
Retail stores	3	-	-	-	3
Technical centers and offices	6	1	7	5	19
Total	26	5	14	25	70

The Company believes its properties have been adequately maintained, generally are in good condition and are suitable and adequate to meet the demands of each segment's business.

Item 3. 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. After reviewing all of these proceedings, and taking into account all relevant factors concerning them, the Company does not believe that any liabilities resulting from these proceedings are reasonably likely to have a material adverse effect on its liquidity, financial condition or results of operations in excess of amounts recorded at December 31, 2008.

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.

Management cannot reasonably determine the scope or amount of possible liabilities that could result from an unfavorable settlement or resolution of these claims and no reserves for these claims have been established as of December 31, 2008. However, it is possible that an unfavorable resolution of these claims could have an adverse effect on the Company's financial condition, cash flow and results of operations, and there can be no assurance that the Company will be able to achieve a favorable settlement or resolution of these claims.

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

No matter was submitted to a vote of security holders during the fourth quarter of the fiscal year ended December 31, 2008.

EXECUTIVE OFFICERS OF THE REGISTRANT

The names, ages and all positions and offices held by all executive officers of the Company are as follows:

Name	Age	Executive Office Held	Business Experience
Roy V. Armes	56	Chairman of the Board, President, Chief Executive Officer and Director	Chairman of the Board since December 2007, President, Chief Executive Officer and Director since January 2007. Previously, Senior Vice President of Project Development at Whirlpool Corporation, a marketer and manufacturer of home appliances, since January 2006; Corporate Vice President and General Director at Whirlpool Mexico from 2002 to January 2006.
James E. Kline	67	Vice President, General Counsel and Secretary	Vice President, General Counsel and Secretary since April 2003. Vice President from February to April 2003.
Mark W. Krivoruchka	54	Senior Vice President	Senior Vice President, Global Human Resources and Communication since July 2008. Senior Vice President, Global Human Resources from August 2007 to July 2008. Previously, Senior Vice President of Human Resources Integration of Whirlpool Corporation, a marketer and manufacturer of home appliances, since 2006; and Senior Vice President -- Human Resources of Maytag Corporation, a marketer and manufacturer of home appliances, from 2002 to 2006.
Harold C. Miller	56	Vice President	Vice President since March 2002.
Philip G. Weaver	56	Vice President and Chief Financial Officer	Vice President and Chief Financial Officer since 1999.

Each such officer shall hold such office until a successor is selected and qualified.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

(a) Market information

Cooper Tire & Rubber Company common stock is traded on the New York Stock Exchange under the symbol CTB. The following table sets forth, for the periods indicated, the high and low sales prices of the common stock as reported in the consolidated reporting system for the New York Stock Exchange Composite Transactions:

Year Ended December 31, 2007	<u>High</u>	<u>Low</u>
First Quarter	\$ 19.19	\$ 14.36
Second Quarter	28.18	18.39
Third Quarter	28.50	18.68
Fourth Quarter	25.85	14.04
Year Ended December 31, 2008	<u>High</u>	<u>Low</u>
First Quarter	\$ 20.80	\$ 13.21
Second Quarter	15.81	7.74
Third Quarter	12.15	7.05
Fourth Quarter	8.86	3.67

Five-Year Stockholder Return Comparison

The SEC requires that the Company include in its annual report to stockholders a line graph presentation comparing cumulative five-year stockholder returns on an indexed basis with the Standard & Poor's ("S&P") Stock Index and either a published industry or line-of-business index or an index of peer companies selected by the Company. The Company in 1993 chose what is now the S&P 500 Auto Parts & Equipment Index as the most appropriate of the nationally recognized industry standards and has used that index for its stockholder return comparisons in all of its proxy statements since that time.

The following chart assumes three hypothetical \$100 investments on December 31, 2003, and shows the cumulative values at the end of each succeeding year resulting from appreciation or depreciation in the stock market price, assuming dividend reinvestment.

**Total Return To Shareholders
(Includes reinvestment of dividends)**

Company / Index	ANNUAL RETURN PERCENTAGE				
	Years Ending				
	Dec04	Dec05	Dec06	Dec07	Dec08
COOPER TIRE & RUBBER COMPANY	2.81	-27.14	-3.33	18.42	-60.98
S&P 500 INDEX	10.88	4.91	15.79	5.49	-37.00
S&P 500 AUTO PARTS & EQUIPMENT	2.78	-22.47	12.37	27.49	-48.66

Company / Index	Base Period Dec03	INDEXED RETURNS				
		Years Ending				
	Dec03	Dec04	Dec05	Dec06	Dec07	Dec08
COOPER TIRE & RUBBER COMPANY	100	102.81	74.91	72.42	85.76	33.47
S&P 500 INDEX	100	110.88	116.33	134.70	142.10	89.53
S&P 500 AUTO PARTS & EQUIPMENT	100	102.78	79.69	89.54	114.16	58.61

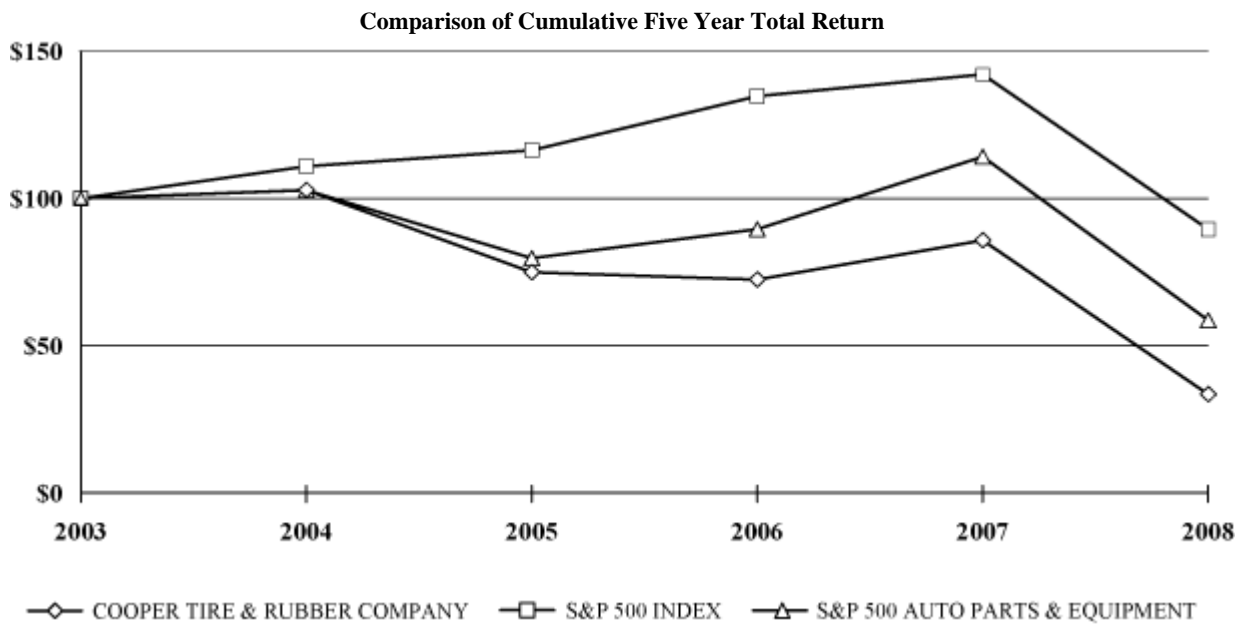


Table of Contents

(b) Holders

The number of holders of record at December 31, 2008 was 2,865.

(c) Dividends

The Company has paid consecutive quarterly dividends on its common stock since 1973. Future dividends will depend upon the Company's earnings, financial condition and other factors. Additional information on the Company's liquidity and capital resources can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations." The Company's retained earnings are available for the payment of cash dividends and the purchases of the Company's shares. Quarterly dividends per common share for the most recent two years are as follows:

	<u>2007</u>		<u>2008</u>
March 30	\$ 0.105	March 31	\$ 0.105
June 29	0.105	June 30	0.105
September 28	0.105	September 30	0.105
December 28	0.105	December 30	0.105
Total:	<u>\$ 0.420</u>	Total:	<u>\$ 0.420</u>

(d) Issuer purchases of equity securities

There were no repurchases of Company stock during the fourth quarter of the year ended December 31, 2008.

Item 6. SELECTED FINANCIAL DATA

The following Selected Financial Data of the Company reflects its continuing operations after the sale of its automotive operations, known as Cooper-Standard Automotive, in a transaction which closed on December 23, 2004 and the sale of the Oliver Rubber Company in a transaction which closed on October 5, 2007.

(Dollar amounts in thousands except for per share amounts)

	<u>Net Sales</u>	<u>Operating Profit (Loss)</u>	<u>Income (loss) from Continuing Operations Before Income taxes and Noncontrolling Shareholders' Interests</u>	<u>Income (loss) from Continuing Operations</u>	<u>Earnings (Loss) Per Share from Continuing Operations</u>	
					<u>Basic</u>	<u>Diluted</u>
2004	\$ 1,951,881	\$ 58,769	\$ 30,317	\$ 24,399	\$ 0.33	\$ 0.33
2005	2,035,623	25,150	(15,953)	(16,016)	(0.25)	(0.25)
2006	2,575,218	(45,252)	(75,995)	(74,320)	(1.21)	(1.21)
2007	2,932,575	134,392	116,030	91,435	1.48	1.46
2008	2,881,811	(216,633)	(257,775)	(219,444)	(3.72)	(3.72)

	<u>Stockholders' Equity</u>	<u>Total Assets</u>	<u>Net Property, Plant & Equipment</u>	<u>Capital Expenditures</u>	<u>Depreciation</u>	<u>Long-term Debt</u>
2004	\$ 1,170,533	\$ 2,668,084	\$ 700,800	\$ 153,360	\$ 104,199	\$ 773,704
2005	938,776	2,152,186	751,767	160,273	103,047	491,618
2006	639,891	2,235,515	970,633	186,190	127,693	513,213
2007	792,291	2,298,490	992,215	140,972	131,007	464,608
2008	294,116	2,042,896	901,274	128,773	138,805	325,749

	<u>Long-term Debt To Capitalization</u>		<u>Dividends Per Share</u>	<u>Average Common Shares (000)</u>	<u>Number of Employees</u>
2004	39.8	%	\$ 0.42	74,201	8,739
2005	34.4	%	0.42	63,653	8,762
2006	44.5	%	0.42	61,338	13,361
2007	41.0	%	0.42	61,938	13,355
2008	52.6	%	0.42	59,048	13,311

As detailed in Note 2 – Acquisitions, effective February 4, 2006, the Company acquired a 51 percent ownership position in Cooper Chengshan (Shandong) Passenger Tire Company Ltd. and Cooper Chengshan (Shandong) Tire Company, Ltd. (“Cooper Chengshan”). The acquisition has been accounted for as a purchase transaction and the fair value of fixed assets, liabilities, and tangible and identifiable intangible assets have been included in the Company’s Consolidated Balance Sheets at December 31, 2007 and 2008 along with the goodwill associated with the transaction which was written off in 2008. The operating results of Cooper Chengshan have been included in the consolidated financial statements of the Company since the date of acquisition.

Note 12 – Pensions and Postretirement Benefits Other than Pensions describes the Company’s adoption of SFAS No. 158 at December 31, 2006 and discloses the impact of the adoption on the Company’s Stockholders’ Equity.

The Company’s continuing operations recorded an impairment charge during 2006 of \$47,973 related to goodwill and an indefinite-lived intangible asset and recorded an impairment charge during 2008 of \$31,340 related to goodwill as described in Note 6 – Goodwill and Intangibles.

In 2008, the Company’s continuing operations recorded \$76,402 of restructuring charges associated with the planned closures of its Albany, Georgia manufacturing facility and Dayton, New Jersey distribution center as described in Note 18 – Restructuring.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Business of the Company

The Company produces and markets passenger, light truck, medium truck, motorsport and motorcycle tires which are sold nationally and internationally in the replacement tire market to independent tire dealers, wholesale distributors, regional and national retail tire chains and large retail chains that sell tires, as well as other automotive and racing products.

The Company is focused on profitable long-term growth in the replacement tire market. In December 2004, the Company sold its automotive segment, known as Cooper-Standard Automotive, and in 2007 it sold Oliver Rubber Company, a subsidiary which was part of the North American Tire Operations segment. These sales provided the Company opportunities to focus exclusively on its global tire business.

In recent years the Company has faced both general industry and internal challenges. These have included escalating raw material costs, increasing product complexity, and pressure from competitors with manufacturing in lower-cost regions. Additionally industry demand for tires has been weak since 2006. The global economic environment began to severely decline in 2007 with a global recession beginning in 2008. This has affected the Company as projections developed during the strategic planning process included global growth for demand in tires. The Company also assumed that the credit markets would be stable. As the credit crisis developed it has had an impact on the cost and availability of credit to the Company.

To address these conditions and position the Company for future success, a Strategic Plan was developed which the Company is implementing. This plan has four imperatives:

- Build a sustainable, competitive cost position,
- Secure cost effective supply,
- Drive profitable top line growth, and
- Build bold capabilities and enablers to support strategic goals.

To support these imperatives the Company has undertaken a number of cost saving and profit improvement initiatives. These have included a wide variety of projects in the areas of manufacturing, selling and general administrative and logistics. The implementation of these projects had a favorable impact on the Company's profitability in 2008.

The Company also is expanding operations in what are considered lower-cost countries. These initiatives include the Cooper Kenda Tire manufacturing joint venture in China, the Cooper Chengshan joint venture in China and the investment in a manufacturing facility in Mexico. Products from these operations will both provide a lower cost source of tires for existing markets and be used to expand the Company's market share in Mexico and China.

The Company has launched new and innovative products in the premium broadline segment where it is pursuing profitable growth. The Company's marketing programs will continue to be customer driven and emphasize controlled growth of profitable products.

The following discussion of financial condition and results of operations should be read together with "Selected Financial Data," the Company's consolidated financial statements and the notes to those statements and other financial information included elsewhere in this report.

This Management's Discussion and Analysis of Financial Condition and Results of Operations presents information related to the consolidated results of the continuing operations of the Company, including the impact of restructuring costs on the Company's results, a discussion of past results and future outlook of each of the Company's segments and information concerning both the liquidity and capital resources and critical accounting policies of the Company. A discussion of the past results of its discontinued operations and information related to the gains recognized on the sales of Cooper-Standard Automotive and Oliver Rubber Company are also included. This report contains forward-looking statements that involve risks and uncertainties. The Company's actual results may differ materially from those indicated in the forward-looking statements. See Risk Factors in Item 1A for information regarding forward-looking statements.

Consolidated Results of Continuing Operations

(Dollar amounts in millions except per share amounts)	2006	% Change	2007	% Change	2008
Revenues:					
North American Tire	\$ 1,995.2	10.8%	\$ 2,209.8	-3.1%	\$ 2,142.1
International Tire	680.1	29.6%	881.3	10.6%	975.0
Eliminations	(100.1)	58.3%	(158.5)	48.5%	(235.3)
Net sales	<u>\$ 2,575.2</u>	13.9%	<u>\$ 2,932.6</u>	-1.7%	<u>\$ 2,881.8</u>
Operating profit (loss):					
North American Tire	\$ (39.5)	n/m	\$ 119.4	n/m	\$ (174.1)
International Tire	9.4	n/m	28.9	n/m	(30.1)
Eliminations	(0.6)	-16.7%	(0.5)	n/m	(1.3)
Unallocated corporate charges	<u>(14.5)</u>	-7.6%	<u>(13.4)</u>	-17.2%	<u>(11.1)</u>
Operating profit (loss)	(45.2)	n/m	134.4	n/m	(216.6)
Interest expense	47.2	2.8%	48.5	4.1%	50.5
Debt extinguishment (gains) losses	(0.1)	n/m	2.6	n/m	0.6
Interest income	(10.1)	78.2%	(18.0)	-28.3%	(12.9)
Dividend from unconsolidated subsidiary	(4.3)	-53.5%	(2.0)	-5.0%	(1.9)
Other - net	<u>(2.0)</u>	n/m	<u>(12.7)</u>	n/m	<u>4.9</u>
Income (loss) from continuing operations before income taxes and noncontrolling shareholders' interests	(75.9)	n/m	116.0	n/m	(257.8)
Provision (benefit) for income taxes	<u>(5.3)</u>	n/m	<u>15.8</u>	n/m	<u>(30.3)</u>
Income (loss) from continuing operations before noncontrolling shareholders' interests	(70.6)	n/m	100.2	n/m	(227.5)
Noncontrolling shareholders' interests	<u>(3.7)</u>	n/m	<u>(8.8)</u>	n/m	<u>8.1</u>
Income (loss) from continuing operations	<u>\$ (74.3)</u>	n/m	<u>\$ 91.4</u>	n/m	<u>\$ (219.4)</u>
Basic earnings (loss) per share	<u>\$ (1.21)</u>	-	<u>\$ 1.48</u>	-	<u>\$ (3.72)</u>
Diluted earnings (loss) per share	<u>\$ (1.21)</u>	-	<u>\$ 1.46</u>	-	<u>\$ (3.72)</u>

2008 versus 2007

Consolidated net sales decreased by \$50.8 million in 2008. The decrease in net sales was primarily a result of lower volume, primarily in the North American Tire Operations segment. Partially offsetting the lower volumes were improved pricing and product mix in both the North American Tire Operations and International Tire Operations segments. The Company recorded an operating loss in 2008 of \$216.6 million compared to an operating profit of \$134.4 million in 2007. The favorable impacts of improved pricing and mix, along with lower incentive-related compensation were offset by lower volumes, higher raw material costs, production curtailment costs, higher products liability costs and a lower of cost or market inventory adjustment in the International Tire Operations segment. During 2007, the Company recognized a benefit in its North American Tire Operations segment from inventory valuations as a result of the decline in finished goods inventory. In 2008 when the Company conducted its annual test for impairment, it concluded that impairment did exist and the Company wrote off the goodwill of the International Tire Operations segment which totaled \$31.3 million. In December 2008, the Company announced the planned closure of its Albany, Georgia manufacturing facility and its Dayton, New Jersey distribution center. The Company recorded \$76.4 million of restructuring expenses associated with these initiatives in 2008.

The Company continued to experience significant increases in the costs of certain of its principal raw materials during 2008 compared with the levels experienced during 2007. 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 and crude oil prices reached record high levels during 2008. Natural rubber prices also peaked at all-time highs during 2008. The increases in the cost of natural rubber and petroleum-based materials were the most significant drivers of higher raw material costs during 2008, which were up approximately \$302.9 million from 2007. The pricing volatility in these commodities contributes to the difficulty in managing the costs of raw materials. The increased price of crude oil and natural rubber along with the growing global demand remains a fundamental factor to the cost increases experienced for raw materials used by the Company.

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 typically provide quantities necessary to satisfy normal manufacturing demands.

Selling, general and administrative expenses were \$185.1 million (6.4 percent of net sales) in 2008 compared to \$177.5 million (6.1 percent of net sales) in 2007. The increase in selling, general and administrative expenses was due primarily to higher advertising costs in the International Tire Operations segment and the continued ramp-up of the Company's Chinese operations, partially offset by lower incentive-related compensation costs.

Products liability costs totaled \$70.3 million and \$81.3 million in 2007 and 2008, respectively, and include recoveries of legal fees of \$9.8 million and \$5.7 million in 2007 and 2008, respectively. 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 "Critical Accounting Policies" portion of this Management's Discussion and Analysis.

During 2008, the Company recorded \$76.4 million in restructuring costs related to the closure of its Albany, Georgia manufacturing facility and the closure of a distribution center in Dayton, New Jersey. The Company recorded \$3.5 million in restructuring costs in 2007 related to the four initiatives described in the Restructuring section below.

Interest expense increased \$2.0 million in 2008 from 2007 primarily due to debt related to investments in China, partially offset by the Company's repurchases of debt in 2008.

The Company incurred \$.6 million in costs associated with the repurchase of \$14.3 million of its long-term debt during 2008. During 2007, the Company incurred \$2.6 million in costs associated with the repurchase of \$80.9 million of its long-term debt.

Interest income decreased \$5.1 million in 2008 from 2007 as a result of lower cash levels and short-term investments in 2008 than in 2007.

The Company recorded dividend income from its investment in Kumho Tire Co., Inc. in both 2008 and 2007. The dividend rate in both years was approximately \$.27 per share. Until August 2008, the Company owned 15 million global depository shares (the equivalent of 7,500,000 common shares) and recorded dividend income of \$2.0 million and \$1.9 million in 2007 and 2008, respectively.

Other – net decreased \$17.5 million in 2008 from 2007 as a result of the Company recording a \$3.1 million gain on the sale of stock in Nishikawa Rubber Co., Ltd. and a \$4.2 million gain on the sale of a corporate aircraft in 2007. Foreign currency losses were recorded in

2008 compared to foreign currency gains in 2007 accounting for a \$6.9 million decrease. The Company recorded losses from an unconsolidated subsidiary of \$2.4 million in 2008 compared to earnings of \$1.7 million in 2007.

For the twelve months ended December 31, 2008, the Company recorded an income tax benefit of \$30.3 million on a loss before taxes from continuing operations of \$257.8 million which includes a loss on minority interest of \$8.1 million. Worldwide tax expense was unfavorably impacted by the increase in the valuation allowance against U.S. net deferred tax assets and certain foreign net deferred tax assets. It was favorably impacted by the continuation of tax holidays for some of the Company's Asian operations and a tax benefit for U.S. "specified liability loss" carry backs. Comparable amounts for 2007 were an income tax expense of \$15.8 million on income before taxes of \$116.0 million.

The Company continues to maintain a valuation allowance on the U.S. net deferred tax assets and certain foreign net operating losses existing at December 31, 2008. 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 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 \$222.1 million valuation allowance for the portion of U.S. deferred tax assets exceeding deferred tax liabilities. 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 increased in 2008 by \$135.5 million. In addition, the Company has recorded valuation allowances of \$9.2 million for net deferred tax assets primarily associated with losses in foreign jurisdictions. 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 \$142.3 million of the total valuation allowance at December 31, 2008.

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 agreement is 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 the Company any or all of the amount of such obligation due to certain legal limitations or restrictions that may be imposed on such party. The revised intercompany transfer pricing 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. 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 effects of inflation in areas other than raw materials and utilities did not have a material effect on the results of operations of the Company in 2008.

2007 versus 2006

Consolidated net sales increased by \$357.4 million in 2007. The increase in net sales was primarily a result of improved net pricing and product mix in both the North American Tire Operations and International Tire Operations segments and higher unit volumes in the International Tire Operations segment. Operating profit in 2007 was \$179.6 million higher than the operating loss reported in 2006. The favorable impacts of improved pricing, mix and volume, along with lower advertising costs in the North American Tire Operations segment, were partially offset by higher raw material costs, higher products liability costs and higher incentive-related compensation expense. The Company also recognized a benefit in 2007 in its North American Tire Operations segment from inventory valuations as a result of the decline in finished goods inventory. In 2006 when the Company conducted its annual test for impairment, it concluded that impairment did exist and the Company wrote off the goodwill of the North American Tire Operations segment which totaled \$44.6 million and also recorded an impairment charge of \$3.4 million related to the indefinite-lived intangible assets of the segment. During the fourth quarter of 2007, the Company completed its annual test for impairment and determined that no impairment existed.

The Company continued to experience significant increases in the costs of certain of its principal raw materials during 2007 compared with the levels experienced during 2006. 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 and crude oil continued its upward trend by setting new price ceilings by the fourth quarter of 2007. Natural rubber prices also peaked at all-time highs during the fourth quarter of 2007. The increases in the cost of natural rubber and petroleum-based materials were the most significant drivers of higher raw material costs during 2007, which were up approximately \$30.5 million from 2006. The pricing

Table of Contents

volatility in these commodities contributes to the difficulty in managing the costs of raw materials. The increased price of crude oil and natural rubber along with the growing global demand remains a fundamental factor to the cost increases experienced for raw materials used by the Company.

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.

Selling, general and administrative expenses were \$177.5 million (6.1 percent of net sales) in 2007 compared to \$187.1 million (7.3 percent of net sales) in 2006. The decrease in selling, general and administrative expenses was due primarily to lower advertising costs in the North American Tire Operations segment, partially offset by higher incentive-related compensation costs and the continued ramp-up of the Company's Chinese operations. The Company also incurred expense in 2006 associated with the severance component of payments made to the former chairman, president and chief executive officer of the Company.

Products liability costs totaled \$63.6 million and \$70.3 million in 2006 and 2007, respectively, and include recoveries of legal fees of \$9.4 million and \$9.8 million in 2006 and 2007, respectively. 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 "Critical Accounting Policies" portion of this Management's Discussion and Analysis.

During 2007, the Company recorded \$3.5 million in restructuring costs related to the four initiatives described in the Restructuring section below.

Interest expense increased \$1.3 million in 2007 from 2006 primarily due to debt related to investments in China, partially offset by the Company's repurchases of debt in 2007.

The Company incurred \$2.6 million in costs associated with the repurchase of \$80.9 million of its long-term debt during 2007.

Interest income increased \$7.9 million in 2007 from 2006 as a result of higher cash levels in 2007 than in 2006.

The Company recorded dividend income from its investment in Kumho Tire Co., Inc. in both 2007 and 2006. The dividend rate in 2007 was approximately \$0.27 per share and the rate in 2006 was approximately \$0.57 per share. The Company owned 15 million global depositary shares (the equivalent of 7,500,000 common shares) and recorded dividend income of \$4.3 million and \$2.0 million in 2006 and 2007, respectively.

Other – net increased \$10.7 million in 2007 from 2006 as a result of the Company recording a \$3.1 million gain on the sale of stock in Nishikawa Rubber Co., Ltd., a \$4.2 million gain on the sale of a corporate aircraft and an increase in foreign currency gains in 2007 compared to 2006.

For the twelve months ended December 31, 2007, the Company recorded an income tax expense of \$15.8 million on income before taxes from continuing operations of \$116.0 million which includes income of minority interest of \$8.8 million. Worldwide tax expense was favorably impacted by the release of a portion of the valuation allowance against U.S. net deferred tax assets and the continuation of tax holidays for some of the Company's Asian operations. Comparable amounts for 2006 were an income tax benefit of \$5.3 million on a loss before taxes of \$75.9 million.

The Company continues to maintain a valuation allowance on the U.S. net deferred tax assets. 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 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 maintained an \$86.6 million valuation allowance for the portion of U.S. deferred tax assets exceeding deferred tax liabilities at December 31, 2007. As a result of changes in the amount of U.S. net deferred tax assets, \$15.6 million of the valuation allowance was reversed in 2007, reducing tax expense. In addition, the Company had recorded valuation allowances of \$.8 million for deferred tax assets associated with initial start up losses in foreign jurisdictions.

Table of Contents

The effects of inflation in areas other than raw materials and natural gas did not have a material effect on the results of operations of the Company in 2007.

Restructuring

During 2008, the Company incurred restructuring expenses related to the planned closure of its Albany, Georgia manufacturing facility and the distribution center in Dayton, New Jersey.

On October 21, 2008, the Company announced it would conduct a capacity study of its United States manufacturing facilities. The study was an evolution of the Strategic Plan as outlined by the Company in February 2008. All of the Company's U.S. manufacturing facilities were included for review and were analyzed based on a combination of factors, including long term financial benefits, labor relations and productivity.

At the conclusion of the capacity study, on December 17, 2008, the North American Tire Operations segment announced its plans to close its tire manufacturing facility in Albany, Georgia. This closure is expected to result in a workforce reduction of approximately 1,400 people. Certain equipment in the facility will be relocated to other manufacturing facilities of the Company. The segment has targeted the first quarter of 2010 as the completion date for this plant closure.

The cost of this initiative is estimated to range from between \$120 million and \$145 million. This amount consists of personnel related costs of between \$25 million and \$35 million. Equipment related and other costs are estimated to be between \$95 million and \$110 million including asset write downs of between \$75 million and \$85 million. The above estimates of costs for this initiative include pension curtailment and settlement costs. The Company's estimate of global pension funding for 2009 included in Note 12 – Pensions and Postretirement Benefits Other than Pensions, includes the Company's current estimates of funding for this initiative.

During the fourth quarter, the Company recorded \$.4 million of personnel related costs (\$.4 million after-tax and \$.01 per share) and no severance payments were made, resulting in an accrued severance balance at December 31, 2008 of \$.4 million. Also during the fourth quarter, the Company recorded an impairment loss of \$75.2 million (\$75.2 million after-tax and \$1.27 per share) to write the Albany land, building and equipment down to fair value. The fair value of the land and buildings was determined using a sales comparison approach based on using recent market data and comparing values to the Albany, Georgia location. The fair value of the machinery and equipment which will not be transferred to other Company locations was determined using the market value approach.

The Company also recorded \$.4 million in other Albany-related restructuring costs.

In December 2008, the Company also announced the planned closure of its Dayton, New Jersey distribution center. This initiative is expected to cost between \$.5 million and \$.6 million. This amount includes personnel related costs of \$.1 million and equipment related costs between \$.4 million and \$.5 million. This initiative is expected to be completed by the end of the first quarter 2009 and will impact nine people.

During the fourth quarter, the Company recorded \$.02 million of severance costs and did not make any severance payments. The Company also recorded asset write-downs of \$.4 million.

The continuing operations of the Company incurred restructuring expenses in 2006 and 2007 related to four initiatives.

In September of 2006, the North American Tire Operations segment announced its plans to reconfigure its tire manufacturing facility in Texarkana, Arkansas so that its production levels can "flex" to meet tire demand. The Company completed this initiative during the third quarter of 2007 at a total cost of \$3.5 million. The Company recorded restructuring costs of \$.7 million in 2006 and \$2.8 million in 2007 associated with this initiative.

In November of 2006, a restructuring of salaried support positions was announced. This initiative was completed at the end of the first quarter of 2007 at a total cost of \$1.1 million. The Company recorded \$.6 million of costs related to this initiative in 2006 and \$.5 million of costs during 2007.

In December of 2006, the North American Tire Operations segment initiated a plan to reduce the number of stock-keeping units manufactured in its facilities and to take tire molds out of service. The Company recorded \$.4 million of restructuring expense in 2006 and \$.1 million in 2007.

During 2006, the International Tire Operations segment recorded \$1.5 million in restructuring costs associated with a management reorganization in Cooper Tire Europe. During 2007, a restructuring program to reduce 15 positions was completed at a cost of \$.2 million.

Table of Contents

Additional information related to these restructuring initiatives appears in the “Restructuring” note to the consolidated financial statements.

North American Tire Operations Segment

	<u>2006</u>	<u>Change</u> <u>%</u>	<u>2007</u>	<u>Change</u> <u>%</u>	<u>2008</u>
(Dollar amounts in millions)					
Sales	\$1,995.2	10.8%	\$2,209.8	-3.1%	\$2,142.1
Operating profit	\$ (39.5)	n/m	\$ 119.4	n/m	\$ (174.1)
Operating profit margin	-2.0%	n/m	5.4%	n/m	-8.1%
United States unit shipments changes:					
Passenger tires					
Segment		0.0%		-16.1%	
RMA members		-4.0%		-8.1%	
Total Industry		-5.4%		-4.6%	
Light truck tires					
Segment		-2.8%		-18.6%	
RMA members		-7.2%		-15.0%	
Total Industry		-3.9%		-15.1%	
Total light vehicle tires					
Segment		-0.5%		-16.6%	
RMA members		-4.4%		-9.1%	
Total Industry		-5.1%		-6.1%	
Total segment unit sales changes		-0.5%		-11.2%	

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 OEMs. The segment also distributes radial medium truck tires and motorcycle tires in North America that are manufactured in the Company’s foreign subsidiaries.

2008 versus 2007

Sales of the North American Tire Operations segment decreased slightly in 2008 from levels in 2007. The decrease in sales was a result of lower unit volume (\$312.3 million) offset by improved pricing and product mix (\$244.6 million). The improved pricing was the result of price increases implemented during 2007 and 2008. The improved mix was primarily the result of increased sales volumes of the Cooper brand, which continues to gain market share, while unit sales to private brand distributors declined from the prior year. The volume decline in the segment was the result of lower unit sales in almost all product segments, but primarily in broadline and light truck tires similar to the decrease experienced in the industry.

In the United States, the segment’s unit shipments of total light vehicle tires decreased 16.6 percent in 2008 from 2007. This decrease exceeded the 9.1 percent decrease in total light vehicle shipments experienced by all members of the Rubber Manufacturers Association (“RMA”) and also exceeded the 6.1 percent decrease in total light vehicle shipments for the total industry (which includes an estimate for non-RMA members) for 2008. Partially offsetting this decrease in the United States were increased shipments by the segment to Mexico and Canada. The industry decrease in light vehicle tire units was primarily due to the macroeconomic conditions in North America. Higher fuel prices during the first half of the year and recession concerns during the latter half of the year reduced consumer replacement tire purchases. Volumes in the segment decreased more significantly than the industry due to a tougher comparable period as the segment

benefited in 2007 from a competitor's strike. Further impacting the segment's volumes were strategic decisions made by the Company to eliminate one brand and to exit unprofitable lines of business. Sales to both private brand distributors and to wholesale channel customers decreased as competition increased in these price sensitive channels.

Segment operating profit in 2008 decreased \$293.5 million from 2007. The decreased operating profit was due to higher raw material costs (\$258.7 million), increased restructuring costs (\$73.1 million), lower unit volumes (\$68.6 million), higher products liability costs (\$11.0 million) and LIFO inventory liquidation benefits experienced in 2007 that were not available in 2008 (\$22.1 million). Production curtailments caused by raw material shortages and management actions to control inventories in response to the weak North American replacement tire market negatively impacted operating profit (\$41.9 million). Partially offsetting these factors were improvements in pricing and mix (\$164 million) and lower incentive-related compensation expense and other costs.

The United States based operations of the segment determines its inventory costs using the last-in, first-out ("LIFO") method. During 2007, inventory levels declined as a result of the segment's inventory management initiative. This 2007 decline resulted in the segment recognizing a \$22.1 million benefit in operating profit from inventory liquidations due to the elimination of LIFO inventory layers at historically lower costs.

During 2008, the North American Tire Operations segment recorded restructuring charges of \$76.4 million related to the decisions to close its Albany, Georgia manufacturing facility and its Dayton, New Jersey distribution center. During 2007, the North American Tire Operations segment recorded restructuring charges of \$3.3 million, primarily related to the reconfiguration of the Texarkana, Arkansas manufacturing facility and the reduction of salaried support positions. See the discussion of these initiatives under the Restructuring section above.

2007 versus 2006

Sales of the North American Tire Operations segment increased \$214.6 million in 2007 from levels in 2006. The increase in sales was a result of improved pricing and product mix (\$232.0 million), offset by lower unit volume (\$17.4 million). The segment's increased unit sales in the SUV and premium light truck tire replacement markets, along with the introduction of a new premium touring replacement tire in the second quarter of 2007, contributed to the improved product mix. The segment experienced a decrease in unit sales in the economy, high performance and winter tire lines.

In the United States, the segment's unit sales of total light vehicle tires increased 0.8 percent in 2007 from 2006. This increase exceeded the 0.5 percent increase in total light vehicle shipments experienced by all members of the Rubber Manufacturers Association ("RMA"), but was less than the 2.5 percent increase in total light vehicle shipments for the total industry (which includes an estimate for non-RMA members) for 2007. The increased shipments were driven by higher shipments of passenger car tire replacement units, where increases in 2007 compared to 2006 were 1.5 percent, 0.5 percent and 2.7 percent, respectively, for the segment, RMA and total industry. Shipments of light truck tire replacement units were lower for the segment by 2.0 percent but higher for the RMA and total industry by 0.7 percent and 1.5 percent, respectively. The lower unit volume in total for the segment was driven by increased competition from Asian tire manufacturers and higher unit sales in the fourth quarter of 2006 as a result of the work stoppage at a competitor of the segment.

Segment operating profit in 2007 increased \$158.9 million from 2006. The increased operating profit was due to improved net pricing and product mix (\$134.8 million), lower advertising costs (\$16.3 million), and lower shipping and outside storage costs as a result of lower finished goods inventory levels maintained by the segment. These increases to operating profit were partially offset by higher raw material costs (\$14.9 million), higher products liability costs (\$6.7 million), lower unit volumes and higher incentive-related compensation expense. Also included in 2006 was the write off of goodwill and the impairment charge for indefinite-lived intangible assets as discussed under the Consolidated Results of Continuing Operations section above. The 2006 year included the cost of reduced production levels as the segment temporarily shutdown its four tire manufacturing facilities in order to control inventories resulting from the weak North American replacement tire market and included the cost to convert one of the segment's manufacturing facilities to a seven-day operation.

The segment determines its inventory costs using the last-in, first-out ("LIFO") method. During 2007, inventory levels declined as a result of the segment's inventory management initiative. This decline resulted in the segment recognizing a \$22.0 million benefit from inventory liquidations. Inventory levels declined in 2006 resulting in an \$8.7 million benefit from inventory liquidations.

During 2007, the North American Tire Operations segment recorded restructuring charges of \$3.3 million, primarily related to the reconfiguration of the Texarkana, Arkansas manufacturing facility and the reduction of salaried support positions. See the discussion of these initiatives under the Restructuring section above.

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 increase sourcing from lower-cost countries, improve operations in existing facilities, improve organizational capabilities and to pursue profitable top line growth.

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. 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 capacity can be aligned to market demands, or demand recovers.

To 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. 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 are also implemented. Cooper Tire Lean Six Sigma (“CTLSS”) is an operational excellence program that was initiated in 2008. CTLSS will continue to be implemented in 2009 and will be utilized to develop a culture of continuous improvement in all manufacturing, logistic and business centers of the Company.

Radial medium truck and certain light vehicle tire products will continue to be sourced from partially-owned 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 and/or market/industry conditions begin to strengthen, that its ability to generate operating profits will improve by the end of 2009.

International Tire Operations Segment

	<u>2006</u>	<u>Change</u> <u>%</u>	<u>2007</u>	<u>Change</u> <u>%</u>	<u>2008</u>
<i>(Dollar amounts in millions)</i>					
Sales	\$680.1	29.6%	\$881.3	10.6%	\$975.0
Operating profit (loss)	\$ 9.4	n/m	\$ 28.9	n/m	\$(30.1)
Operating profit margin	1.4%	137.3%	3.3%	n/m	-3.1%
Unit sales change		18.6%		7.3%	

Overview

The International Tire Operations segment manufactures and markets passenger car, light truck and motorcycle tires for the replacement market, as well as racing tires and tire retread materials, in Europe. The segment’s Cooper Chengshan joint venture manufactures and markets passenger car and light truck radial tires as well as radial and bias medium truck and off-the-road tires both in the Asian market and for export. 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 exported and sold through Cooper Tire & Rubber Company and its affiliates.

2008 versus 2007

Sales of the International Tire Operations segment increased \$93.7 million in 2008 from the sales levels in 2007. The foreign currency impact increased sales \$26.7 million in 2008. The remainder of the increase in sales was due to higher unit volumes (\$35.5 million) and improved pricing and mix (\$31.5 million). The increase in unit sales was the result of increased transfers to the Company’s North American segment. During the first three quarters of 2008 the segment experienced strong sales in its Asian operations. These increases declined during the fourth quarter as a result of the global economic slow down and its effects on both the Chinese market and the segments exports. European volumes decreased slightly for the year. Throughout 2008 the segment increased prices to offset raw

Table of Contents

material cost increases. These contributed to a positive price impact, while a higher relative percentage of passenger tires versus radial medium truck tires resulted in an offsetting negative mix impact.

Operating profit for the segment in 2008 was \$59.0 million lower than in 2007. The impacts of improved pricing and mix (\$76 million) and volume (\$2 million) were offset by higher raw material costs (\$82 million), including a lower of cost or market inventory adjustment to reflect current prices in China (\$10 million), the write-off of goodwill (\$31 million) and higher advertising, utility and Cooper Kenda ramp up costs. The segments operations reacted to the declining global demand for tires by curtailing operations in its manufacturing facilities to align inventory. During 2007, the segment recorded a gain on the sale of land in Europe (\$2.2 million).

2007 versus 2006

Sales of the International Tire Operations segment increased \$201.2 million in 2007 from the sales levels in 2006. During 2007, the sales of Cooper Chengshan were included for all twelve months while in 2006 only the sales from the acquisition date of February 4, 2006 were included. This accounted for \$31.6 million of the sales increase. The foreign currency impact of a weakened United States dollar in relation to the British pound and the Chinese renminbi increased sales \$37.1 million. The remainder of the increase in sales in 2007 compared to 2006 was due to improved pricing and product mix (\$26.4 million) and higher unit volumes, primarily from Cooper Chengshan and the start-up of Cooper Kenda (\$106.1 million).

Operating profit for the segment in 2007 was \$19.5 million higher than in 2006. The impacts of owning Cooper Chengshan for the entire year in 2007, the segment's improved net pricing and product mix (\$23.5 million), higher unit volumes (\$24.6 million) and a gain on the sale of land in Europe (\$2.2 million) were partially offset by higher raw material costs (\$15.6 million), higher advertising costs in Asia and higher expenses related to the continued start-up of the segment's Asian operations.

During 2007, the International Tire Operations segment recorded restructuring charges of \$0.2 million related to a management reorganization in Cooper Tire Europe. See the discussion of this initiative under the Restructuring section above.

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 will be supported by the technical facility in China where products will be developed specifically to meet the needs of customers in that market. Due to the global and Asian economic recession, the level of growth 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 as a part of the Cooper Tire Lean Six Sigma ("CTLSS") operational excellence program.

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

Discontinued Operations

On October 5, 2007, the Company sold its Oliver Rubber Company subsidiary. These operations are considered to be discontinued operations as defined under Statement of Financial Accounting Standard ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," and require specific accounting and reporting which differs from the approach used to report the Company's results in prior years. It also requires restatement of comparable prior periods to conform to the required presentation.

Oliver Rubber Company

	<u>2006</u>	<u>2007</u>
(Dollar amount in thousands)		
Sales	\$101,024	\$62,277
Operating profit (loss)	(12,470)	5,155

Table of Contents

The Company's former Oliver Rubber Company subsidiary manufactured tread rubber and retreading equipment. In 2006, the subsidiary recorded restructuring expenses of \$11.3 million associated with the closure of its Athens, Georgia manufacturing facility.

The following table provides details of the Company's discontinued operations:

	<u>2006</u>	<u>2007</u>	<u>2008</u>
Income (loss) related to former automotive operations, net of tax	\$ 7,379	\$ (1,808)	\$ 274
Income (loss) from Oliver Rubber subsidiary, net of tax	(11,570)	3,468	(210)
	<u>\$ (4,191)</u>	<u>\$ 1,660</u>	<u>\$ 64</u>

Gain on Sale of Oliver Rubber Company

On October 5, 2007, the Company sold its Oliver Rubber Company subsidiary to Michelin North America, Inc. Proceeds from the sale were \$66.3 million. The sale resulted in a gain of \$26.5 million, net of taxes in the fourth quarter of 2007 and included the release of a tax valuation allowance, a portion of which was recorded in the third quarter.

Outlook for the Company

The Company expects continued pressure on the industry as demand for tires is affected by global economic conditions. The Company is implementing a plan that will both deal with those conditions and position the Company 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 pay downs are likely to be restricted until capital markets resume a more normal level of activity.

Prices for raw materials are likely to stabilize during 2009 and then begin to increase as demand for commodities increases.

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.

Liquidity and Capital Resources

Generation and uses of cash – Net cash used in the operating activities of continuing operations was \$165.0 million in 2008 compared to \$360.7 million provided in 2007. Net income after adjustments for non-cash items decreased \$135.0 million to \$132.8 million in 2008. Changes in operating assets and liabilities used \$297.8 million in 2008 compared to \$92.9 million generated in 2007. The Company's inventory levels at December 31, 2008 were above prior year levels and included higher levels of raw materials than normally maintained. The higher raw material inventory levels led to reduced purchases during the fourth quarter resulting in lower accounts payable balances. The Company plans to reduce raw material inventory quantities to normal levels during 2009.

Net cash used in investing activities during 2008 reflects capital expenditures of \$128.8 million, a decrease of \$12.2 million from 2007. During the third quarter of 2008, the Company received \$107.0 million as a result of exercising its put option on its investment in Kumho Tire Co., Inc. The Company sold the available-for-sale securities purchased in 2007. During 2008, the Company acquired an approximately 38 percent ownership share of a manufacturing facility in Mexico with an investment of \$29.2 million. The facility is located in Guadalajara, Mexico and is the second largest tire plant in Mexico. The Company made the final payment related to the purchase of Cooper Chengshan in 2008. The Company, in 2007, realized proceeds of \$66.3 million from the sale of Oliver Rubber Company. In 2007, "Proceeds from the sale of assets" related primarily to the sale of the Company's 25 percent interest in the steel cord facility acquired with the Chengshan acquisition, the sale of a corporate aircraft and the sale of a stock investment. The Company's capital expenditure commitments at December 31, 2008 are \$10.2 million and are included in the "Unconditional purchase" line of the Contractual Obligations table which appears later in this section. These commitments will be satisfied with existing cash and cash flows from operations in early 2009.

The Company repurchased \$80.9 million and \$14.3 million of its Senior Notes due in 2009 during 2007 and 2008, respectively and has remaining authorization to repurchase \$104 million of debt. During 2007, the Company repurchased 2,991,900 shares of its common

stock for \$45.9 million and during 2008, the Company repurchased 803,300 shares of its common stock for \$13.9 million. At December 31, 2008, the Company has remaining authorization of \$40 million for share repurchases. The Company has temporarily suspended its debt and share repurchase program. The Company borrowed \$108.8 million in short term notes during 2008 to finance its capacity expansions and operations in China. These short term notes are for terms of less than one year. Accordingly, access to the capital markets is crucial to repay or refinance these obligations in order to maintain sufficient liquidity to support the business operations in China. Cooper Kenda received capital contributions of \$4.3 million from its non-controlling owner for construction of the tire manufacturing facility in China.

Dividends paid on the Company's common shares in 2008 were \$24.8 million, compared to \$26.0 million in 2007. The Company has maintained a quarterly dividend of 10.5 cents per share in each quarter during the three years ending December 31, 2008. During 2008 stock options were exercised to acquire 19,192 shares of common stock compared to 2007 when stock options were exercised to acquire 1,236,660 shares of common stock.

Available credit facilities – On August 30, 2006, the Company established an accounts receivable securitization facility of up to \$175 million. Pursuant to the terms of the facility, the Company sells certain of its domestic trade receivables on a continuous basis to its wholly-owned, bankruptcy-remote subsidiary, Cooper Receivables LLC (“CRLLC”). In turn, CRLLC may sell from time to time an undivided ownership interest in the purchased trade receivables, without recourse, to a PNC Bank administered, asset-backed commercial paper conduit. The facility was initially scheduled to expire in August 2009. On September 14, 2007, the Company amended the accounts receivable facility to exclude the sale of certain receivables, reduce the size of the facility to \$125 million and to extend the maturity to September 2010. No ownership interests in the purchased trade receivables had been sold to the bank conduit as of December 31, 2008. The Company had issued standby letters of credit under this facility totaling \$27.2 million and \$29.5 million at December 31, 2007 and 2008, respectively.

Under the provisions of SFAS No. 140, “Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities”, the ownership interest in the trade receivables sold to the bank conduit will be recorded as legal transfers without recourse, with those accounts receivable removed from the consolidated balance sheet. The Company has agreed to service any sold trade receivables for the financial institution at market rates; accordingly, no servicing asset or liability will be recognized.

On November 9, 2007, the Company and its subsidiary, Max-Trac Tire Co., Inc., entered into a Loan and Security Agreement (New Credit Agreement) with a consortium of six banks. This Credit Agreement provides a \$200 million credit facility to the Company and Max-Trac Tire Co., Inc. The Credit Agreement is a revolving credit facility maturing on November 9, 2012 and is secured by the Company's United States inventory, certain North American accounts receivable that have not been previously pledged and general intangibles related to the foregoing. The Credit Agreement and the accounts receivable securitization facility have no significant financial covenants until available credit is less than specified amounts. There were no borrowings under the Credit Agreement through December 31, 2008.

The Company established a \$1.2 billion universal shelf registration in 1999 in connection with an acquisition. Fixed rate debt of \$800 million was issued pursuant to the shelf registration in December 1999 to fund the acquisition. The remaining \$400 million available under the shelf registration continues to be available at December 31, 2008. Securities that may be issued under this shelf registration include debt securities, preferred stock, fractional interests in preferred stock represented by depositary shares, common stock and warrants to purchase debt securities, common stock or preferred stock.

Available cash and contractual commitments - At December 31, 2008, the Company had cash and cash equivalents totaling \$247.7 million. The Company's additional borrowing capacity based on eligible collateral through use of the above credit facilities with its bank group and other bank lines at December 31, 2008 was \$202.7 million. The facilities are sized to meet seasonal working capital demands which are generally highest in the second and third quarters and lowest at year-end.

The Company anticipates that cash flows from operations in 2009 will be positively impacted by decreased raw material costs, which should enable it to reduce capital required to fund inventory and will be negatively impacted due to outlays related to the plant closure and operating at lower volume levels than in 2008. The Company expects to receive approximately \$43 million from tax refunds during 2009 primarily related to the carry back of tax losses incurred in 2008 in the United States. It also believes that available cash and credit facilities will be adequate to fund its projected capital expenditures, including its portion of capital expenditures in partially-owned subsidiaries, meet dividend goals and fund maturities of parent company debt (\$97 million due in December 2009). The remaining long-term debt due within one year and the entire amount of short term notes payable outstanding at December 31, 2008 is debt of consolidated subsidiaries. The Company expects its subsidiaries to refinance or pay down these amounts during 2009. Through February 13, 2009, a total of \$57 million of these debt instruments had been paid off or refinanced for terms of one year or more.

In connection with the Cooper Chengshan acquisition, beginning January 1, 2009 and continuing through December 31, 2011, the non-controlling owner has the right to sell, and, if exercised, the Company has the obligation to purchase, the remaining 49 percent non-controlling interest share at a minimum price of \$62.7 million. This put option is not included in the following table.

Table of Contents

The Company's cash requirements relating to contractual obligations at December 31, 2008 are summarized in the following table:

(Dollar amounts in thousands) Contractual Obligations	Payment Due by Period				
	Total	Less than 1 year	1-3 years	3-5 years	After 5 years
Long-term debt	\$ 468,429	\$ 147,761	\$ 30,210	\$ -	\$ 290,458
Capital lease obligations	5,081	-	-	-	5,081
Interest on debt and capital lease obligations	330,878	33,058	48,344	46,257	203,219
Operating leases	89,058	15,524	29,746	12,770	31,018
Notes payable (b)	184,774	184,774	-	-	-
Unconditional purchase (a)	64,343	64,343	-	-	-
Postretirement benefits other than pensions (c)	252,679	16,654	36,443	35,806	163,776
Other long-term liabilities and noncontrolling shareholders' interests (d) (e)	479,472	233	45,528	37,043	396,668
Total contractual cash obligations	\$ 1,874,714	\$ 462,347	\$ 190,271	\$ 131,876	\$ 1,090,220

- (a) Noncancelable purchase order commitments for capital expenditures and raw materials, principally natural rubber, made in the ordinary course of business.
- (b) Financing obtained from financial institutions in China to support the Company's operations there.
- (c) Represents both the current and long-term portions of postretirement benefits other than pensions liability.
- (d) Based on long-term amounts recorded under U.S. generally accepted accounting principles.
- (e) Pension liability, products liability, nonqualified benefit plans, warranty reserve and other non-current liabilities.

Credit agency ratings – Standard & Poor's has rated the Company's long-term corporate credit and senior unsecured debt at B+. Moody's Investors Service has assigned a B3 corporate family rating and a Caa1 rating to senior unsecured debt. Moody's rating is under review for further possible downgrade.

New Accounting Standards

For a discussion of recent accounting pronouncements and their impact on the Company, see the "Significant Accounting Policies – Accounting pronouncements" note to the consolidated financial statements.

Critical Accounting Policies

"Management's Discussion and Analysis of Financial Condition and Results of Operations" discusses the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. When more than one accounting principle, or the method of its application, is generally accepted, the Company selects the principle or method that is appropriate in its specific circumstances. The Company's accounting policies are more fully described in the "Significant Accounting Policies" note to the consolidated financial statements. Application of these accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses during the reporting period. Management bases its estimates and judgments on historical experience and on other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. The Company believes that of its significant accounting policies, the following may involve a higher degree of judgment or estimation than other accounting policies.

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

The fact that the Company is a defendant in products liability lawsuits is not surprising given the current litigation climate which is largely confined to the 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 2007, the Company increased its products liability reserve by \$51.3 million. The addition of another year of self-insured incidents accounted for \$29.8 million of this increase. The Company revised its estimates of future settlements for unasserted and premature claims. In addition, the Company also revised its estimate of the number of additional incidents expected during each year for years subsequent to 2005. These revisions increased the reserve by \$8.9 million. Finally, changes in the amount of reserves for cases where sufficient information is known to estimate a liability increased by \$12.6 million.

During 2008, the Company increased its products liability reserve by \$55.9 million. The addition of another year of self-insured incidents accounted for \$35.3 million of this increase. The Company revised its estimates of future settlements for unasserted and premature claims. These revisions increased the reserve by \$8.0 million. Finally, changes in the amount of reserves for cases where sufficient information is known to estimate a liability increased by \$12.6 million.

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.

Table of Contents

During 2007, the Company paid \$24.3 million and during 2008, the Company paid \$39.6 million to resolve cases and claims. The Company's products liability reserve balance at December 31, 2007 totaled \$107.3 million (current portion of \$16.9 million). At December 31, 2008, the products liability reserve balance totaled \$123.6 million (current portion of \$28.7 million).

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 \$63.6 million, \$70.3 million and \$81.3 million in 2006, 2007 and 2008, respectively, and include recoveries of legal fees of \$9.4 million, \$9.8 million and \$5.7 million in 2006, 2007 and 2008, respectively. Policies applicable to claims occurring on April 1, 2003, and thereafter, do not provide for recovery of legal fees.

Income Taxes – The Company is required to make certain estimates and judgments to determine income tax expense for financial statement purposes. These estimates and judgments are made in the calculation of tax credits, tax benefits and deductions (such as the U.S. tax incentive for domestic manufacturing activities) and in the calculation of certain tax assets and liabilities which arise from differences in the timing of the recognition of revenue and expense for tax and financial statement purposes. Changes to these estimates will result in an increase or decrease to tax provisions in subsequent periods.

The Company must assess the likelihood that it will be able to recover its deferred tax assets. If recovery is not likely, the provision for income tax expense must be increased by recording a valuation allowance against the deferred tax assets that are deemed to be not recoverable. The Company has maintained a full valuation allowance against its net U.S. deferred tax asset position at December 31, 2008, as it cannot assure the utilization of these assets before they expire. In the event there is a change in circumstances in the future which would affect the utilization of these deferred tax assets, the tax provision in that accounting period would be reduced by the amount of the assets then deemed to be realizable.

In addition, the calculation of the Company's tax liabilities involves a degree of uncertainty in the application of complex tax regulations. The Company recognizes liabilities for anticipated tax audit issues in the U.S. and other jurisdictions based on its estimates of whether, and the extent to which, additional tax payments are more likely than not. If, and at the time, the Company determines payment of such amounts are less likely than not, the liability will be reversed and a tax benefit recognized to reduce the provision for income taxes. The Company will record an increase to its provision for income tax expense in the period it determines it is more likely than not that recorded liabilities are less than the ultimate tax assessment.

The Company has adopted Financial Accounting Standards Board Interpretation Number 48 ("FIN 48") *Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109*. FIN 48 clarifies accounting for uncertain tax positions using a "more likely than not" recognition threshold for tax positions. Under FIN 48, the Company will initially recognize the financial statement effects of a tax position when it is more likely than not, based on the technical merits of the tax position, that such a position will be sustained upon examination by the relevant tax authorities. If the tax benefit meets the "more likely than not" threshold, the measurement of the tax benefit will be based on the Company's estimate of the ultimate tax benefit to be sustained if audited by the taxing authority. The Company's liability for unrecognized tax benefits for permanent and temporary book/tax differences for continuing operations, exclusive of interest, total approximately \$7.6 million.

Impairment of long-lived assets – The Company's long-lived assets include property, plant and equipment, goodwill and other intangible assets. If an indicator of impairment exists for certain groups of property, plant and equipment or definite-lived intangible assets, the Company will compare the forecasted undiscounted cash flows attributable to the assets to their carrying values. If the carrying values exceed the undiscounted cash flows, the Company then determines the fair values of the assets. If the carrying values exceed the fair values of the assets, then an impairment charge is recognized for the difference.

The Company assesses the potential impairment of its goodwill and other indefinite-lived assets at least annually or when events or circumstances indicate impairment may have occurred. The carrying value of these assets is compared to their fair value. If the carrying values exceed the fair values, then a hypothetical purchase price allocation is computed and the impairment charge, if any, is then recorded.

As discussed in the footnotes to the financial statements, Note 6 – Goodwill and Intangible Assets, the Company assessed the goodwill and the indefinite-lived intangible asset in the North American Tire Operations segment at December 1, 2006 and determined that impairment existed. Following a review of the valuation of the segment's identifiable assets, the Company wrote off the goodwill of the segment. The Company reduced the value of the indefinite-lived intangible assets at December 31, 2006 to the value indicated by the annual review.

Table of Contents

During 2006, the Company recorded goodwill of \$31.3 million and recorded definite-lived intangible assets of \$7.2 million associated with the Chengshan acquisition. At December 1, 2008, the Company assessed the goodwill in the International Tire Operations segment and determined that impairment existed. Following a review of the valuation of the segment's identifiable assets, the Company wrote off the goodwill of the segment.

The Company cannot predict the occurrence of future impairment-triggering events. Such events may include, but are not limited to, significant industry or economic trends and strategic decisions made in response to changes in the economic and competitive conditions impacting the Company's businesses.

Pension and postretirement benefits – The Company has recorded significant pension liabilities in the United States and the United Kingdom and other postretirement benefit liabilities in the United States that are developed from actuarial valuations. The determination of the Company's pension liabilities requires key assumptions regarding discount rates used to determine the present value of future benefits payments, expected returns on plan assets and the rates of future compensation increases. The discount rate is also significant to the development of other postretirement benefit liabilities. The Company determines these assumptions in consultation with its actuaries.

The discount rate reflects the rate used to estimate the value of the Company's pension and other postretirement liabilities for which they could be settled at the end of the year. When determining the discount rate, the Company discounted the expected pension disbursements over the next fifty years using Citigroup Pension Discount Liability Index yield curve rates. Based upon this analysis, the Company used a discount rate of 6.0 percent to measure its United States pension and postretirement benefit liabilities which is unchanged from the rate used at December 31, 2007. A similar analysis was completed in the United Kingdom and the Company increased the discount rate used to measure its United Kingdom pension liabilities to 6.5 percent at December 31, 2008 from 5.9 percent at December 31, 2007.

The rate of future compensation increases is used to determine the future benefits to be paid for salaried and non-bargained employees, since the amount of a participant's pension is partially attributable to the compensation earned during his or her career. The rate reflects the Company's expectations over time for salary and wage inflation and the impacts of promotions and incentive compensation, which is based on profitability. The Company used 3.25 percent for the estimated future compensation increases in measuring its United States pension liabilities at December 31, 2008 and December 31, 2007. In the United Kingdom, the Company used 3.57 percent for the estimated future compensation increase at December 31, 2008 compared to a rate of 3.97 percent at December 31, 2007.

The assumed long-term rate of return on pension plan assets is applied to the market value of plan assets to derive a reduction to pension expense that approximates the expected average rate of asset investment return over ten or more years. A decrease in the expected long-term rate of return will increase pension expense, whereas an increase in the expected long-term rate will reduce pension expense. Decreases in the level of actual plan assets will serve to increase the amount of pension expense, whereas increases in the level of actual plan assets will serve to decrease the amount of pension expense. Any shortfall in the actual return on plan assets from the expected return will increase pension expense in future years due to the amortization of the shortfall, whereas any excess in the actual return on plan assets from the expected return will reduce pension expense in future periods due to the amortization of the excess.

The Company's investment policy for United States plans' assets is to maintain an allocation of 70 percent in equity securities and 30 percent in debt securities. The Company's investment policy for United Kingdom plan assets is to maintain an allocation of 65 percent in equity securities and 35 percent in fixed income securities. Equity security investments are structured to achieve a balance between growth and value stocks. The Company determines the annual rate of return on pension assets by first analyzing the composition of its asset portfolio. Historical rates of return are applied to the portfolio. This computed rate of return is reviewed by the Company's investment advisors and actuaries. Industry comparables and other outside guidance is also considered in the annual selection of the expected rates of return on pension assets.

The actual loss on United States pension plans' assets approximated 26.4 percent in 2008 compared to an asset return of approximately 10.4 percent in 2007. The actual loss on United Kingdom pension plan assets approximated 18.5 percent in 2008 compared to an asset return of 4.7 percent in 2007. The Company's estimate for the expected long-term return on its United States plan assets was 9.0 percent which was used to derive 2007 pension expense and 8.5 percent which was used to derive 2008 pension expense. The expected long-term return on United Kingdom plan assets used to derive the 2007 and 2008 pension expense was 7.5 percent and 7.6 percent, respectively.

The Company has accumulated net deferred losses resulting from the shortfalls and excesses in actual returns on pension plan assets from expected returns and, in the measurement of pensions liabilities, decreases and increases in the discount rate and the rate of future compensation increases and differences between actuarial assumptions and actual experience totaling \$453 million at December 31, 2008. These amounts are being amortized in accordance with the corridor amortization requirements of SFAS No. 87, "Employers' Accounting for Pensions," over periods ranging from 10 years to 15 years. Amortization of these net deferred losses was \$15 million and \$11.6 million in 2007 and 2008, respectively.

The Company adopted SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions (SFAS No. 106)," in 1992 and, to mitigate the impact of medical cost inflation on the Company's retiree medical obligation, instituted per household caps on

the amounts of retiree medical benefits it will provide to future retirees. The caps do not apply to individuals who retired prior to certain specified dates. Costs in excess of these caps will be paid by plan participants. The Company implemented increased cost sharing in 2004 in the retiree medical coverage provided to certain eligible current and future retirees. Since then cost sharing has expanded such that nearly all covered retirees pay a charge to be enrolled. See Item 1A. Risk Factors – “The Company’s expenditures for pension and postretirement obligations could be materially higher than it has predicted if its underlying assumptions prove to be incorrect.”

On December 31, 2006, the Company adopted the recognition and disclosure provisions of SFAS No. 158. This statement required the Company to recognize the funded status (i.e., the difference between the fair value of plan assets and the projected benefit obligation) of its pension and other postretirement benefit (OPEB) plans in the December 31, 2006 consolidated balance sheet, with a corresponding adjustment to cumulative other comprehensive loss (a component of stockholders’ equity), net of tax. The adjustment to cumulative other comprehensive loss at adoption represents the net unrecognized actuarial losses and unrecognized prior service costs, all of which were previously netted against the plans’ funded status in the Company’s consolidated balance sheets pursuant to the provisions of SFAS No. 87, “Employers’ Accounting for Pensions (SFAS No. 87)” and SFAS No. 106. These amounts will be subsequently recognized as net periodic pension cost pursuant to the Company’s historical accounting policy for amortizing such amounts. Further, actuarial gains and losses that arise in subsequent periods and are not recognized as net periodic benefit costs in the same periods will be recognized as a component of other comprehensive income. Those amounts will be subsequently recognized as components of net periodic benefit cost on the same basis as the amount recognized in cumulative other comprehensive loss at adoption of SFAS No. 158.

Off-Balance Sheet Arrangements

Certain operating leases related to property and equipment used in the operations of Cooper-Standard Automotive were guaranteed by the Company. These guarantees require the Company, in the event Cooper-Standard Automotive fails to honor its commitments, to satisfy the terms of the lease agreements. As part of the sale of the automotive operations, the Company is seeking releases of those guarantees but to date has been unable to secure releases from certain lessors. The most significant of those leases is for a U.S. manufacturing facility with a remaining term of eight years and total remaining payments of approximately \$9.3 million. Other leases cover two facilities in the United Kingdom. These leases have remaining terms of five years and remaining payments of approximately \$2.9 million. The Company does not believe it is presently probable that it will be called upon to make these payments. Accordingly, no accrual for these guarantees has been recorded. If information becomes known to the Company at a later date which indicates its performance under these guarantees is probable, accruals for the obligations will be required.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to fluctuations in interest rates and currency exchange rates from its financial instruments. The Company actively monitors its exposure to risk from changes in foreign currency exchange rates and interest rates. Derivative financial instruments are used to reduce the impact of these risks. See the “Significant Accounting Policies -Derivative financial instruments” and “Fair Value of Financial Instruments” notes to the consolidated financial statements for additional information.

The Company has estimated its market risk exposures using sensitivity analysis. These analyses measure the potential loss in future earnings, cash flows or fair values of market sensitive instruments resulting from a hypothetical ten percent change in interest rates or foreign currency exchange rates.

A decrease in interest rates by ten percent of the actual rates would have adversely affected the fair value of the Company’s fixed-rate, long-term debt by approximately \$15.8 million at December 31, 2008 and approximately \$21.8 million at December 31, 2007. An increase in interest rates by ten percent of the actual rates for the Company’s floating rate long-term debt obligations would not have been material to the Company’s results of operations and cash flows.

To manage the volatility of currency exchange exposures related to future sales and purchases, the Company nets the exposures on a consolidated basis to take advantage of natural offsets. For the residual portion, the Company enters into forward exchange contracts and purchases options with maturities of less than 12 months pursuant to the Company’s policies and hedging practices. The changes in fair value of these hedging instruments are offset in part or in whole by corresponding changes in the fair value of cash flows of the underlying exposures being hedged. The Company’s unprotected exposures to earnings and cash flow fluctuations due to changes in foreign currency exchange rates were not significant at December 31, 2008 and 2007.

The Company enters into foreign exchange contracts to manage its exposure to foreign currency denominated receivables and payables. The impact from a ten percent change in foreign currency exchange rates on the Company’s foreign currency denominated obligations and related foreign exchange contracts would not have been material to the Company’s results of operations and cash flows.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

CONSOLIDATED STATEMENTS OF OPERATIONS

Years ended December 31

(Dollar amounts in thousands except per share amounts)

	2006	2007	2008
Net sales	\$ 2,575,218	\$ 2,932,575	\$ 2,881,811
Cost of products sold	2,382,150	2,617,161	2,805,638
Gross profit	193,068	315,414	76,173
Selling, general and administrative	187,111	177,507	185,064
Impairment of goodwill and indefinite-lived intangible asset	47,973	-	31,340
Restructuring	3,236	3,515	76,402
Operating profit (loss)	(45,252)	134,392	(216,633)
Interest expense	47,165	48,492	50,525
Debt extinguishment costs	(77)	2,558	593
Interest income	(10,067)	(18,004)	(12,887)
Dividend from unconsolidated subsidiary	(4,286)	(2,007)	(1,943)
Other - net	(1,992)	(12,677)	4,854
Income (loss) from continuing operations before income taxes and noncontrolling shareholders' interests	(75,995)	116,030	(257,775)
Provision (benefit) for income taxes	(5,338)	15,835	(30,274)
Income (loss) from continuing operations before noncontrolling shareholders' interests	(70,657)	100,195	(227,501)
Noncontrolling shareholders' interests, net of income taxes	(3,663)	(8,760)	8,057
Income (loss) from continuing operations	(74,320)	91,435	(219,444)
Income (loss) from discontinued operations, net of income taxes	(4,191)	1,660	64
Gain on sale of discontinued operations, net of income taxes	-	26,475	-
Net income (loss)	\$ (78,511)	\$ 119,570	\$ (219,380)
Basic earnings (loss) per share:			
Income (loss) from continuing operations	\$ (1.21)	\$ 1.48	\$ (3.72)
Income (loss) from discontinued operations	(0.07)	0.03	-
Gain on sale of discontinued operations	-	0.43	-
Net income (loss)	\$ (1.28)	\$ 1.93*	\$ (3.72)
Diluted earnings (loss) per share:			
Income (loss) from continuing operations	\$ (1.21)	\$ 1.46	\$ (3.72)
Income (loss) from discontinued operations	(0.07)	0.03	-
Gain on sale of discontinued operations	-	0.42	-
Net income (loss)	\$ (1.28)	\$ 1.91	\$ (3.72)

* Amounts do not add due to rounding

See Notes to Consolidated Financial Statements, pages 40 to 68.

CONSOLIDATED BALANCE SHEETS

December 31

(Dollar amounts in thousands, except par value amounts)

	<u>2007</u>	<u>2008</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 345,947	\$ 247,672
Short-term investments	49,765	-
Accounts receivable, less allowances of \$8,631 in 2007 and \$10,680 in 2008	354,939	318,109
Inventories at lower of cost or market:		
Finished goods	185,658	247,187
Work in process	30,730	28,234
Raw materials and supplies	<u>88,172</u>	<u>144,691</u>
	304,560	420,112
Other current assets	<u>134,713</u>	<u>58,290</u>
Total current assets	1,189,924	1,044,183
Property, plant and equipment:		
Land and land improvements	42,318	33,731
Buildings	340,512	319,025
Machinery and equipment	1,642,179	1,627,896
Molds, cores and rings	<u>273,032</u>	<u>273,641</u>
	2,298,041	2,254,293
Less accumulated depreciation and amortization	<u>1,305,826</u>	<u>1,353,019</u>
Net property, plant and equipment	992,215	901,274
Goodwill	31,340	-
Intangibles, net of accumulated amortization of \$21,102 in 2007 and \$24,096 in 2008	22,896	19,902
Restricted cash	2,791	2,432
Other assets	<u>59,324</u>	<u>75,105</u>
	<u>\$ 2,298,490</u>	<u>\$ 2,042,896</u>

See Notes to Consolidated Financial Statements, pages 40 to 68.

Table of Contents

LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable	\$ 86,384	\$ 184,774
Accounts payable	301,621	248,637
Accrued liabilities	141,748	123,771
Income taxes	1,450	1,409
Liabilities of discontinued operations	1,332	1,182
Current portion of long-term debt	-	147,761
Total current liabilities	532,535	707,534
Long-term debt	464,608	325,749
Postretirement benefits other than pensions	244,491	236,025
Pension benefits	55,607	268,773
Other long-term liabilities	108,116	115,803
Long-term liabilities related to the sale of automotive operations	10,185	8,046
Noncontrolling shareholders' interests in consolidated subsidiaries	90,657	86,850
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 2007 and in 2008	86,323	86,323
Capital in excess of par value	40,676	43,764
Retained earnings	1,350,527	1,106,344
Cumulative other comprehensive loss	(205,677)	(450,079)
	1,271,849	786,352
Less: common shares in treasury at cost (26,661,295 in 2007 and 27,411,564 in 2008)	(479,558)	(492,236)
Total stockholders' equity	792,291	294,116
	<u>\$ 2,298,490</u>	<u>\$ 2,042,896</u>

See Notes to Consolidated Financial Statements, pages 40 to 68.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(Dollar amounts in thousands except per share amounts)

	Common Stock \$1 Par Value	Capital In Excess of Par Value	Retained Earnings	Cumulative Other Comprehensive Income (Loss)	Common Shares in Treasury	Total
Balance at January 1, 2006	86,323	37,667	1,361,269	(86,323)	(460,160)	938,776
Net (loss)			(78,511)			(78,511)
Other comprehensive income (loss):						
Minimum pension liability adjustment, net of \$6,469 tax effect				(15,795)		(15,795)
Currency translation adjustment				16,228		16,228
Change in the fair value of derivatives and unrealized gain on marketable securities, net of \$633 tax effect				559		559
Comprehensive income (loss)						(77,519)
Adjustment to initially apply SFAS No. 158, net of tax				(197,221)		(197,221)
Stock compensation plans, including tax benefit of \$8		477	(6)		1,165	1,636
Cash dividends - \$.42 per share			(25,781)			(25,781)
Balance at December 31, 2006	86,323	38,144	1,256,971	(282,552)	(458,995)	639,891
Net income			119,570			119,570
Other comprehensive income:						
Unrecognized postretirement benefits, net of \$6,629 tax effect				68,462		68,462
Currency translation adjustment				13,847		13,847
Change in the fair value of derivatives and unrealized gain on marketable securities, net of \$1,835 tax effect				(5,434)		(5,434)
Comprehensive income						196,445
Purchase of 2,991,900 treasury shares					(45,882)	(45,882)
Stock compensation plans, including tax benefit of \$2,915		2,532	(13)		25,319	27,838
Cash dividends - \$.42 per share			(26,001)			(26,001)
Balance at December 31, 2007	\$ 86,323	\$ 40,676	\$ 1,350,527	\$ (205,677)	\$(479,558)	\$ 792,291
Net (loss)			(219,380)			(219,380)
Other comprehensive income (loss):						
Unrecognized postretirement benefits, net of \$1,306 tax effect				(234,455)		(234,455)
Currency translation adjustment				(17,350)		(17,350)
Change in the fair value of derivatives and unrealized gain on marketable securities, net of \$103 tax effect				7,403		7,403
Comprehensive loss						(463,782)
Purchase of 803,300 treasury shares					(13,853)	(13,853)
Stock compensation plans, including tax benefit of \$26		3,088	(30)		1,175	4,233
Cash dividends - \$.42 per share			(24,773)			(24,773)
Balance at December 31, 2008	\$ 86,323	\$ 43,764	\$ 1,106,344	\$ (450,079)	\$(492,236)	\$ 294,116

See Notes to Consolidated Financial Statements, pages 40 to 68.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31

(Dollar amounts in thousands)

	2006	2007	2008
Operating activities:			
Net income/(loss)	\$ (78,511)	\$ 119,570	\$ (219,380)
Adjustments to reconcile net income/(loss) to net cash provided by continuing operations:			
Loss (income) from discontinued operations, net of income taxes	4,191	(1,660)	(64)
Gain on sale of discontinued operations, net of income taxes	-	(26,475)	-
Depreciation	127,693	131,007	138,805
Amortization	4,908	5,925	3,954
Deferred income taxes	(14,393)	16,717	(3,327)
Stock based compensation	1,572	3,731	3,924
Net impact of inventory write-down and change in LIFO reserve	26,343	(7,585)	92,283
Amortization of unrecognized postretirement benefits	19,453	18,499	12,963
Loss (gain) on sale of assets	1,333	(3,477)	4,199
Debt extinguishment costs	-	2,558	593
Noncontrolling shareholders' net income (loss)	3,663	8,760	(8,057)
Restructuring asset write-down	1,231	197	75,557
Impairment of goodwill and indefinite-lived intangible asset	47,973	-	31,340
Changes in operating assets and liabilities of continuing operations:			
Accounts receivable	(29,884)	42,748	20,149
Inventories	(30,649)	48,311	(217,557)
Other current assets	4,601	(2,654)	(34,600)
Accounts payable	16,268	30,026	(46,906)
Accrued liabilities	4,909	19,446	(8,518)
Other items	3,011	(44,893)	(10,350)
Net cash provided by (used in) continuing operations	113,712	360,751	(164,992)
Net cash provided by (used in) discontinued operations	2,005	12,043	(2,225)
Net cash provided by (used in) operating activities	115,717	372,794	(167,217)
Investing activities:			
Property, plant and equipment	(186,190)	(140,972)	(128,773)
Proceeds from sale of investment in Kumho Tire Company	-	-	106,950
Proceeds from the sale of (investment in) available-for-sale debt securities	-	(49,765)	49,765
Investment in unconsolidated subsidiary	-	-	(29,194)
Acquisition of businesses, net of cash acquired	(43,046)	(11,964)	(5,956)
Proceeds from the sale of business	-	66,256	-
Proceeds from the sale of assets	375	19,654	6,408
Net cash used in continuing operations	(228,861)	(116,791)	(800)
Net cash used in discontinued operations	(1,738)	(1,859)	-
Net cash used in investing activities	(230,599)	(118,650)	(800)
Financing activities:			
Payments on long-term debt of parent company	(4,000)	(80,867)	(14,300)
Premium paid on debt repurchases	-	(2,224)	(552)
Net borrowings (repayments) of short term notes in partially owned subsidiaries	74,097	(10,667)	108,818
Contributions of joint venture partner	18,424	15,588	4,250
Purchase of treasury shares	-	(45,882)	(13,853)
Payment of dividends	(25,781)	(26,001)	(24,773)
Issuance of common shares and excess tax benefits on options	149	24,107	309
Net cash provided by (used in) financing activities	62,889	(125,946)	59,899
Effects of exchange rate changes on cash of continuing operations	(7,064)	(3,906)	9,843
Changes in cash and cash equivalents	(59,057)	124,292	(98,275)
Cash and cash equivalents at beginning of year	280,712	221,655	345,947
Cash and cash equivalents at end of year	<u>\$ 221,655</u>	<u>\$ 345,947</u>	<u>\$ 247,672</u>
Cash and cash equivalents at end of year			
Continuing operations	\$ 221,611	\$ 345,947	\$ 247,672
Discontinued operations	44	-	-
	<u>\$ 221,655</u>	<u>\$ 345,947</u>	<u>\$ 247,672</u>

See Notes to Consolidated Financial Statements, pages 40 to 68.

Notes to Consolidated Financial Statements

(Dollar amounts in thousands except per share amounts)

Note 1 -Significant Accounting Policies

Reclassification – On December 23, 2004, the Company sold its automotive business, Cooper-Standard Automotive (“Cooper-Standard”), to an entity formed by The Cypress Group and Goldman Sachs Capital Partners. The operations of the Company’s Oliver Rubber Company subsidiary (formerly part of the North American Tire Operations segment), were sold on October 5, 2007. These operations are considered to be discontinued operations as defined under Statement of Financial Accounting Standard (“SFAS”) No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets,” and require specific accounting and reporting.

The Company’s consolidated financial statements reflect the accounting and disclosure requirements of SFAS No. 144, which mandate the segregation of operating results for the current year and comparable prior year periods and the balance sheets related to the discontinued operations from those related to ongoing operations. Accordingly, the consolidated statements of operations for the years ended December 31, 2006, 2007 and 2008 reflect this segregation as income from continuing operations and income from discontinued operations and the consolidated balance sheets at December 31, 2007 and 2008 display the current and long-term liabilities related to the sale of the automotive operations and Oliver Rubber Company.

Certain amounts for prior years have been reclassified to conform to 2008 presentations. During the fourth quarter of 2008, the Company completed its annual test for impairment and determined that impairment existed in the goodwill of its International Tire Operations segment. As the Company prepared to write-off the goodwill, it determined goodwill had been understated by \$6,901 in the original purchase price allocation with offsets in Intangibles (-\$6,909), Property, plant and equipment (Machinery and equipment \$608) and Other assets (Deferred tax -\$600). These reclassifications are reflected in the Consolidated Balance Sheets at December 31, 2007 and in Note 2 - Acquisitions. In addition, accumulated depreciation (\$169) and amortization (-\$1,791) have been adjusted as a result of the above with a corresponding adjustment to Noncontrolling shareholders’ interests in consolidated subsidiaries (\$1,622).

Principles of consolidation - The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries. Acquired businesses are included in the consolidated financial statements from the dates of acquisition. All intercompany accounts and transactions have been eliminated.

The equity method of accounting is followed for investments in 20 percent to 50 percent owned companies. The Company’s investment in the Mexican tire manufacturing facility represents an approximate 38 percent interest ownership interest.

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

The Company has entered into a joint venture with Kenda Tire Company to construct and operate a tire manufacturing facility in China which was completed and began production in 2007. Until May 2012, all of the tires produced by this joint venture are required to be exported and sold by Cooper Tire & Rubber Company and its affiliates. The Company has also entered into a joint venture with Nemet International to market and distribute Cooper, Pneustone and associated brand tires in Mexico. At December 31, 2008, the Company has subordinated debt to the joint venture. The Company has determined that each of these entities is a Variable Interest Entity (VIE) and it is the primary beneficiary. As such, the Company has included their assets, liabilities and operating results in its consolidated financial statements. The Company has recorded the interest related to the joint venture partners’ ownership in noncontrolling shareholders’ interests in consolidated subsidiaries. The following table summarizes the balance sheets of these variable interest entities at December 31:

Table of Contents

	2007	2008
Assets		
Cash and cash equivalents	\$ 4,203	\$ 4,911
Accounts receivable	2,400	11,607
Inventories	8,149	28,080
Prepaid expenses	1,634	3,221
Total current assets	16,386	47,819
Net property, plant and equipment	112,204	134,639
Intangibles and other assets	14,704	14,247
Total assets	<u>\$ 143,294</u>	<u>\$ 196,705</u>
Liabilities and stockholders' equity		
Notes payable	\$ 23,522	\$ 69,430
Accounts payable	11,052	8,478
Accrued liabilities	4,451	11,548
Current liabilities	39,025	89,456
Long-term debt	20,866	10,500
Stockholders' equity	83,403	96,749
Total liabilities and stockholders' equity	<u>\$ 143,294</u>	<u>\$ 196,705</u>

Cash and cash equivalents and Short-term investments - The Company considers highly liquid investments with an original maturity of three months or less to be cash equivalents.

The Company's objectives related to the investment of cash not required for operations is to preserve capital, meet the Company's liquidity needs and earn a return consistent with these guidelines and market conditions. Investments deemed eligible for the investment of the Company's cash include: 1) U.S. Treasury securities and general obligations fully guaranteed with respect to principle and interest by the government; 2) obligations of U.S. government agencies; 3) commercial paper or other corporate notes of prime quality purchased directly from the issuer or through recognized money market dealers; 4) time deposits, certificates of deposit or bankers' acceptances of banks rated "A-" by Standard & Poor's or "A3" by Moody's; 5) collateralized mortgage obligations rated "AAA" by Standard & Poor's and "Aaa" by Moody's; 6) tax-exempt and taxable obligations of state and local governments of prime quality; and 7) mutual funds or outside managed portfolios that invest in the above investments. The Company had cash and cash equivalents totaling \$345,947 and \$247,672 at December 31, 2007 and December 31, 2008, respectively. The majority of the cash and cash equivalents was invested in eligible financial instruments in excess of amounts insured by the Federal Deposit Insurance Corporation and, therefore, subject to credit risk.

Accounts receivable - The Company records trade accounts receivable when revenue is recorded in accordance with its revenue recognition policy and relieves accounts receivable when payments are received from customers.

Allowance for doubtful accounts - The allowance for doubtful accounts is established through charges to the provision for bad debts. The Company evaluates the adequacy of the allowance for doubtful accounts throughout the year. The evaluation includes historical trends in collections and write-offs, management's judgment of the probability of collecting specific accounts and management's evaluation of business risk. This evaluation is inherently subjective, as it requires estimates that are susceptible to revision as more information becomes available. Accounts are determined to be uncollectible when the debt is deemed to be worthless or only recoverable in part, and are written off at that time through a charge against the allowance for doubtful accounts.

Inventories - Inventories are valued at cost, which is not in excess of market. Inventory costs have been determined by the last-in, first-out ("LIFO") method for substantially all U.S. inventories. Costs of other inventories have been determined by the first-in, first-out ("FIFO") and average cost methods.

Long-lived assets - Property, plant and equipment are recorded at cost and depreciated or amortized using the straight-line or accelerated methods over the following expected useful lives:

Buildings and improvements	10 to 40 years
Machinery and equipment	5 to 14 years
Furniture and fixtures	5 to 10 years
Molds, cores and rings	4 to 10 years

Table of Contents

Intangibles with definite lives include trademarks, technology and intellectual property which are amortized over their useful lives which range from five years to 30 years. The Company evaluates the recoverability of long-lived assets based on undiscounted projected cash flows excluding interest and taxes when any impairment is indicated. Goodwill and other indefinite-lived intangibles are assessed for potential impairment at least annually or when events or circumstances indicate impairment may have occurred.

Pre-production costs related to long-term supply arrangements - When the Company has a contractual arrangement for reimbursement of costs incurred during the engineering and design phase of customer-owned mold projects by the customer, development costs are recorded in Other assets in the accompanying consolidated balance sheets. Reimbursable costs for customer-owned molds included in Other assets were \$1,327 and \$442 at December 31, 2007 and 2008, respectively. Upon completion and acceptance of customer-owned molds, reimbursable costs are recorded as accounts receivable. At December 31, 2007 and 2008, respectively, \$849 and \$558 were included in Accounts receivable for customer-owned molds.

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

(Number of shares in thousands)	<u>2006</u>	<u>2007</u>	<u>2008</u>
Numerator for basic and diluted earnings (loss) per share - income (loss) from continuing operations available to common stockholders	\$ (74,320)	\$ 91,435	\$ (219,444)
Denominator for basic earnings (loss) per share - weighted average shares outstanding	61,338	61,938	59,048
Effect of dilutive securities - stock options and other stock units	-	774	-
Denominator for diluted earnings (loss) per share - adjusted weighted average shares outstanding	61,338	62,712	59,048
Basic earnings (loss) per share from continuing operations	\$ (1.21)	\$ 1.48	\$ (3.72)
Diluted earnings (loss) per share from continuing operations	\$ (1.21)	\$ 1.46	\$ (3.72)

Options to purchase shares of the Company's common stock not included in the computation of diluted earnings per share because the options' exercise prices were greater than the average market price of the common shares were 756,740 in 2007. These options could be dilutive in the future depending on the performance of the Company's stock. Due to the loss recorded in 2006, 2,597,000 options were not included in the computation of diluted earnings (loss) per share. Due to the loss recorded in 2008, 1,239,138 options were not included in the computation of diluted earnings (loss) per share. During 2007, the Company repurchased 2,991,900 shares, and during 2008, the Company repurchased 803,300 shares. No shares were repurchased in 2006.

Derivative financial instruments – 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. 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.

The Company assesses hedge effectiveness quarterly. 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.

Income taxes - Income tax expense for continuing operations and discontinued operations is based on reported earnings (loss) before income taxes in accordance with the tax rules and regulations of the specific legal entities within the various specific taxing jurisdictions where the Company's income is earned. The income tax rates imposed by these taxing jurisdictions vary substantially. Taxable income may differ from income before income taxes for financial accounting purposes. To the extent that differences are due to revenue or expense items reported in one period for tax purposes and in another period for financial accounting purposes, a provision for deferred income taxes is made using enacted tax rates in effect for the year in which the differences are expected to reverse. A valuation allowance is recognized if it is anticipated that some or all of a deferred tax asset may not be realized. Deferred income taxes are not recorded on undistributed earnings of international affiliates based on the Company's intention that these earnings will continue to be reinvested.

Products liability – 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

Table of Contents

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 2007, the Company increased its products liability reserve by \$51,306. The addition of another year of self-insured incidents accounted for \$29,760 of this increase. The Company revised its estimates of future settlements for unasserted and premature claims. In addition, the Company also revised its estimate of the number of additional incidents expected during each year for years subsequent to 2005. These revisions increased the reserve by \$8,946. Finally, changes in the amount of reserves for cases where sufficient information is known to estimate a liability increased by \$12,600.

During 2008, the Company increased its products liability reserve by \$55,970. The addition of another year of self-insured incidents accounted for \$35,348 of this increase. The Company revised its estimates of future settlements for unasserted and premature claims. These revisions increased the reserve by \$7,956. Finally, changes in the amount of reserves for cases where sufficient information is known to estimate a liability increased by \$12,666.

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.

During 2007, the Company paid \$24,268 and during 2008, the Company paid \$39,643 to resolve cases and claims. The Company's products liability reserve balance at December 31, 2007 totaled \$107,304 (current portion of \$16,864). At December 31, 2008, the products liability reserve balance totaled \$123,632 (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 \$63,649, \$70,303 and \$81,262 in 2006, 2007 and 2008, respectively, and include recoveries of legal fees of \$9,434, \$9,795 and \$5,742 in 2006, 2007 and 2008, respectively. Policies applicable to claims occurring on April 1, 2003, and thereafter, do not provide for recovery of legal fees.

Advertising expense – Expenses incurred for advertising include production and media and are generally expensed when incurred. Dealer-earned cooperative advertising expense is recorded when earned. Advertising expense for 2006, 2007 and 2008 was \$59,112, \$42,555 and \$48,102, respectively.

Stock-based compensation - Prior to the adoption of SFAS No. 123(R), the Company presented all benefits of its tax deductions resulting from the exercise of share-based compensation as operating cash flows in its Statement of Cash Flows. SFAS No. 123 (R) requires the benefits of tax deductions in excess of the compensation cost recognized for those options (excess tax benefits) to be classified as financing cash flows. For the years ended December 31, 2007 and 2008, the Company recognized \$2,915 and \$26, respectively, of excess tax benefits as a financing cash inflow.

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

	2006	2007
Risk-free interest rate	4.6%	4.6%
Dividend yield	2.9%	2.2%
Expected volatility of the Company's common stock	0.350	0.360
Expected life in years	6.8	8.0

Table of Contents

The weighted average fair value of options granted in 2006 and 2007 was \$4.55 and \$7.28, respectively. No stock options were granted in 2008.

Warranties – 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 which are recorded in Accrued liabilities and Other long-term liabilities in the Company’s Consolidated Balance Sheets:

	2007	2008
Reserve at January 1	\$ 15,967	\$ 16,510
Additions	20,552	19,816
Payments	(20,009)	(18,082)
Reserve at December 31	<u>\$ 16,510</u>	<u>\$ 18,244</u>

Use of estimates – The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of: (1) revenues and expenses during the reporting period; and (2) assets and liabilities, as well as disclosure of contingent assets and liabilities, at the date of the consolidated financial statements. Actual results could differ from those estimates.

Revenue recognition - Revenues are recognized when title to the product passes to customers. Shipping and handling costs are recorded in cost of products sold. Allowance programs such as volume rebates and cash discounts are recorded at the time of sale based on anticipated accrual rates for the year.

Research and development - Costs are charged to cost of products sold as incurred and amounted to approximately \$23,184, \$22,186 and \$23,054 in 2006, 2007 and 2008, respectively.

Accounting pronouncements –

In September, 2006, the FASB issued SFAS No. 157, “Fair Value Measurements.” This Statement provides guidance for using fair value to measure assets and liabilities. The Statement defines fair value and establishes a fair value hierarchy that prioritizes the information used to develop assumptions market participants would use when pricing the asset or liability. The provisions of this Statement are effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. On February 12, 2008, the FASB issued FASB Staff Position SFAS No. 157-2, “Effective Date of FASB Measurement No. 157” (“the FSP”). The FSP amends SFAS No. 157 to delay the effective date of this Statement for all nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). For items within its scope, the FSP defers the effective date of SFAS No. 157 to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years. The Company adopted SFAS No. 157 as of January 1, 2008 except for non-financial assets and liabilities recognized or disclosed at fair value on a non-recurring basis, for which the effective date is fiscal years beginning after November 15, 2008. See Note 11 – Fair Value of Financial Instruments for additional discussion of SFAS No. 157.

In February 2007, the FASB issued SFAS No. 159 “The Fair Value Option for Financial Assets and Financial Liabilities, including an amendment to FASB Statement 115” (SFAS No. 159). This statement permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. This statement also establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. The Company adopted SFAS No. 159 as of January 1, 2008, but it had no impact on its financial condition or results of operations as the Company did not elect to apply the fair value options.

In December 2007, the FASB issued SFAS No. 141(R) “Business Combinations” (SFAS No. 141(R)). This statement replaces FASB Statement No. 141, “Business Combinations.” This statement defines the term acquirer and establishes guidance for how the acquirer is to recognize and measure in its financial statements the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree. It also provides guidance on how the acquirer is to recognize and measure the goodwill acquired in the business combination or a gain from a bargain purchase. SFAS No. 141(R) is effective for fiscal years beginning on or after December 15, 2008. The Company will be required to adopt SFAS No. 141(R) as of January 1, 2009 and

is currently evaluating the provisions of this Statement, the impact on its acquisition related processes and its approach to adoption of the Statement.

In December 2007, the FASB issued SFAS No. 160 "Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 151" (SFAS No. 160). This statement amends ARB No. 151 to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. This statement changes the way the consolidated income statement is presented by requiring the consolidated net income to be reported at amounts that include the amounts attributable to both the parent and the noncontrolling interests. SFAS No. 160 is effective for fiscal years beginning on or after December 15, 2008. The Company will be required to adopt SFAS No. 160 as of January 1, 2009 and is currently evaluating the provisions of this Statement, the impact on its consolidated financial statements and the timing and approach to adoption of the Statement.

In March 2008, the FASB issued SFAS No. 161 "Disclosures About Derivative Instruments and Hedging Activities – an Amendment of FASB Statement No. 133". SFAS No. 161 requires entities that utilize derivative instruments to provide qualitative disclosures about their objectives and strategies for using such instruments, as well as any details of credit risk related contingent features contained within the derivatives. SFAS No. 161 also requires entities to disclose additional information about the amounts and locations of derivatives located within the financial statements, how the provisions of SFAS No. 133 have been applied and the impact hedges have on an entity's financial position, financial performance and cash flows. SFAS No. 161 is effective for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. The Company is currently evaluating the provisions of this Statement, the impact on its consolidated financial statements and the timing and approach to adoption of the Statement.

In May 2008, the FASB issued SFAS No. 162, "The Hierarchy of Generally Accepted Accounting Principles". SFAS No. 162 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements that are presented in conformity with generally accepted accounting principles in the United States. This statement did not change existing practices. This statement became effective on November 15, 2008 and did not have a material effect on the Company's consolidated financial statements.

Note 2 – Acquisitions

Effective February 4, 2006, the Company acquired a 51 percent ownership position in Cooper Chengshan (Shandong) Passenger Tire Company Ltd. and Cooper Chengshan (Shandong) Tire Company, Ltd. ("Cooper Chengshan"). The new companies, which were formed upon governmental approval of the transaction, together were known as Shandong Chengshan Tire Company, Ltd. ("Chengshan") of Shandong, China. The two companies were formed by transferring specified assets and obligations to newly formed entities and the Company acquired a 51 percent interest in each thereafter. Certain inventories and accounts receivable were not transferred to the newly formed entities and cash was provided by Chengshan to achieve the contractually required net value of the Cooper Chengshan companies. Following formation of the companies, working capital increases consumed cash as accounts receivable and inventory balances grew to operating levels. The Company also acquired a 25 percent ownership position in the steel cord factory which is located adjacent to the tire manufacturing facility in Rongchen City, Shandong, China. On October 12, 2007, the Company sold its ownership position in the steel cord factory and did not recognize a gain or loss.

The purchase price of the acquisition was \$79,782 which included \$73,382 for the 51 percent ownership position in Cooper Chengshan and \$6,400 for the 25 percent position in the steel cord factory. The Company paid \$36,646 (net of cash acquired of \$18,815) and an additional \$17,921 was due upon the signing of the share pledge agreement providing collateral against unknown liabilities or upon the resolution of post-closing adjustments. The Company paid \$11,964 of this amount during 2007 and the remaining balance was paid in February 2008. Debt of \$61,750 was also transferred to the newly formed Cooper Chengshan entities. The newly formed entities reflected an obligation of \$35,739 to Chengshan at December 31, 2006 and this obligation was funded by issuing new debt.

Cooper Chengshan manufactures car and light truck radial tires as well as radial and bias medium truck tires primarily under the brand names of Chengshan and Austone.

The Cooper Chengshan acquisition was accounted for as a purchase transaction. The total purchase price was allocated to fixed assets, liabilities and tangible and identifiable intangible assets based on independent appraisals of their respective fair values. The excess purchase price over the estimated fair value of the net assets acquired was allocated to goodwill. The operating results of Cooper Chengshan have been included in the consolidated financial statements of the Company since the date of acquisition.

Table of Contents

The purchase price and the final allocation for the 51 percent interest in Cooper Chengshan were as follows:

Assets	
Cash	\$ 18,815
Accounts receivable	23,863
Inventory	32,672
Other current assets	1,012
Property, plant & equipment	151,689
Goodwill	31,340
Intangible and other assets	18,356
Liabilities	
Payable to Chengshan	(35,739)
Accounts payable	(57,246)
Accrued liabilities	(10,767)
Deferred taxes	(1,217)
Minority interest	(37,646)
Debt	(61,750)
	<u>\$ 73,382</u>

The acquisition did not meet the thresholds for a significant acquisition and therefore no pro forma financial information is presented.

In connection with this acquisition, 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 \$62,700.

Note 3 – Discontinued Operations

On December 23, 2004, the Company sold its automotive operations, known as Cooper-Standard Automotive. In connection with the sale, the Company agreed to indemnify the buyer against pre-closing income tax liabilities and other items specified in the Sales Agreement. For indemnity commitments where the Company believes future payments are probable, it also believes the expected outcomes can be estimated with reasonable accuracy. Accordingly, for such amounts, a liability has been recorded with a corresponding decrease in the gain on the sale. Other indemnity provisions will be monitored for possible future payments not presently contemplated. With the passage of time, additional information may become available to the Company which would indicate the estimated indemnification amounts require revision. Changes in estimates of the amount of indemnity payments will be reflected as income or loss from discontinued operations in the periods in which the additional information becomes known.

On October 5, 2007, the Company sold its Oliver Rubber Company subsidiary. In addition to the segregation of operating financial results, assets and liabilities, Emerging Issues Task Force (“EITF”) No. 87-24, “Allocation of Interest to Discontinued Operations,” mandates the reallocation to continuing operations of general corporate overhead previously allocated to discontinued operations. Corporate overhead that previously would have been allocated to Oliver Rubber Company of \$1,086 and \$923 for the years ended 2006 and 2007 respectively is charged against continuing operations in the Company’s consolidated statements of operations. Proceeds from the sale were \$66,256. The sale resulted in a gain of \$26,475, net of taxes in the fourth quarter of 2007 and included the release of a tax valuation allowance, a portion of which was recorded in the third quarter.

Note 4 – Inventories

At December 31, 2007, approximately 41 percent of the Company’s inventories had been valued under the LIFO method. With the growth of the Company’s operations in China, approximately 33 percent of the Company’s inventories at December 31, 2008 have been valued under the LIFO method and the remaining inventories have been valued under the FIFO 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 \$139,808 and \$221,854 at December 31, 2007 and 2008, respectively, from current cost which would be reported under the first-in, first-out method. Inventories in the United States which are accounted for using the LIFO cost method at December 31, 2007 were lower than at December 31, 2006 and, for the year ended December 31, 2007, cost of products sold has been reduced by \$22,009 as a result. Cost of products sold for the year ended December 31, 2006 was reduced by \$8,790 as a result of inventory valuation reductions in the United States as of December 31, 2006.

The Company's International Tire Operations pre-purchased significant amounts of raw materials, particularly natural rubber during a period when prices for these commodities were high. This was done with the intent of assuring supply and minimizing future costs. At the end of 2008 demand for tires severely declined affecting the rate at which these raw materials could be used and the number of units in finished goods inventory. The Company was required to record a charge of \$5,809 related to these raw materials and \$4,428 related to finished goods at the end of 2008 to adhere to lower of cost or market accounting principles.

Note 5 – Other Current Assets

Other current assets at December 31 are as follows:

	<u>2007</u>	<u>2008</u>
Investment in Kumho Tire Co., Inc.	\$ 112,170	\$ -
Income tax recoverable	7,525	43,441
Other	15,018	14,849
	<u>\$ 134,713</u>	<u>\$ 58,290</u>

The Company owned 15 million global depository shares (equivalent to 7.5 million common shares) of Kumho Tire Company, Inc. of Korea. The Company held an option to sell such shares to Kumho Tire which was exercisable beginning in February 2008 at the greater of the price paid or the fair market value at the date of exercise. The Company exercised its put option and received proceeds of \$106,950 in the third quarter of 2008.

Note 6 -Goodwill and Intangibles

Goodwill is recorded in the segment where it was generated by acquisitions. The Company recorded \$31,340 of goodwill and \$7,173 of definite-lived intangible assets associated with its acquisition of Cooper Chengshan. Purchased goodwill and indefinite-lived intangible assets are tested annually for impairment unless indicators are present that would require an earlier test.

During the fourth quarter of 2006, the Company completed its annual test for impairment and determined that impairment existed in the goodwill and in the indefinite-lived intangible assets of its North American Tire Operations segment. While the Company made good faith projections of future cash flow in 2005, it failed to meet those projections in 2006 due to industry conditions and other factors. The Company believed certain of these factors would continue to have an impact into the future and, following a review of the valuation of the segment's identifiable assets, the Company wrote off the goodwill of the North American Tire Operations segment which totaled \$44,599 and also recorded an impairment charge of \$3,374 related to the indefinite-lived intangible assets of the segment. During the fourth quarter of 2007, the Company completed its annual test for impairment and no impairment was indicated.

During the fourth quarter of 2008, the Company completed its annual test for impairment and determined that impairment existed in the goodwill of its International Tire Operations segment. The impact of the current global economic environment caused the Company to revise its future cash flow projections and, following a review of the valuation of the segment's identifiable assets, the Company wrote off the goodwill of the International Tire Operations segment which totaled \$31,340.

Table of Contents

The following table presents intangible assets and accumulated amortization balances as of December 31, 2007 and 2008:

	December 31, 2007			December 31, 2008		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Definite-lived:						
Trademarks and tradenames	\$ 10,891	\$ (3,281)	\$ 7,610	\$ 10,891	\$ (3,874)	\$ 7,017
Patents and technology	15,038	(12,951)	2,087	15,038	(14,382)	656
Other	8,252	(4,870)	3,382	8,252	(5,840)	2,412
	<u>34,181</u>	<u>(21,102)</u>	<u>13,079</u>	<u>34,181</u>	<u>(24,096)</u>	<u>10,085</u>
Indefinite-lived:						
Trademarks	9,817	-	9,817	9,817	-	9,817
	<u>\$ 43,998</u>	<u>\$ (21,102)</u>	<u>\$ 22,896</u>	<u>\$ 43,998</u>	<u>\$ (24,096)</u>	<u>\$ 19,902</u>

Estimated amortization expense over the next five years is as follows: 2009 - \$1,357, 2010 - \$1,289, 2011 - \$1,259, 2012 - \$1,237 and 2013 - \$863. The future amortization expense amounts are lower than in prior years due to lower intangible asset balances as a result of the reclassification of the purchase price of Cooper Chengshan.

Note 7 -Other Assets

Other assets at December 31 are as follows:

	2007	2008
Investment in unconsolidated subsidiary	\$ -	\$ 26,848
Other	59,324	48,257
	<u>\$ 59,324</u>	<u>\$ 75,105</u>

During 2008, the Company invested in a Mexican tire manufacturing facility and obtained an approximate 38 percent ownership interest. The Company's investment during 2008 was \$29,194 and the Company has recorded its share of the loss of the operation in the amount of \$2,346.

Note 8 -Accrued Liabilities

Accrued liabilities at December 31 are as follows:

	2007	2008
Payroll and withholdings	\$ 46,140	\$ 22,047
Products liability	16,864	28,737
Medical	4,761	22,396
Foreign currency (gain) loss on derivative financial instruments	8,565	(1,252)
Other	65,418	51,843
	<u>\$ 141,748</u>	<u>\$ 123,771</u>

Note 9 – Income Taxes

Components of income (loss) from continuing operations before income taxes and noncontrolling shareholders' interests were as follows:

	<u>2006</u>	<u>2007</u>	<u>2008</u>
United States	\$ (95,435)	\$ 69,205	\$ (228,398)
Foreign	19,440	46,825	(29,377)
Total	\$ (75,995)	\$ 116,030	\$ (257,775)

The provision (benefit) for income tax for continuing operations consists of the following:

	<u>2006</u>	<u>2007</u>	<u>2008</u>
Current:			
Federal	\$ 8,030	\$ 5,124	\$ (31,368)
State and local	203	753	147
Foreign	4,326	2,447	4,274
	<u>12,559</u>	<u>8,324</u>	<u>(26,947)</u>
Deferred:			
Federal	(16,333)	4,171	(2,005)
State and local	(631)	(183)	-
Foreign	(933)	3,523	(1,322)
	<u>(17,897)</u>	<u>7,511</u>	<u>(3,327)</u>
	\$ (5,338)	\$ 15,835	\$ (30,274)

A reconciliation of income tax expense (benefit) for continuing operations to the tax based on the U.S. statutory rate is as follows:

	<u>2006</u>	<u>2007</u>	<u>2008</u>
Income tax provision (benefit) at 35%	\$ (27,804)	\$ 40,610	\$ (90,221)
State and local income tax, net of federal income tax effect	(757)	613	(6,399)
U.S. tax credits	(5,505)	(1,689)	(2,415)
Difference in effective tax rates of international operations	(2,617)	(8,662)	13,235
Impairment of goodwill	15,597	-	-
Valuation allowance	18,136	(12,804)	54,458
Other - net	(2,388)	(2,233)	1,068
Income tax expense	\$ (5,338)	\$ 15,835	\$ (30,274)

Payments for income taxes in 2006, 2007 and 2008, net of refunds, were \$4,505, \$16,200 and \$10,351, respectively.

Table of Contents

Deferred tax assets and liabilities result from differences in the basis of assets and liabilities for tax and financial reporting purposes. Significant components of the Company's deferred tax assets and liabilities at December 31 were as follows:

	<u>2007</u>	<u>2008</u>
Deferred tax assets:		
Postretirement and other employee benefits	\$ 122,849	\$ 198,881
Net operating loss, capital loss, and tax credits carryforwards	36,004	63,066
All other items	76,548	110,376
Total deferred tax assets	<u>235,401</u>	<u>372,323</u>
Deferred tax liabilities:		
Property, plant and equipment	(124,243)	(114,462)
All other items	(18,017)	(15,444)
Total deferred tax liabilities	<u>(142,260)</u>	<u>(129,906)</u>
	93,141	242,417
Valuation allowances	<u>(87,367)</u>	<u>(231,270)</u>
Net deferred tax asset	<u>\$ 5,774</u>	<u>\$ 11,147</u>

The net deferred taxes in the consolidated balance sheets are as follows:

	<u>2007</u>	<u>2008</u>
Net deferred tax asset	<u>\$ 5,774</u>	<u>\$ 11,147</u>

At December 31, 2008, the Company has U.S. federal tax losses of \$24,944, as well as apportioned state tax losses of \$333,400 and foreign tax losses of \$17,519 available for carryforward. The Company also has U.S. federal tax credits of \$11,767 and state tax credits of \$6,379 in addition to U.S. capital losses of \$40,619 available for carryforward. Valuation allowances have been provided for those items which, based upon an assessment, it is more likely than not that some portion may not be realized. The U.S. federal and state tax loss carryforwards and other tax attributes will expire from 2009 through 2027. The foreign tax losses expire no sooner than 2012. The U.S. federal capital loss carryover will expire in 2009.

The Company's remaining U.S. federal tax loss carryforward is net of current and prior year "specified liability loss" carry backs of \$100,682. These carry backs resulted in current year tax benefits of \$35,239.

The Company has adopted FIN No. 48, "Accounting for Uncertainty in Income Taxes". The Company's liability for unrecognized tax benefits for permanent and temporary book/tax differences for continuing operations, exclusive of interest, total approximately \$7,623 as itemized in the tabular roll forward below:

	<u>2007</u>	<u>2008</u>
Balance at January 1	\$ 1,658	\$ 3,777
Additions for tax positions of the current year	403	1,640
Additions for tax positions of prior years	1,716	2,307
Reductions for tax positions of prior years	-	(101)
Balance at December 31	<u>\$ 3,777</u>	<u>\$ 7,623</u>

Of this amount, the effective rate would change upon the recognition of approximately \$5,900 of these unrecognized tax benefits. The Company accrued, through the tax provision, approximately \$391, \$319 and \$419 of interest expense for 2006, 2007 and 2008 respectively. At December 31, 2008, the Company has \$1,827 of interest accrued.

U. S. income taxes were not provided on a cumulative total of approximately \$105,540 of undistributed earnings, as well as a minimal amount of other comprehensive income for certain non-U.S. subsidiaries. The Company currently intends to reinvest these earnings in operations outside the United States. It is not practicable to determine the amount of additional U.S. income taxes that could be payable upon remittance of these earnings since taxes payable would be reduced by foreign tax credits based

upon income tax laws and circumstances at the time of distribution. The Company has joint ventures in China that have been granted full and partial income tax holidays. The holidays terminate after five years and the first expires in 2010.

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 agreement is 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 the Company any or all of the amount of such obligation due to certain legal limitations or restrictions that may be imposed on such party. The revised intercompany transfer pricing 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. 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.

Note 10 -Debt

On August 30, 2006, the Company established an accounts receivable securitization facility of up to \$175,000. Pursuant to the terms of the facility, the Company sells certain of its domestic trade receivables on a continuous basis to its wholly-owned, bankruptcy-remote subsidiary, Cooper Receivables LLC (“CRLLC”). In turn, CRLLC may sell from time to time an undivided ownership interest in the purchased trade receivables, without recourse, to a PNC Bank administered, asset-backed commercial paper conduit. The facility was initially scheduled to expire in August 2009. On September 14, 2007, the Company amended the accounts receivable facility to exclude the sale of certain receivables, reduce the size of the facility to \$125 million and to extend the maturity to September 2010. No ownership interests in the purchased trade receivables had been sold to the bank conduit as of December 31, 2007 or December 31, 2008. The Company had issued standby letters of credit under this facility totaling \$27,200 and \$29,500 at December 31, 2007 and 2008, respectively.

Under the provisions of SFAS No. 140, “Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities”, the ownership interest in the trade receivables sold to the bank conduit will be recorded as legal transfers without recourse, with those accounts receivable removed from the consolidated balance sheet. The Company continues to service any sold trade receivables for the financial institution at market rates; accordingly, no servicing asset or liability will be recognized.

On November 9, 2007, the Company and its subsidiary, Max-Trac Tire Co., Inc., entered into a Loan and Security Agreement (New Credit Agreement) with a consortium of six banks. This New Credit Agreement provides a \$200,000 credit facility to the Company and Max-Trac Tire Co., Inc. The New Credit Agreement is a revolving credit facility maturing on November 9, 2012 and is secured by the Company’s United States inventory, certain North American accounts receivable that have not been previously pledged and general intangibles related to the foregoing. The New Credit Agreement and the accounts receivable securitization facility have no financial covenants. Borrowings under the New Credit Agreement bear a margin based on the London Interbank Offered Rate. There were no borrowings under the New Credit Agreement at December 31, 2007 or December 31, 2008.

During 2006, the Company repurchased \$3,000 of its long-term debt due in 2019 and \$1,000 of its long-term debt due in 2027. Deferred financing costs of \$65 were written off in conjunction with these repurchases. During 2007, the Company repurchased \$80,867 of its long-term debt due in 2009. The Company incurred transaction-related costs of \$2,558 related to these repurchases, including \$330 of deferred financing costs written off. During 2008, the Company repurchased \$14,300 of its long-term debt due in 2009. The Company incurred transaction-related costs of \$593 related to these repurchases, including \$41 of deferred financing costs written off.

Table of Contents

The following table summarizes the long-term debt of the Company at December 31, 2007 and 2008 and, except for capital leases, the long-term debt is due in an aggregate principal payment on the due date:

	2007	2008
Parent company		
7.75% unsecured notes due December 2009	\$ 111,213	\$ 96,913
8% unsecured notes due December 2019	173,578	173,578
7.625% unsecured notes due March 2027	116,880	116,880
Capitalized leases and other	5,080	5,081
	<u>406,751</u>	<u>392,452</u>
Subsidiaries		
3.693% to 5.58% unsecured notes due in 2009	47,807	50,848
3.718% to 7.47% unsecured notes due in 2010	10,050	14,880
5.67% to 7.56% unsecured notes due in 2011	-	15,330
	<u>57,857</u>	<u>81,058</u>
	464,608	473,510
Less current maturities	-	147,761
	<u>\$ 464,608</u>	<u>\$ 325,749</u>

Over the next five years, the Company has payments related to the above debt of: 2009 - \$147,761, 2010 - \$14,880, 2011 - \$15,330, 2012 - \$0 and 2013 - \$0. In addition, the Company's partially owned, consolidated subsidiary operations in China have short-term notes payable of \$185 million due in 2009. The weighted average interest rate of the short-term notes payable at December 31, 2007 and 2008 was 5.91 percent and 7.75 percent, respectively.

The Company and its subsidiaries also have, from various banking sources, approximately \$4,300 of available short-term lines of credit at rates of interest approximating euro-based interest rates. The amounts available and outstanding vary based on exchange rates as borrowings may be in currencies other than the U.S. Dollar.

Interest paid on debt during 2006, 2007 and 2008 was \$55,272, \$51,970 and \$51,964, respectively. The amount of interest capitalized was \$2,894, \$2,983 and \$1,683 during 2006, 2007 and 2008, respectively.

Note 11 -Fair Value of Financial Instruments

The fair value of the Company's debt is computed using discounted cash flow analyses based on the Company's estimated current incremental borrowing rates. The carrying amounts and fair values of the Company's financial instruments as of December 31 are as follows:

	2007		2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	\$ 345,947	\$ 345,947	\$ 247,672	\$ 247,672
Notes payable	(86,384)	(86,384)	(184,774)	(184,774)
Current portion of long-term debt	-	-	(147,761)	(142,161)
Long-term debt	(464,608)	(438,208)	(325,749)	(158,949)
Derivative financial instruments	8,565	8,565	(1,252)	(1,252)

The derivative financial instruments include fair value and cash flow hedges of foreign currency exposures. Exchange rate fluctuations on the foreign currency-denominated intercompany loans and obligations are offset by the change in values of the fair value foreign currency hedges. The Company presently hedges exposures in the Euro, Canadian dollar, British pound sterling, Swiss franc, Swedish kronar, Mexican peso and Chinese yuan generally for transactions expected to occur within the next 12 months. The notional amount of these foreign currency derivative instruments at December 31, 2007 and 2008 was \$223,200 and \$178,100, respectively. The counterparties to each of these agreements are major commercial banks. Management believes that the probability of losses related to credit risk on investments classified as cash and cash equivalents and short-term investments is unlikely.

Table of Contents

On January 1, 2008, the Company adopted the provisions of SFAS No. 157.

SFAS No. 157 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy on the quality of inputs used to measure fair value and enhances disclosure requirements for fair value measurements. The Company accounts for certain financial assets and liabilities at fair value under various accounting literature.

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.

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 December 31, 2008:

Description	December 31, 2008	Fair Value Measurements at December 31, 2008 Using		
		Quoted Prices in Active Markets for Identical Assets Level (1)	Significant Other Observable Inputs Level (2)	Significant Unobservable Inputs Level (3)
Liabilities:				
Accrued liabilities - foreign currency (gain) loss on derivative financial instruments	\$ (1,252)		\$ (1,252)	

Note 12 -Pensions and Postretirement Benefits Other than Pensions

The Company and its subsidiaries have a number of plans providing pension, retirement or profit-sharing benefits for substantially all domestic employees. These plans include defined benefit and defined contribution plans. The Company has an unfunded, nonqualified supplemental retirement benefit plan covering certain employees whose participation in the qualified plan is limited by provisions of the Internal Revenue Code.

For defined benefit plans, benefits are generally based on compensation and length of service for salaried employees and length of service for hourly employees. In 2002, a new hybrid pension plan covering all domestic salaried and non-bargained hourly employees was established. Employees at the effective date, meeting certain requirements, were grandfathered under the previous defined benefit rules. The new hybrid pension plan covering non-grandfathered employees resembles a savings account. Nominal accounts are credited based on a combination of age, years of service and percentage of earnings. A cash-out option is available upon termination or retirement. Employees of certain of the Company's foreign operations are covered by either contributory or non-contributory trusteed pension plans.

Participation in the Company's defined contribution plans is voluntary. The Company matches certain plan participants' contributions up to various limits. Participants' contributions are limited based on their compensation and, for certain supplemental contributions which are not eligible for company matching, based on their age. Company contributions for certain of these plans are dependent on operating performance. Expense for those plans was \$0, \$5,122 and \$0 for 2006, 2007 and 2008, respectively.

The Company currently provides retiree health care and life insurance benefits to a significant percentage of its U.S. salaried and hourly employees. U.S. salaried and non-bargained hourly employees hired on or after January 1, 2003 are not eligible for retiree health care or life insurance coverage. The Company has reserved the right to modify or terminate certain of these salaried benefits at any time.

The Company adopted SFAS No. 106 in 1992 and, to mitigate the impact of medical cost inflation on the Company's retiree medical obligation, instituted per household caps on the amounts of retiree medical benefits it will provide to future retirees. The caps do not apply to individuals who retired prior to certain specified dates. Costs in excess of these caps will be paid by plan participants. The Company implemented increased cost sharing in 2004 in the retiree medical coverage provided to certain eligible current and future retirees. Since then cost sharing has expanded such that nearly all covered retirees pay a charge to be enrolled.

On December 31, 2006, the Company adopted the recognition and disclosure provisions of SFAS No. 158. This statement required the Company to recognize the funded status (i.e., the difference between the fair value of plan assets and the projected benefit obligation) of its pension and other postretirement benefit ("OPEB") plans in the December 31, 2006 consolidated balance sheet, with a corresponding adjustment to cumulative other comprehensive loss (a component of stockholders' equity), net of tax. The adjustment to cumulative other comprehensive loss at adoption represented the net unrecognized actuarial losses and unrecognized prior service costs, all of which were previously netted against the plans' funded status in the Company's consolidated balance sheets pursuant to the provisions of SFAS No. 87, "Employers' Accounting for Pensions (SFAS No. 87)" and SFAS No. 106. These amounts will be subsequently recognized as net periodic pension cost pursuant to the Company's historical accounting policy for amortizing such amounts. Further, actuarial gains and losses that arise in subsequent periods and are not recognized as net periodic benefit costs in the same periods will be recognized as a component of other comprehensive income. Those amounts will be subsequently recognized as components of net periodic benefit cost on the same basis as the amount recognized in cumulative other comprehensive loss at adoption of SFAS No. 158.

Table of Contents

The following table reflects changes in the projected obligations and fair market values of assets in all defined benefit pension and other postretirement benefit plans of the Company:

	Pension Benefits		Other Postretirement Benefits	
	2007	2008	2007	2008
Change in projected benefit obligation:				
Projected benefit obligation at January 1	\$ 1,102,427	\$ 1,098,859	\$ 275,128	\$ 261,145
Service cost - employer	21,991	21,875	5,570	4,974
Service cost - employee	2,145	2,109	-	-
Interest cost	62,012	63,899	15,674	15,492
Actuarial (gain)/loss	(30,555)	(54,311)	(22,528)	(16,213)
Benefits paid	(64,459)	(58,789)	(12,699)	(12,719)
Foreign currency translation effect	5,298	(79,111)	-	-
Projected benefit obligation at December 31	\$ 1,098,859	\$ 994,531	\$ 261,145	\$ 252,679
Change in plans' assets:				
Fair value of plans' assets at January 1	\$ 962,120	\$ 1,056,252	\$ -	\$ -
Actual return on plans' assets	85,997	(248,978)	-	-
Employer contributions	66,300	39,886	-	-
Participant contributions	2,256	2,258	-	-
Benefits paid	(64,459)	(58,789)	-	-
Foreign currency translation effect	4,038	(64,724)	-	-
Fair value of plans' assets at December 31	\$ 1,056,252	\$ 725,905	\$ -	\$ -
Funded status of the plans	\$ (42,607)	\$ (268,626)	\$ (261,145)	\$ (252,679)
Amounts recognized in the balance sheets:				
Other assets	\$ 13,000	\$ 147	\$ -	\$ -
Accrued liabilities	-	-	(16,654)	(16,654)
Postretirement benefits other than pensions	-	-	(244,491)	(236,025)
Pension benefits	(55,607)	(268,773)	-	-

Included in cumulative other comprehensive loss at December 31, 2007 are the following amounts that have not yet been recognized in net periodic benefit cost: unrecognized prior service costs of (\$17,575) ((\$14,878) net of tax) and unrecognized actuarial losses of \$308,059 (\$250,735 net of tax).

Included in cumulative other comprehensive loss at December 31, 2008 are the following amounts that have not yet been recognized in net periodic benefit cost: unrecognized prior service costs of (\$18,046) ((\$16,698) net of tax) and unrecognized actuarial losses of \$541,679 (\$487,010 net of tax). The prior service cost and actuarial loss included in cumulative other comprehensive loss and expected to be recognized in net periodic benefit cost during the fiscal year-ended December 31, 2009 are (\$1,208) and \$32,100, respectively.

The underfunded status of the pension plans of \$268,626 at December 31, 2008 is recognized in the accompanying consolidated balance sheets as Other assets for those overfunded plans and Other long-term liabilities for those underfunded plans. The unfunded status of the other postretirement benefits is recognized as Accrued liabilities for the current portion of \$16,654 and as Postretirement benefits other than pensions for the long-term portion of \$236,025.

The accumulated benefit obligation for all defined benefit pension plans was \$1,043,991 and \$954,971 at December 31, 2007 and 2008, respectively.

Table of Contents

Weighted average assumptions used to determine benefit obligations at December 31:

	Pension Benefits		Other Postretirement Benefits	
	2007	2008	2007	2008
All plans				
Discount rate	5.97%	6.12%	6.00%	6.00%
Rate of compensation increase	3.46%	3.33%	-	-
Domestic plans				
Discount rate	6.00%	6.00%	6.00%	6.00%
Rate of compensation increase	3.25%	3.25%	-	-
Foreign plans				
Discount rate	5.89%	6.50%	-	-
Rate of compensation increase	3.96%	3.56%	-	-

At December 31, 2008, the weighted average assumed annual rate of increase in the cost of medical benefits was 6.0 percent per year for 2009 and thereafter. The weighted average assumed annual rate of increase in the cost of prescription drugs was 6.0 percent per year for 2009 and thereafter.

	Pension Benefits			Other Postretirement Benefits		
	2006	2007	2008	2006	2007	2008
Components of net periodic benefit cost:						
Service cost	\$ 22,824	\$ 21,991	\$ 21,875	\$ 5,725	\$ 5,570	\$ 4,974
Interest cost	57,501	62,012	63,899	15,605	15,674	15,492
Expected return on plan assets	(71,030)	(77,893)	(81,484)	-	-	-
Amortization of prior service cost	919	714	483	(308)	(308)	(308)
Recognized actuarial loss	15,335	15,257	11,593	3,507	2,836	1,196
Net periodic benefit cost	<u>\$ 25,549</u>	<u>\$ 22,081</u>	<u>\$ 16,366</u>	<u>\$ 24,529</u>	<u>\$ 23,772</u>	<u>\$ 21,354</u>

Weighted-average assumption used to determine net periodic benefit cost for the years ended December 31:

	Pension Benefits			Other Postretirement Benefits		
	2006	2007	2008	2006	2007	2008
All plans						
Discount rate	5.68%	5.61%	5.97%	5.75%	5.75%	6.00%
Expected return on plan assets	8.62%	8.58%	8.25%	-	-	-
Rate of compensation increase	3.44%	3.37%	3.46%	-	-	-
Domestic plans						
Discount rate	5.75%	5.75%	6.00%	5.75%	5.75%	6.00%
Expected return on plan assets	9.00%	9.00%	8.50%	-	-	-
Rate of compensation increase	3.25%	3.25%	3.25%	-	-	-
Foreign plans						
Discount rate	5.49%	5.29%	5.89%	-	-	-
Expected return on plan assets	7.45%	7.45%	7.55%	-	-	-
Rate of compensation increase	3.98%	3.65%	3.96%	-	-	-

Table of Contents

The following table lists the projected benefit obligation, accumulated benefit obligation and fair value of plan assets for the pension plans with projected benefit obligations and accumulated benefit obligations in excess of plan assets at December 31, 2007 and 2008:

	2007		2008	
	Projected benefit obligation exceeds plan assets	Accumulated benefit obligation exceeds plan assets	Projected benefit obligation exceeds plan assets	Accumulated benefit obligation exceeds plan assets
Projected benefit obligation	\$ 464,586	\$ 464,586	\$ 992,228	\$ 992,228
Accumulated benefit obligation	453,666	453,666	952,751	952,751
Fair value of plan assets	408,979	408,979	723,455	723,455

Assumed health care cost trend rates for other postretirement benefits have a significant effect on the amounts reported. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	Percentage Point	
	Increase	Decrease
Increase (decrease) in total service and interest cost components	\$ 153	\$ (136)
Increase (decrease) in the postretirement benefit obligation	2,100	(1,865)

The Company's weighted average asset allocations for its domestic and foreign pension plans' assets at December 31, 2007 and December 31, 2008 by asset category are as follows:

Asset Category	U. S. Plans		U. K. Plan	
	2007	2008	2007	2008
Equity securities	68 %	70 %	62 %	52 %
Debt securities	31	30	36	45
Cash	1	0	2	3
Total	100 %	100 %	100 %	100 %

The Company's investment policy for United States plans' assets is to maintain an allocation of 70 percent in equity securities and 30 percent in debt securities. The Company's investment policy for United Kingdom plan assets is to maintain an allocation of 60 percent in equity securities and 40 percent in fixed income securities. Rebalancing of the asset portfolios occurs periodically if the mix differs from the target allocation. Equity security investments are structured to achieve a balance between growth and value stocks. The Company also has a pension plan in Germany and the assets of that plan consist of investments in a German insurance company.

The fair market value of U.S. plan assets was \$777,046 and \$553,005 at December 31, 2007 and 2008, respectively. The fair market value of the United Kingdom plan assets was \$276,659 and \$170,450 at December 31, 2007 and 2008, respectively. The fair market value of the German pension plan assets was \$2,547 and \$2,450 at December 31, 2007 and 2008, respectively.

The Company determines the annual expected rates of return on pension assets by first analyzing the composition of its asset portfolio. Historical rates of return are applied to the portfolio. These computed rates of return are reviewed by the Company's investment advisors and actuaries. Industry comparables and other outside guidance are also considered in the annual selection of the expected rates of return on pension assets.

During 2009, the Company expects to contribute only minimum requirements to its domestic and foreign pension plans, including the currently estimated amounts resulting from the planned closure of the Albany, Georgia facility. These amounts are expected to total approximately \$45,000 to \$50,000.

Table of Contents

The Company estimates its benefit payments for its domestic and foreign pension plans and other postretirement benefit plans during the next ten years to be as follows:

	Pension Benefits	Other Postretirement Benefits
2009	62,000	17,000
2010	62,000	18,000
2011	64,000	18,000
2012	66,000	18,000
2013	67,000	18,000
2014 through 2018	362,000	95,000

Note 13 –Other Long-term Liabilities

Other long-term liabilities at December 31 are as follows:

	2007	2008
Products liability	\$ 90,440	\$ 94,895
Other	17,676	20,908
	<u>\$ 108,116</u>	<u>\$ 115,803</u>

Note 14 –Common Stock

There were 8,406 common shares reserved for grants under compensation plans and contributions to the Company's Spectrum Investment Savings Plan and Pre-Tax Savings plans at December 31, 2008. The Company matches contributions made by participants to these plans in accordance with a formula based upon the financial performance of the Company. Matching contributions are directed to the Company Stock Fund, however, employees may transfer these contributions to any of the other investment funds offered under the plans.

Note 15 –Cumulative Other Comprehensive Loss

The balances of each component of cumulative other comprehensive loss in the accompanying consolidated statements of stockholders' equity are as follows:

	2007	2008
Cumulative currency translation adjustment	\$ 34,894	\$ 17,544
Changes in the fair value of derivatives and unrealized gains/(losses) on marketable securities	(7,281)	267
Tax effect	2,567	2,422
Net	(4,714)	2,689
Unrecognized postretirement benefit plans	(290,484)	(523,633)
Tax effect, net of valuation allowance	54,627	53,321
Net	(235,857)	(470,312)
	<u>\$ (205,677)</u>	<u>\$ (450,079)</u>

Net income (loss) reflects realized gains and losses on marketable securities and derivatives. Losses of \$1,083, \$4,195 and \$7,038 were recognized in 2006, 2007 and 2008, respectively.

Note 16 -Stock-Based Compensation

Stock Options

The Company's 1998, 2001 and 2006 incentive compensation plans allow the Company to grant awards to key employees in the form of stock options, stock awards, restricted stock units, stock appreciation rights, performance units, dividend equivalents and other awards. The 1996 incentive stock option plan and the 1998, 2001 and 2006 incentive compensation plans provide for granting options to key employees to purchase common shares at prices not less than market at the date of grant. Options under these plans may have terms of up to ten years becoming exercisable in whole or in consecutive installments, cumulative or otherwise. The plans allow the granting of nonqualified stock options which are not intended to qualify for the tax treatment applicable to incentive stock options under provisions of the Internal Revenue Code.

The 1998 employee stock option plan allowed the Company to make a nonqualified option grant to substantially all of its employees to purchase common shares at a price not less than market value at the date of grant. Options granted under this plan have a term of ten years and became exercisable in full beginning three years after the date of grant.

The Company's 2002 nonqualified stock option plan provides for granting options to directors who are not current or former employees of the Company to purchase common shares at prices not less than market at the date of grant. Options granted under this plan have a term of ten years and become exercisable one year after the date of grant.

Since the adoption of SFAS No. 123(R), the Company recorded compensation expense of \$320, \$321 and \$351 for 2006, 2007 and 2008, respectively, related to stock options.

Table of Contents

Summarized information for the plans follows:

		Number of Shares	Weighted Average Exercise Price	Available For Grant
January 1, 2006				
	Outstanding	3,661,119	17.78	
	Exercisable	<i>3,661,119</i>	<i>17.78</i>	
	Granted	451,438	14.35	
	Exercised	(10,589)	13.30	
	Expired	(25,122)	18.70	
	Cancelled	<u>(1,044,295)</u>	17.12	
December 31, 2006				5,404,430
	Outstanding	3,032,551	17.76	
	Exercisable	<i>2,670,865</i>	<i>18.22</i>	
	Granted	8,280	19.33	
	Exercised	(1,245,910)	17.01	
	Expired	(6,827)	24.33	
	Cancelled	<u>(180,617)</u>	18.47	
December 31, 2007				4,787,535
	Outstanding	1,607,477	18.23	
	Exercisable	<i>1,390,828</i>	<i>18.80</i>	
	Granted	-	-	
	Exercised	(19,192)	14.75	
	Expired	(246,215)	20.57	
	Cancelled	<u>(107,470)</u>	18.95	
December 31, 2008				4,708,946
	Outstanding	1,234,600	17.76	
	Exercisable	<i>1,108,910</i>	<i>18.12</i>	

The weighted average remaining contractual life of options outstanding at December 31, 2008 is 4.9 years.

Segregated disclosure of options outstanding at December 31, 2008 is as follows:

	Range of Exercise Prices		
	Less than or equal to \$14.75	Greater than \$14.75 and less than \$19.80	Greater than or equal to \$19.80
Options outstanding	467,352	433,348	333,900
Weighted average exercise price	\$ 14.20	\$ 18.35	\$ 21.96
Remaining contractual life	5.3	4.6	4.7
Options exercisable	345,264	429,746	333,900
Weighted average exercise price	\$ 14.13	\$ 18.35	\$ 21.96

Table of Contents

Restricted Stock Units

Under the 1998, 2001 and 2006 Incentive Compensation Plans, restricted stock units may be granted to officers and other key employees. Compensation related to the restricted stock units is determined based on the fair value of the Company's stock on the date of grant and is amortized to expense over the vesting period. The restricted stock units granted in 2007 and 2008 have vesting periods ranging from one to five years. With the adoption of SFAS No. 123(R), the Company recognizes compensation expense based on the earlier of the vesting date or the date when the employee becomes eligible to retire. The Company recorded \$1,186, \$2,008 and \$1,796 of compensation expense for 2006, 2007 and 2008, respectively, related to restricted stock units. The following table provides details of the restricted stock units granted by the Company:

	<u>2007</u>	<u>2008</u>
Restricted stock units outstanding at beginning of period	126,475	401,681
Restricted stock units granted	314,484	22,500
Accrued dividend equivalents	7,860	19,700
Restricted stock units settled	(47,138)	(35,405)
Restricted stock units cancelled	<u>—</u>	(4,839)
Restricted stock units outstanding at end of period	<u>401,681</u>	<u>403,637</u>

Performance Based Units

During 2007, executives participating in the Company's Long-Term Incentive Plan earned 283,254 performance based units based on the Company's financial performance in 2007. These units will vest in February 2010 and the Company recorded \$1,348 and \$1,778 in compensation expense associated with these units in 2007 and 2008, respectively. No PBUs were earned in 2006 or 2008.

At December 31, 2008, the Company has \$3,138 of unvested compensation cost related to stock options, restricted stock units and performance based units. This cost will be recognized as expense over a weighted average period of 14 months.

Note 17 -Lease Commitments

The Company rents certain distribution facilities and equipment under long-term leases expiring at various dates. The total rental expense for the Company, including these long-term leases and all other rentals, was \$29,815, \$27,560 and \$26,664 for 2006, 2007 and 2008, respectively.

Future minimum payments for all non-cancelable operating leases through the end of their terms, which in aggregate total \$89,058, are listed below. Certain of these leases contain provisions for optional renewal at the end of the lease terms.

2009	15,524
2010	21,707
2011	8,039
2012	6,420
2013	6,350
Thereafter	31,018

Note 18 -Restructuring

During 2008, the Company incurred restructuring expenses related to the closure of its Albany, Georgia manufacturing facility and the closure of a distribution center in Dayton, New Jersey.

On October 21, 2008, the Company announced it would conduct a capacity study of its United States manufacturing facilities. The study was an evolution of the Strategic Plan as outlined by the Company in February 2008. All of the Company's U.S. manufacturing facilities were included for review and were analyzed based on a combination of factors, including long term financial benefits, labor relations and productivity.

At the conclusion of the capacity study, on December 17, 2008, the North American Tire Operations segment announced its plans to close its tire manufacturing facility in Albany, Georgia. This closure is expected to result in a workforce reduction of approximately 1,400 people. Certain equipment in the facility will be relocated to other manufacturing facilities. The segment has targeted the first quarter of 2010 as the completion date for this plant closure.

The cost of this initiative is estimated to range from between \$120,000 and \$145,000. This amount consists of personnel related costs of between \$25,000 and \$35,000. Equipment related and other costs are estimated to be between \$95,000 and \$110,000, including asset write downs of between \$75,000 and \$85,000.

During the fourth quarter, the Company recorded \$429 of personnel related costs (\$429 after-tax and \$.01 per share) and no severance payments were made, resulting in an accrued severance balance at December 31, 2008 of \$429. Also during the fourth quarter, the Company recorded an impairment loss of \$75,162 (\$75,162 after-tax and \$1.27 per share) to write down the Albany land, building and equipment to fair value. The fair value of the land and buildings was determined using a sales comparison approach using recent market data and comparing values to the Albany, Georgia location. The fair value of the machinery and equipment which will not be transferred to other Company locations was determined using the market value approach.

The Company also recorded \$393 in other restructuring costs related to the Albany facility.

In December 2008, the Company also announced the planned closure of its Dayton, New Jersey distribution center. This initiative is expected to cost between \$450 and \$500. This amount includes personnel related costs of \$100 and equipment related costs between \$350 and \$450. This initiative is expected to be completed by the end of the first quarter 2009 and will impact nine people. During the fourth quarter of 2008, the Company recorded \$24 of severance costs and did not make any payments. The Company also recorded asset write-downs of \$394.

The continuing operations of the Company incurred restructuring expenses in 2006 and 2007 related to four initiatives.

In September of 2006, the North American Tire Operations segment announced its plans to reconfigure its tire manufacturing facility in Texarkana, Arkansas so that its production levels can “flex” to meet tire demand. The Company completed this initiative during the third quarter of 2007 at a total cost of \$3,499. The Company recorded restructuring costs of \$723 in 2006 and \$2,776 in 2007 associated with this initiative.

In November of 2006, a restructuring of salaried support positions was announced. This initiative was completed at the end of the first quarter of 2007 at a total cost of \$1,118. The Company recorded \$647 of costs related to this initiative in 2006 and \$471 of costs during 2007.

In December of 2006, the North American Tire Operations segment initiated a plan to reduce the number of stock-keeping units manufactured in its facilities and to take tire molds out of service. The Company recorded \$405 of restructuring expense in 2006 and \$80 in 2007.

During 2006, the International Tire Operations segment recorded \$1,461 in restructuring costs associated with a management reorganization in Cooper Tire Europe. During 2007, a restructuring program to reduce 15 positions was completed at a cost of \$150. A warehouse was closed in March 2007 at a cost of \$38.

Note 19 -Severance payments to former Chief Executive Officer

During the third quarter of 2006, the Company paid \$6,797 in severance and benefits to Thomas A. Dattilo, the former chairman, president and chief executive officer of the Company, pursuant to the terms of his Employment Agreement. An additional payment of \$585 was paid to Mr. Dattilo in the first quarter of 2007. Expense of \$5,069 was recorded in the third quarter of 2006 in conjunction with these distributions relating to the severance component of the payments. The Company had previously accrued \$2,313 under existing benefit programs. This additional expense appears as a component of Selling, general and administrative expense in the Condensed Consolidated Statements of Operations and within Unallocated corporate charges as presented in the operating segment footnote.

Note 20 -Other – Net

The components of Other - net in the statement of operations for the years 2006, 2007 and 2008 are as follows:

	2006	2007	2008
Foreign currency (gains)/losses	\$ (864)	\$ (3,890)	\$ 2,966
Equity in earnings from joint ventures	(666)	(1,725)	2,346
Loss (gain) on sale of assets	-	(7,230)	948
Other	(462)	168	(1,406)
	<u>\$ (1,992)</u>	<u>\$ (12,677)</u>	<u>\$ 4,854</u>

Note 21 -Contingent Liabilities

Indemnities Related to the Sale of Cooper-Standard Automotive

The sale of the Company’s automotive segment included contract provisions which provide for indemnification of the buyer by the Company for all income tax liabilities related to periods prior to closing and for various additional items outlined in the agreement. Indemnity payments would be reflected as expenses of discontinued operations. The recorded gain on the sale includes reductions for estimates of the expected tax liabilities and the other potential indemnity items to the extent they are deemed to be probable and estimable at December 31, 2008. For indemnity commitments where the Company believes future payments are probable, it also believes the expected outcomes can be estimated with reasonable accuracy. Accordingly, for such amounts, a liability has been recorded with a corresponding decrease in the gain on the sale. Other indemnity provisions will be monitored for possible future payments not presently contemplated. The Company will reevaluate the probability and amounts of indemnity payments being required quarterly and adjustments, if any, to the initial estimates will be reflected as income or loss from discontinued operations in the periods when revised estimates are determined.

Guarantees

Certain operating leases related to property and equipment used in the operations of Cooper-Standard Automotive were guaranteed by the Company. These guarantees require the Company, in the event Cooper-Standard Automotive fails to honor its commitments, to satisfy the terms of the lease agreements. As part of the sale of the automotive segment, the Company is seeking releases of those guarantees, but to date has been unable to secure releases from certain lessors. The most significant of those leases is for a U.S. manufacturing facility with a remaining term of 8 years and total remaining payments of approximately \$9,300. Other leases cover two facilities in the United Kingdom. These leases have remaining terms of five years and remaining payments of approximately \$2,900. The Company does not believe it is presently probable that it will be called upon to make these payments. Accordingly, no accrual for these guarantees has been recorded. If information becomes known to the Company at a later date which indicates its performance under these guarantees is probable, accruals for the obligations will be required.

Litigation

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

Pursuant to applicable accounting rules, the Company accrues the minimum liability for each known claim when the estimated outcome is a range of possible loss and no one amount within that range is more likely than another. The Company uses a range of settlements because an average settlement cost would not be meaningful since the products liability claims faced by the Company are unique and widely variable. The 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.

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.

Management cannot reasonably determine the scope or amount of possible liabilities that could result from an unfavorable settlement or resolution of these claims and no reserves for these claims have been established as of December 31, 2008. However, it is possible that an unfavorable resolution of these claims could have an adverse effect on the Company's financial condition, cash flow and results of operations, and there can be no assurance that the Company will be able to achieve a favorable settlement or resolution of these claims.

Cooper Chengshan Acquisition

In connection with the investment in 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 \$62,700.

Employment Contracts

The Company has employment arrangements with two key executive employees and has change in control severance agreements covering twelve additional key executives. These arrangements provide for continuity of management and provide for payments of multiples of annual salary, potential tax gross-up amounts, certain incentives and continuation of benefits upon the occurrence of specified events in a manner that is believed to be consistent with comparable companies.

Unconditional Purchase Orders

Noncancelable purchase order commitments for capital expenditures and raw materials, principally natural rubber, made in the ordinary course of business were \$64,343 at December 31, 2008.

Note 22 –Business Segments

The Company has two reportable segments – North American Tire Operations and International Tire Operations. The Company’s reportable segments are each managed separately.

The North American Tire Operations segment produces passenger and light truck tires, which are sold nationally and internationally in the replacement tire market to 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 International Tire Operations segment currently manufactures and markets passenger car, light and medium truck and motorcycle tires for the replacement market, as well as racing tires and materials for the tire retread industry, in Europe and the United Kingdom. The segment manufactures and markets passenger car, bias and radial light and medium truck tires and off-the-road tires in China.

The following customers of the North American Tire Operations segment contributed ten percent or more of the Company’s total consolidated net sales in 2006, 2007 and 2008. Net sales and percentage of consolidated Company sales for these customers in 2006, 2007 and 2008 are as follows:

Customer	2006		2007		2008	
	Net Sales	Consolidated Net Sales	Net Sales	Consolidated Net Sales	Net Sales	Consolidated Net Sales
TBC/Treadways	\$ 365,767	14%	\$ 415,713	14%	\$ 385,495	13%

Table of Contents

The accounting policies of the reportable segments are consistent with those described in the Significant Accounting Policies note to the consolidated financial statements. Corporate administrative expenses are allocated to segments based principally on assets, employees and sales. The following table details segment financial information:

	<u>2006</u>	<u>2007</u>	<u>2008</u>
Revenues			
North American Tire	\$ 1,995,150	\$ 2,209,822	\$ 2,142,139
International Tire	680,164	881,297	975,007
Eliminations and other	(100,096)	(158,544)	(235,335)
Consolidated	<u>2,575,218</u>	<u>2,932,575</u>	<u>2,881,811</u>
Segment profit (loss)			
North American Tire	(39,523)	119,440	(174,065)
International Tire	9,427	28,902	(30,094)
Unallocated corporate charges and eliminations	(15,156)	(13,950)	(12,474)
Operating profit (loss)	(45,252)	134,392	(216,633)
Interest income	10,067	18,004	12,887
Dividend from unconsolidated subsidiary	4,286	2,007	1,943
Debt extinguishment costs	77	(2,558)	(593)
Other - net	1,992	12,677	(4,854)
Interest expense	(47,165)	(48,492)	(50,525)
Income (loss) from continuing operations before income taxes and noncontrolling shareholders' interest	(75,995)	116,030	(257,775)
Depreciation and amortization expense			
North American Tire	99,014	97,746	96,057
International Tire	31,358	37,264	45,418
Corporate	2,229	1,922	1,284
Consolidated	<u>132,601</u>	<u>136,932</u>	<u>142,759</u>
Segment assets			
North American Tire	1,199,098	1,021,132	977,545
International Tire	687,204	736,568	740,583
Corporate and other	349,213	540,790	324,768
Consolidated	<u>2,235,515</u>	<u>2,298,490</u>	<u>2,042,896</u>
Expenditures for long-lived assets			
North American Tire	98,861	63,466	55,560
International Tire	86,859	76,755	72,723
Corporate	470	751	490
Consolidated	<u>186,190</u>	<u>140,972</u>	<u>128,773</u>

Table of Contents

Geographic information for revenues, based on country of origin, and long-lived assets follows:

	<u>2006</u>	<u>2007</u>	<u>2008</u>
Revenues			
North America	\$ 1,927,893	\$ 2,124,586	\$ 2,055,769
Europe	285,412	318,732	303,742
Asia	<u>361,913</u>	<u>489,257</u>	<u>522,300</u>
Consolidated	2,575,218	2,932,575	2,881,811
Long-lived assets			
North America	667,474	630,055	506,248
Europe	77,407	70,756	48,660
Asia	<u>225,752</u>	<u>291,404</u>	<u>346,366</u>
Consolidated	970,633	992,215	901,274

Shipments of domestically-produced products to customers outside the U.S. approximated seven percent of net sales in 2007 and eight percent of net sales in 2006 and 2008.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Cooper Tire & Rubber Company

We have audited the accompanying consolidated balance sheets of Cooper Tire & Rubber Company (the “Company”) as of December 31, 2008 and 2007, and the related consolidated statements of operations, shareholders’ equity, and cash flows for each of the three years in the period ended December 31, 2008. Our audits also included the financial statement schedule listed in the index at Item 15(a) (2). These financial statements and schedule are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Cooper Tire & Rubber Company at December 31, 2008 and 2007, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2008, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Cooper Tire & Rubber Company’s internal control over financial reporting as of December 31, 2008, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 20, 2009 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Ernst & Young LLP

Toledo, Ohio
February 20, 2009

SELECTED QUARTERLY DATA

(Unaudited)

(Dollar amounts in thousands except per share amounts.)

	2007			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net sales	\$ 669,600	\$ 730,135	\$ 767,710	\$ 765,130
Gross profit	70,839	75,362	76,083	93,130
Income (loss) from continuing operations	19,505	15,615	17,845	38,470
Basic earnings (loss) per share from continuing operations	0.32	0.25	0.29	0.62
Diluted earnings (loss) per share from continuing operations	0.31	0.25	0.28	0.62
Revenues from external customers:				
North American Tire	\$ 515,089	\$ 533,181	\$ 576,276	\$ 585,276
International Tire	182,962	234,495	235,860	227,980
Eliminations and other	(28,451)	(37,541)	(44,426)	(48,126)
Net sales	<u>\$ 669,600</u>	<u>\$ 730,135</u>	<u>\$ 767,710</u>	<u>\$ 765,130</u>
Segment profit:				
North American Tire	\$ 26,796	\$ 20,692	\$ 26,948	\$ 45,004
International Tire	6,113	11,772	7,179	3,837
Eliminations	(825)	413	731	(891)
Corporate	(2,955)	(3,375)	(2,110)	(4,937)
Operating profit	29,129	29,502	32,748	43,013
Interest expense	(12,519)	(12,157)	(12,351)	(11,465)
Debt extinguishment costs	-	-	(1,541)	(1,017)
Interest income	3,529	4,259	4,506	5,710
Dividend from unconsolidated subsidiary	2,007	-	-	-
Other – net	4,606	1,647	4,762	1,662
Income from continuing operations before income taxes and noncontrolling shareholders' interest	<u>\$ 26,752</u>	<u>\$ 23,251</u>	<u>\$ 28,124</u>	<u>\$ 37,903</u>
	2008			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net sales	\$ 679,321	\$ 772,907	\$ 793,751	\$ 635,832
Gross profit (loss)	56,238	29,829	(137)	(9,757)
Income (loss) from continuing operations	1,342	(22,100)	(55,248)	(143,438)
Basic earnings (loss) per share from continuing operations	0.03	(0.38)	(0.94)	(2.43)
Diluted earnings (loss) per share from continuing operations	0.03	(0.38)	(0.94)	(2.43)
Revenues from external customers:				
North American Tire	\$ 497,672	\$ 547,513	\$ 586,188	\$ 510,766
International Tire	231,780	282,966	284,684	175,577
Eliminations and other	(50,131)	(57,572)	(77,121)	(50,511)
Net sales	<u>\$ 679,321</u>	<u>\$ 772,907</u>	<u>\$ 793,751</u>	<u>\$ 635,832</u>
Segment profit (loss):				
North American Tire	\$ 8,144	\$ (21,906)	\$ (51,165)	\$ (109,138)
International Tire	6,909	5,944	7,231	(50,179)
Eliminations	(1,269)	987	396	(1,443)
Corporate	(4,230)	(442)	(3,477)	(2,995)
Operating profit (loss)	9,554	(15,417)	(47,015)	(163,755)
Interest expense	(11,478)	(12,742)	(12,821)	(13,484)
Debt extinguishment costs	(583)	-	(10)	-
Interest income	3,723	3,669	3,902	1,593
Dividend from unconsolidated subsidiary	1,943	-	-	-
Other – net	1,317	2,201	(1,244)	(7,128)
Income (loss) from continuing operations before income taxes and noncontrolling shareholders' interest	<u>\$ 4,476</u>	<u>\$ (22,289)</u>	<u>\$ (57,188)</u>	<u>\$ (182,774)</u>

During the fourth quarter of 2008, the Company recorded an impairment charge of \$31,340 related to the write off of goodwill in the International Tire Operations segment and also recorded restructuring charges of \$76,402 related to the planned closure of the Albany, Georgia manufacturing facility and Dayton, New Jersey distribution center.

COOPER TIRE & RUBBER COMPANY
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

Years ended December 31, 2006, 2007 and 2008

	Balance at Beginning of Year	Additions		Deductions (a)	Balance at End of Year
		Charged To Income	Business Acquisitions		
Allowance for doubtful accounts					
2006	\$ 5,281,304	\$ 2,551,176	\$ 2,540,263	\$ 1,535,087	\$ 8,837,656
2007	\$ 8,837,656	\$ 1,579,369	\$ -	\$ 1,785,792	\$ 8,631,233
2008	\$ 8,631,233	\$ 2,449,691	\$ -	\$ 401,050	\$ 10,679,874

(a) Accounts charged off during the year, net of recoveries of accounts previously charged off.

	Balance at Beginning of Year	Additions		Deductions (a)	Balance at End of Year
		Charged To Income	Charged To Equity		
Tax valuation allowance					
2006	\$ 40,636,874	\$ 18,135,790	\$ 72,524,882	\$ 2,657,372	\$ 128,640,174
2007	\$ 128,640,174	\$ 811,940	\$ -	\$ 42,085,397	\$ 87,366,717
2008	\$ 87,366,717	\$ 62,903,924	\$ 84,413,313	\$ 3,413,944	\$ 231,270,010

(a) Net decrease in tax valuation allowance is primarily a result of net changes in cumulative book/tax timing differences, utilization of capital loss and adjustments to other tax attribute carryforwards, plus the impact of the increase in the postretirement benefits component of Cumulative other comprehensive loss.

	Balance at Beginning of Year	Additions		Deductions (a)	Balance at End of Year
		Charged To Income	Charged To Equity		
Lower of cost or market inventory reserve					
2006	\$ -	\$ -	\$ -	\$ -	\$ -
2007	\$ -	\$ -	\$ -	\$ -	\$ -
2008	\$ -	\$ 10,237,000	\$ -	\$ -	\$ 10,237,000

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

Item 9A. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure 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 Annual Report on Form 10-K, 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 Annual Report on Form 10-K, and ensuring that such information is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

(b) Management's Annual Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. In order to evaluate the effectiveness of internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act of 2002, management has conducted an assessment, including testing, using the criteria in *Internal Control — Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). The Company's system of internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on its assessment, management has concluded that the Company maintained effective internal control over financial reporting as of December 31, 2008, based on criteria in *Internal Control - Integrated Framework* issued by the COSO, and that the Company's internal control over financial reporting is effective. Ernst & Young LLP, the independent registered public accounting firm that has audited the Company's consolidated financial statements included in this annual report and has issued its report on the effectiveness of the Company's internal controls over financial reporting as of December 31, 2008.

(c) Report of the Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Cooper Tire & Rubber Company

We have audited Cooper Tire & Rubber Company's internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Cooper Tire & Rubber Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention

or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Cooper Tire & Rubber Company maintained effective internal control over financial reporting as of December 31, 2008, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Cooper Tire & Rubber Company as of December 31, 2008 and 2007, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2008 and our report dated February 20, 2009 expressed an unqualified opinion thereon.

Ernst & Young LLP
Toledo, Ohio
February 20, 2009

(d) Changes in Internal Control over Financial Reporting

There have been no changes in the Company's internal control over financial reporting that occurred during the fourth quarter of 2008 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. OTHER INFORMATION

None.

PART III

Item 10. DIRECTORS AND CORPORATE GOVERNANCE

Information concerning the Company's directors, corporate governance guidelines, Compensation Committee and Nominating and Governance Committee appears in the Company's definitive Proxy Statement for its 2009 Annual Meeting of Stockholders, which will be herein incorporated by reference.

AUDIT COMMITTEE

Information regarding the Audit Committee, including the identification of the Audit Committee members and the "audit committee financial expert," appears in the Company's definitive Proxy Statement for its 2009 Annual Meeting of Stockholders, which will be herein incorporated by reference.

COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT

Information regarding compliance with Section 16(a) of the Securities Exchange Act of 1934, as amended, appears in the Company's definitive Proxy Statement for its 2009 Annual Meeting of Stockholders, which will be herein incorporated by reference.

CODE OF ETHICS

Information regarding the Company's code of business ethics and conduct is available on the Company's website at <http://www.coopertire.com>. To access this information, first click on "Investors" and then click on "Corporate Governance" of the Company's website. Then, select the "Code of Business Ethics and Conduct" link listed in the middle of the web page under Corporate Governance.

Item 11. EXECUTIVE COMPENSATION

Information regarding executive and director compensation, Compensation Committee Interlocks and Insider Participation, and the Compensation Committee Report appears in the Company's definitive Proxy Statement for its 2009 Annual Meeting of Stockholders, which will be herein incorporated by reference.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information concerning the security ownership of certain beneficial owners and management of the Company’s voting securities and equity securities appears in the Company’s definitive Proxy Statement for its 2009 Annual Meeting of Stockholders, which will be herein incorporated by reference.

Equity Compensation Plan Information

The following table provides information as of December 31, 2008 regarding the Company’s equity compensation plans, all of which have been approved by the Company’s security holders:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by stockholders	1,899,350	\$11.54	4,708,946
Equity compensation plans not approved by stockholders	-	-	-
Total	1,899,350	\$11.54	4,708,946

Additional information on equity compensation plans is contained in the “Stock-Based Compensation” note to the consolidated financial statements.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

There were no transactions with related persons during 2008.

Information regarding the independence of the Company’s directors appears in the Company’s definitive Proxy Statement for its 2009 Annual Meeting of Stockholders, which will be herein incorporated by reference.

Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information regarding the Company’s independent auditor appears in the Company’s definitive Proxy Statement for its 2009 Annual Meeting of Stockholders, which will be herein incorporated by reference.

PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this report:

1. Consolidated Financial Statements

	<u>Page(s)</u> <u>Reference</u>
Consolidated Statements of Operations for the years ended December 31, 2006, 2007 and 2008	35
Consolidated Balance Sheets at December 31, 2007 and 2008	36-37
Consolidated Statements of Stockholders' Equity for the years ended December 31, 2006, 2007 and 2008	38
Consolidated Statements of Cash Flows for the years ended December 31, 2006, 2007 and 2008	39
Notes to Consolidated Financial Statements	40-68
Report of Independent Registered Public Accounting Firm	69
Selected Quarterly Data (Unaudited)	70

2. Financial Statement Schedule

Valuation and qualifying accounts – Allowance for doubtful accounts, tax valuation allowance and lower of cost or market inventory reserve	71
--------------------------------------------------------------------------------------------------------------------------------------------	----

All other schedules have been omitted since the required information is not present or not present in amounts sufficient to require submission of the schedules, or because the information required is included in the Consolidated Financial Statements or the notes thereto.

3. Exhibits

The exhibits listed on the accompanying exhibit index are filed as part of this Annual Report on Form 10-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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/ Roy V. Armes

ROY V. ARMES, Chairman of the Board,
President and Chief Executive Officer

Date: February 26, 2009

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
<u>/s/ Roy V. Armes</u> ROY V. ARMES	Chairman of the Board, President, Chief Executive Officer and Director (Principal Executive Officer)	February 26, 2009
<u>/s/ Philip G. Weaver</u> PHILIP G. WEAVER	Vice President and Chief Financial Officer (Principal Financial Officer)	February 26, 2009
<u>/s/ Robert W. Huber</u> ROBERT W. HUBER	Director of External Reporting (Principal Accounting Officer)	February 26, 2009
LAURIE J. BREININGER*	Director	January 14, 2009
THOMAS P. CAPO*	Director	January 14, 2009
STEVEN M. CHAPMAN*	Director	January 14, 2009
JOHN J. HOLLAND*	Director	January 14, 2009
JOHN F. MEIER*	Director	January 14, 2009
JOHN H. SHUEY*	Director	January 14, 2009
RICHARD L. WAMBOLD*	Director	January 14, 2009
ROBERT D. WELDING*	Director	January 14, 2009

* The undersigned, by signing his name hereto, does sign and execute this Annual Report on Form 10-K pursuant to a Power of Attorney executed on behalf of the above-indicated directors of the registrant and filed herewith as Exhibit 24 on behalf of the registrant.

* By: /s/ James E. Kline
JAMES E. KLINE, Attorney-in-fact

EXHIBIT INDEX

- (3) Certificate of Incorporation and Bylaws
 - (i) Certificate of Incorporation, as restated and filed with the Secretary of State of Delaware on May 17, 1993, is incorporated herein by reference from Exhibit 3(i) of the Company's Form 10-Q for the quarter ended June 30, 1993
Certificate of Correction of Restated Certificate of Incorporation, as filed with the Secretary of State of Delaware on November 24, 1998, is incorporated by reference from Exhibit 3(i) of the Company's Form 10-K for the year ended December 31, 1998
 - (ii) Bylaws, as amended as of February 28, 2007, are incorporated herein by reference from Exhibit 3.1 to the Company's Form 8-K dated February 28, 2007
- (4) (i) Prospectus Supplement dated March 20, 1997 for the issuance of \$200,000,000 notes is incorporated herein by reference from Form S-3 – Registration Statement No. 33-44159
- (ii) Prospectus Supplement dated December 8, 1999 for the issuance of an aggregate \$800,000,000 notes is incorporated herein by reference from Form S-3 – Registration Statement No. 333-89149
- (10) (i) Employment Agreement Amended and Restated dated as of December 22, 2008 between Cooper Tire & Rubber Company and Philip G. Weaver*
- (ii) Employment Agreement Amended and Restated dated as of December 22, 2008 between Cooper Tire & Rubber Company and Roy V. Armes*
- (iii) Description of management contracts, compensatory plans, contracts, or arrangements will be herein incorporated by reference from the Company's definitive Proxy Statement for its 2008 Annual Meeting of Stockholders*
- (iv) Purchase and Sale Agreement dated as of August 30, 2006, by and among Cooper Tire & Rubber Company, Oliver Rubber Company and Cooper Receivables LLC is incorporated herein by reference from Exhibit (10)(1) of the Company's Form 8-K dated August 30, 2006
- (v) Receivables Purchase Agreement dated as of August 30, 2006, by and among Cooper Receivables LLC, Cooper Tire & Rubber Company, PNC Bank, National Association, and the various purchaser groups from time to time party thereto is incorporated herein by reference from Exhibit (10)(2) of the Company's dated August 30, 2006
- (vi) First Amendment to Receivables Purchase Agreement, dated as of November 30, 2006, by and among Cooper Receivables LLC, Cooper Tire & Rubber Company and PNC Bank, National Association is incorporated herein by reference from Exhibit (10)(1) of the Company's Form 8-K dated November 30, 2006
- (vii) Second Amendment to Receivable Purchase Agreement, dated as of March 9, 2007, by and among Cooper Receivables LLC, Cooper Tire & Rubber Company, Market Street Funding LLC and PNC Bank, National Association is incorporated herein by reference from Exhibit (10)(1) of the Company's Form 8-K dated March 9, 2007
- (viii) First Amendment to Purchase and Sale Agreement, dated as of September 14, 2007, by and among Cooper Receivables LLC, Cooper Tire & Rubber Company, PNC Bank, National Association, and Market Street Funding LLC is incorporated herein by reference from Exhibit (10)(1) of the Company's Form 8-K dated September 14, 2007
- (ix) Amended and Restated Receivables Purchase Agreement, dated as of September 14, 2007, by and among Cooper Receivables LLC, Cooper Tire & Rubber Company, PNC Bank, National Association and Market Street Funding LLC is incorporated herein by reference from Exhibit (10)(2) of the Company's Form 8-K dated September 14, 2007
- (x) Loan and Security Agreement dated as of November 9, 2007, by and among Cooper Tire & Rubber Company, Max-Trac Tire Co., Inc., Bank of America, N.A. (as Administrative Agent and Collateral Agent); PNC Bank, National Association (as Syndication Agent); Banc of America Securities LLC and PNC Capital Markets LLC (as Joint Book Managers and Joint Lead Arrangers); National City Business Credit, Inc. and JP Morgan Chase Bank, N.A. (as Co-Documentation Agents); and Bank of America, N.A.; PNC Bank, National Association; National City Business Credit, Inc.; Keybank National Association; Fifth Third Bank; and JP Morgan Chase Bank, N.A. (as Lenders) is incorporated herein by reference from Exhibit (10)(1) of the Company's Form 8-K dated November 9, 2007

Table of Contents

- (xi) Pledge Agreement , dated as of November 9, 2007, by and among Cooper Tire & Rubber Company and Bank of America, N.A. is incorporated herein by reference from Exhibit (10)(2) of the Company's Form 8-K dated November 9, 2007
- (xii) Intercreditor Agreement, dated as of November 9, 2007, by and among Cooper Tire & Rubber Company; Cooper Receivables LLC; PNC Bank, National Association (as Administrator); and Bank of America, N.A. (as Administrative Agent and Collateral Agent) is incorporated herein by reference from Exhibit (10)(3) of the Company's Form 8-K dated November 9, 2007
- (xiii) 1991 Stock Option Plan for Non-Employee Directors is incorporated herein by reference from the Appendix to the Company's Proxy Statement dated March 26, 1991*
- (xiv) 1996 Stock Option Plan is incorporated herein by reference from the Appendix to the Company's Proxy Statement dated March 26, 1996*
- (xv) 1998 Incentive Compensation Plan and 1998 Employee Stock Option Plan are incorporated herein by reference from the Appendix to the Company's Proxy Statement dated March 24, 1998*
- (xvi) Amended and Restated 1998 Non-Employee Directors Compensation Deferral Plan dated as of May 7, 2008*
- (xvii) 2001 Incentive Compensation Plan is incorporated herein by reference from the Appendix A to the Company's Proxy Statement dated March 20, 2001*
- (xviii) Executive Deferred Compensation Plan is incorporated herein by reference from Exhibit (10)(iv) of the Company's Form 10-Q for the quarter ended September 30, 2001*
- (xix) 2002 Non-Employee Directors Stock Option Plan is incorporated herein by reference from Appendix A to the Company's Proxy Statement dated March 27, 2002*
- (xx) 2006 Incentive Compensation Plan is incorporated herein by reference from Appendix A to the Company's Proxy Statement dated March 21, 2006*
- (xxi) Stock Purchase Agreement dated as of September 16, 2004 by and among Cooper Tire & Rubber Company, Cooper Tyre & Rubber Company UK Limited and CSA Acquisition Corp. is incorporated herein by reference from Exhibit (10) of the Company's Form 10-Q for the quarter ended September 30, 2004
- (xxii) First Amendment to Stock Purchase Agreement dated as of December 3, 2004 by and among Cooper Tire & Rubber Company, Cooper Tyre & Rubber Company UK Limited and CSA Acquisition Corp. is herein incorporated by reference from Exhibit (xxvi) of the Company's Form 10-K for the year ended December 31, 2004
- (xxiii) Sino-Foreign Equity Joint Venture Contract for Cooper Chengshan (Shandong) Passenger Tire Company Ltd. by and among Shandong Chengshan Tire Company Limited by Shares and Cooper Tire Investment Holding (Barbados) Ltd. and Joy Thrive Investments Limited is incorporated herein by reference from Exhibit (xxvii) of the Company's Form 10-K for the year ended December 31, 2005
- (xxiv) Asset Purchase Agreement by and among Shandong Chengshan Tire Company Limited by Shares and Cooper Chengshan (Shandong) Passenger Tire Company Ltd. and Chengshan Group Limited is incorporated herein by reference from Exhibit (xxviii) of the Company's Form 10-K for the year ended December 31, 2005
- (xxv) Sino-Foreign Equity Joint Venture Contract for Cooper Chengshan (Shandong) Tire Company Ltd. by and among Shandong Chengshan Tire Rubber Company Limited by Shares and Cooper Tire Investment Holding (Barbados) Ltd. and Joy Thrive Investments Limited is incorporated herein by reference from Exhibit (xxix) of the Company's Form 10-K for the year ended December 31, 2005
- (xxvi) Asset Purchase Agreement by and among Shandong Chengshan Tire Company Limited by Shares and Cooper Chengshan (Shandong) Tire Company Limited and Chengshan Group Company Limited is incorporated herein by reference from Exhibit (xxx) of the Company's Form 10-K for the year ended December 31, 2005
- (xxvii) Share Purchase Agreement by and among Chengshan Group Company Limited and CTB (Barbados) Investment Co. Ltd. is incorporated herein by reference from Exhibit (xxxii) of the Company's Form 10-K for the year ended December 31, 2005

Table of Contents

(xxviii)	Supplementary Agreement by and among Shandong Chengshan Tire Company Limited by Shares, Cooper Tire Investment Holding (Barbados) Ltd., Joy Thrive Investments Limited, Chengshan Group Company Limited and CTB (Barbados) Investment Co., Ltd. Is incorporated herein by reference from Exhibit (xxxviii) of the Company's Form 10-K for the year ended December 31, 2006
(13)	Annual report to security holders
(21)	Subsidiaries of the Registrant
(23)	Consent of Independent Registered Public Accounting Firm
(24)	Power of Attorney
(31.1)	Certification of Chief Executive Officer pursuant to Rule 13a – 14(a)/15d – 14(a) of the Exchange Act
(31.2)	Certification of Chief Financial Officer pursuant to Rule 13a – 14(a)/15d – 14(a) of the Exchange Act
(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

* Indicates management contracts or compensatory plans or arrangements.

**AMENDED AND RESTATED
2009 EMPLOYMENT AGREEMENT**

THIS AMENDED AND RESTATED 2009 EMPLOYMENT AGREEMENT (this “**Agreement**”) is made and entered into this 22 day of December, 2008, between COOPER TIRE & RUBBER COMPANY, a Delaware corporation (the “**Company**”), and Philip G. Weaver (the “**Executive**”).

WITNESSETH:

WHEREAS, the Executive and the Company entered into an Employment Agreement dated as of May 3rd, 2000, which was superseded in its entirety by an Amended and Restated Employment Agreement, made and entered into on June 6, 2000 (the “**Amended Employment Agreement**”); and

WHEREAS, the Executive and the Company have also entered into a Second Amended and Restated Employment Agreement dated October 13, 2006 (the “**Second Amended Employment Agreement**”) which will take effect January 1, 2009, and supersede the Amended Employment Agreement, effective as of that date;

WHEREAS, the Executive and the Company agree that the substantive provisions of the Amended Employment Agreement shall remain in full force and effect until January 1, 2009, but also agree that it is desirable to modify the terms of the Second Amended Employment Agreement in certain respects in order to satisfy the requirements Section 409A of the Code imposes on those payments under the Second Amended Employment Agreement which can be considered “deferred compensation” for purposes of Section 409A.

WHEREAS, the Executive and the Company agree that the provisions of the Amended Employment Agreement shall remain in full force and effect until January 1, 2009, on which date the Amended Employment Agreement shall be superseded in its entirety by this Agreement; and

WHEREAS, the Executive has been employed by the Company in the capacity of Vice President and Chief Financial Officer; and

WHEREAS, the Company desires to continue to retain the services of the Executive in the future; and

WHEREAS, the Executive desires to continue to serve in the capacity of Vice President and Chief Financial Officer of the Company, pursuant to the terms and provisions of this Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual promises and agreements contained herein and other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, and intending to be legally bound hereby, the Company and the Executive hereby amend and restate the Second Amended Employment Agreement effective as of January 1, 2009 to read as follows on and after that date:

1. Certain Defined Terms. In addition to terms defined elsewhere herein, the following terms have the following meanings when used in this Agreement with initial capital letters:

(a) “**Affiliate**” means any corporation, limited liability company, joint venture, partnership, or other legal entity in which the Company owns, directly or indirectly, or has previously owned, at least fifty percent (50%) of the capital stock, profits, interest or capital interest.

(b) “**Annual Incentive Compensation**” means the amount paid or (but for any deferral) payable to the Executive for a year under any annual bonus compensation programs or arrangements. Annual Incentive Compensation shall not include or take into account long-term incentive compensation, stock option or other equity awards (regardless of whether granted annually), pension or other retirement benefit contributions or accruals, perquisites or other fringe benefits. For the avoidance of doubt, “Annual Incentive Compensation” may be zero.

(c) “**Average Annual Incentive Compensation**” means the average of the three (3) greatest amounts of Annual Incentive Compensation out of the five (5) calendar years prior to the year in which a Termination Date occurs.

(d) “**Base Pay**” means the Executive’s rate of annual base salary payable under this Agreement at the time a termination of employment occurs or, if applicable, immediately before any reduction in such amount that serves as a basis for a termination for Good Reason.

(e) “**Board**” means the Board of Directors of the Company.

(f) “Cause” means:

(X) prior to a Change in Control, termination of the Executive’s employment with the Company by the Board because of:

- (i) the willful and continued failure by the Executive to perform substantially the duties of the Executive’s position, and the failure of the Executive to correct such failure of performance within thirty (30) days after notification by the Board of any such failure (other than by reason of the incapacity of the Executive due to physical or mental illness); or
- (ii) any other willful act or omission which is materially injurious to the financial condition or business reputation of, or is otherwise materially injurious to, the Company or any Affiliate thereof, and failure of the Executive to correct such act or omission within thirty (30) days after notification by the Board of any such act or omission (other than by reason of the incapacity of the Executive due to physical or mental illness); or
- (iii) the Executive is found guilty of, or pleads guilty or nolo contendere to, a felony or any criminal act involving fraud, embezzlement, theft, or moral turpitude; or
- (iv) the Executive is found guilty of, or pleads guilty or nolo contendere to, any criminal act committed in the course of the Executive’s employment with the Company or against the Company or any Affiliate, or the Executive is found liable in a civil action, in which an allegation involves a dishonest act, fraud, embezzlement or theft committed in the course of the Executive’s employment with the Company or against the Company or any Affiliate.

(Y) following a Change in Control, termination of the Executive’s employment with the Company by the Board because of:

- (i) any act or omission constituting a material breach by the Executive of any of his significant obligations or agreements under this Agreement or the continued willful failure or refusal of the Executive to adequately perform the duties reasonably required hereunder which is materially injurious to the financial condition or business reputation of, or is otherwise materially injurious to, the Company or any Affiliate thereof, after notification by the Board of such breach, failure or refusal and the failure of the Executive to correct such breach, failure or refusal within thirty (30) days of such notification (other than by reason of the incapacity of the Executive due to physical or mental illness); or
- (ii) any other willful act or omission which is materially injurious to the financial condition or business reputation of, or is otherwise materially injurious to, the Company or any Affiliate thereof, and failure of the Executive to correct such act or omission within thirty (30) days after notification by the Board of any such act or omission (other than by reason of the incapacity of the Executive due to physical or mental illness).

- (iii) the Executive is found guilty of, or pleads guilty or nolo contendere to, a felony or any criminal act involving fraud, embezzlement, theft, or moral turpitude; or
- (iv) the Executive is found guilty of, or pleads guilty or nolo contendere to, any criminal act committed in the course of the Executive's employment with the Company or against the Company or any Affiliate, or the Executive is found liable in a civil action, in which an allegation involves a dishonest act, fraud, embezzlement or theft committed in the course of the Executive's employment with the Company or against the Company or any Affiliate; or

Any notification to be given by the Board in accordance with Section 1(f)(X)(i), 1(f)(X)(ii), 1(f)(Y)(i) or 1(f)(Y)(ii) shall be in writing and shall specifically identify the breach, failure, refusal, act or omission to which the notification relates and, in the case of Section 1(f)(X)(ii), 1(f)(Y)(i) or 1(f)(Y)(ii), shall describe the injury to the Company, and such notification must be given within twelve (12) months of the Board becoming aware, or within twelve (12) months of when the Board should have reasonably become aware of the breach, failure, refusal, act, omission or injury identified in the notification. Notwithstanding Section 23, failure to notify the Executive within any such twelve (12) month period shall be deemed to be a waiver by the Board of any such breach, failure, refusal, act or omission by the Executive and any such breach, failure, refusal, act or omission by the Executive shall not then be determined to be a breach of this Agreement.

For the avoidance of doubt and for the purpose of determining Cause, the exercise of business judgment by the Executive shall not be determined to be Cause, even if such business judgment materially injures the financial condition or business reputation of, or is otherwise materially injurious to the Company or any Affiliate thereof, unless such business judgment by the Executive was not made in good faith, or constitutes willful or wanton misconduct, or was an intentional violation of state or federal law.

(g) **“Change in Control”** means the occurrence during the Term of any of the following events:

(i) the Company merges into itself, or is merged or consolidated with, another entity and as a result of such merger or consolidation less than 51% of the voting power of the then-outstanding voting securities of the surviving or resulting entity immediately after such transaction are directly or indirectly beneficially owned in the aggregate by the former stockholders of the Company immediately prior to such transaction;

(ii) all or substantially all the assets accounted for on the consolidated balance sheet of the Company are sold or transferred to one or more entities or persons, and as a result of such sale or transfer less than 51% of the voting power of the then-outstanding voting securities of such entity or person immediately after such sale or transfer is directly or indirectly beneficially held in the aggregate by the former stockholders of the Company immediately prior to such transaction or series of transactions;

(iii) a person, within the meaning of Section 3(a)(9) or 13(d)(3) (as in effect on the date of this Agreement) of the Securities Exchange Act of 1934, (the **“Exchange Act”**) become the beneficial owner (as defined in Rule 13d-3 of the Securities and Exchange Commission pursuant to the Exchange Act) of 35% or more of the voting power of the then-outstanding voting securities of the Company; provided, however, that the foregoing does not apply to any such acquisition that is made by (w) any Affiliate of the Company; (x) any employee benefit plan of the Company or any Affiliate; or (y) any person or group of which employees of the Company or of any Affiliate control a greater than 25% interest unless the Board determines that such person or group is making a “hostile acquisition;” or (z) any person or group that directly or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the Executive; or

(iv) a majority of the members of the Board are not Continuing Directors, where a **“Continuing Director”** is any member of the Board who (x) was a member of the Board on the date of this Agreement or (y) was nominated for election or elected to such Board with the affirmative vote of a majority of the Continuing Directors who were members of such Board at the time of such nomination or election, provided that any director appointed or elected to the Board to avoid or settle a threatened or actual proxy contest shall in no event be deemed to be a Continuing Director.

(h) **“Code”** means the Internal Revenue Code of 1986, as amended.

(i) **“Committee”** means the Compensation Committee of the Board.

(j) **“Common Stock”** means the Company's common stock, par value \$1.00 per share.

(k) **“Company”** means the Company as hereinbefore defined.

(l) **“Disability”** or **“Disabled”** means when, the Executive has been totally disabled by bodily injury or disease so as to prevent him from being physically able to perform the job duties as required under this Agreement, and such total disability shall have continued for five (5) consecutive months, and, in the opinion of a qualified physician selected by the Company, such disability will presumably be permanent and continuous during the remainder of the Executive’s life. Notwithstanding the preceding sentence, for any payment or benefit payable under this Agreement which is considered “deferred compensation” subject to Section 409A of the Code, the payment or benefit shall not be payable to the Executive solely by reason of a Disability unless such Disability is by reason of a medically determinable physical or mental impairment that can be expected to last for a continuous period of not less than twelve (12) months or to result in death, and such Disability has caused the Executive to be either (i) unable to engage in any substantial, gainful activity, or (ii) eligible to receive income replacement benefits under an accident and health plan of the Company for a period of at last three (3) months.

(m) **“Good Reason”** means the occurrence of any of the following conditions, without Executive’s express, prior written consent in each case, provided that the Executive has provided express written notice of the condition to the Company within ninety (90) days of the initial existence of the condition and the Company has failed to remedy such breach within thirty (30) days after its receipt of such written notice from the Executive:

(i) a material (greater than 5%) reduction in the Executive’s Base Pay, other than as part of a reduction applicable to executive officers of the Company generally;

(ii) a material breach by the Company of Section 2 or Section 4 of this Agreement, including but not limited to, the assignment to the Executive of any duties inconsistent with his status as Vice President and Chief Financial Officer of the Company, or his removal from such position, or a substantial alteration in the nature or status of his responsibilities from those described herein, (except, in each case, in connection with a promotion of the Executive);

(iii) the relocation of the office of the Company where the Executive is employed to a location at least fifty (50) miles from Findlay, Ohio, except for required travel on the Company’s business to an extent reasonably required to perform his duties hereunder;

(iv) except as required by law, the Company directly or indirectly materially reducing the level of benefits or award opportunities provided to the Executive under the Plans below the level required by Section 4, of this Agreement, other than a reduction or change in such benefits or opportunities applicable to executive officers of the Company generally or the Company failing to provide the Executive with the number of paid vacation days to which he is entitled on the basis of years of service with the Company in accordance with the Company’s normal vacation policy in effect at the date of this Agreement;

(v) the failure of the Company to obtain a satisfactory agreement from any successor to assume and agree to perform this Agreement, as required in Section 19 hereof or, if the business of the Company for which the Executive’s services are principally performed is sold, the failure of the purchaser of such business to assume this Agreement or to provide the Executive with the same or a comparable position, duties, benefits, base salary and incentive compensation as provided in Section 4 of this Agreement; or

(vi) the failure of the Board to elect the Executive to his existing position or an equivalent position.

Any notification to be given by the Executive in accordance with Section 1(m) shall specifically identify the breach or failure to which the notification relates, and such notification must be given within ninety (90) days of the Executive becoming aware, or within ninety (90) days of when the Executive should have reasonably become aware of the breach or failure identified in the notification. Notwithstanding Section 23, failure to notify the Company within any such ninety (90) day period shall be deemed to be a waiver by the Executive of any such breach or failure and any such breach or failure shall not then be considered “Good Reason”.

(n) **“Incentive Compensation Plan”** means the Cooper Tire & Rubber Company 1998, 2001, and 2006 Incentive Compensation Plans, as amended.

(o) **“Long-Term Performance-Based Incentive Compensation”** means any cash or equity-based compensation program in which the amounts paid, earned or vested are based upon achievement of specified performance goals over a period of more than one year. For the avoidance of doubt, equity awards that are earned, vest or become exercisable based solely upon continued employment and/or the passage of time is not “Long-Term Performance-Based Incentive Compensation.”

(p) **“Nonqualified Supplementary Benefit Plan”** means the Cooper Tire & Rubber Company Nonqualified Supplementary Benefit Plan, effective November 8, 1984, as amended.

(q) **“Retirement Plans”** means the Salaried Employees’ Retirement Plan and the Nonqualified Supplementary Benefit Plan or any successor plans thereto which provide comparable benefits.

(r) **“Salaried Employees’ Retirement Plan”** means the Cooper Tire & Rubber Company Salaried Employees’ Retirement Plan, effective January 1, 1989, as amended.

(s) **“Termination”** means:

(i) the involuntary termination of the Executive’s employment by the Company at any time for any reason other than retirement, death, disability or Cause, or

(ii) termination of the Executive’s employment by the Executive for Good Reason, or

(iii) termination of the Executive’s employment at the end of the Term as a result of the Company delivering a notice of non-extension pursuant to Section 3 prior to Executive’s 64th birthday.

(t) **“Termination Date”** means the date on which the Executive’s employment with the Company is terminated by the company or the Executive for any reason or for no reason. If the Executive’s employment is terminated by the Company, such date shall be specified in a written notice of termination (which date shall be no earlier than the date of furnishing such notice), or if no such date is specified therein, the date of receipt by the Executive of such written notice of termination, otherwise the Executive shall specify such date in a written notice of his resignation.

(u) **“1998 Option Plan”** means the Cooper Tire & Rubber Company 1998 Employee Stock Option Plan, as amended.

2. Employment and Duties.

(a) General. The Company hereby employs the Executive and the Executive agrees upon the terms and conditions herein set forth to serve as Vice President and Chief Financial Officer, and, in such capacity, shall perform such duties as may be delineated in the Bylaws of the Company, and such other duties, commensurate with the Executive’s title and position of Vice President and Chief Financial Officer, as may be assigned to the Executive from time to time by the Chief Executive Officer of the Company (the **“CEO”**) or such other officer of the Company as may be designated by the CEO.

(b) Exclusive Services. Throughout the Term (as defined in Section 3), Executive shall, except as may from time to time be otherwise agreed in writing by the Company and during reasonable vacations and unless prevented by ill health, devote his full-time and undivided attention during normal business hours to the business and affairs of the Company consistent with his senior executive position, shall in all respects conform to and comply with the lawful and reasonable directions and instructions given to him by the Board or such officer of the Company as may be designated by the Board, and shall use his best efforts to promote and serve the interests of the Company.

(c) Restrictions on Other Employment. Throughout the Term and provided that such activities do not contravene the provisions of Section 2(b) hereof or Section 15 hereof:

(i) the Executive may engage in charitable and community affairs;

(ii) the Executive may perform inconsequential services without specific compensation therefore in connection with the management of personal investments;

(iii) the Executive may continue to serve in positions held as of October 14, 2006 on any board of directors of any business corporation, as identified by Executive to the Board; and,

(iv) the Executive may, directly or indirectly, render services to any other person or organization (including service as a member of the Board of Directors of any other unaffiliated company), for which he receives compensation, that is not in competition with the Company, subject in each case to the prior written approval of the Board which approval will not be unreasonably withheld. The Executive may retain all fees he receives for such services, and the Company shall not reduce his compensation by the amount of such fees. For purposes of this Section 2(c)(iv) competition shall have the same meaning as intended for the purposes of Section 15.

3. Term of Employment. Subject to the provisions of Section 5 through Section 10 hereof, the Company shall retain the Executive pursuant to this Agreement and the Executive shall serve in the employ of the Company for a period (the **“Term”**) commencing on January 1, 2009 and continuing in effect through December 31, 2009; provided, however, that on each January 1 after the commencement of the Term until the year in which the Executive’s 64th birthday occurs, the Term shall automatically be

extended for one additional year unless, no later than September 30 of the preceding year, the Company or the Executive shall have given notice to the other that it does not wish to extend this Agreement.

4. Compensation and Other Benefits. Subject to the provisions of this Agreement, the Company shall pay and provide the following compensation and other benefits to the Executive during the Term as compensation for services rendered hereunder:

(a) Base Salary. The Company shall pay to the Executive Base Pay at the rate of \$400,015 per annum, payable biweekly. The Base Pay will be reviewed not less than annually by the Board or by the Committee.

(b) Employee Benefit Plans. At all times during the Term, the Executive shall be provided the opportunity to participate in such Retirement Plans, and such employee pension and retirement benefit plans, whether or not qualified, and employee welfare benefit or perquisite plans, programs and arrangements (collectively, the “**Plans**”) as are, from time to time, generally made available to executives of the Company. The Retirement Plans, when considered as a whole, will provide benefits to Executive no less favorable than what would have been provided to Executive had the provisions of the Retirement Plans in effect as of June 6, 2000 remained in effect.

(c) Incentive Compensation. The Executive shall be eligible to participate in such annual incentive bonus compensation programs or arrangements established from time to time for executives of the Company.

(d) Long-Term Incentive Compensation. The Executive shall be eligible to participate in such long-term incentive plans and programs as the Company generally provides from time to time to its senior executives.

5. Termination Without Cause or for Good Reason Prior to a Change in Control.

(a) Upon Termination prior to a Change in Control the Company shall pay the Executive the amount set forth in Section 5(a)(i) and, subject to and conditioned upon Section 24 and to the Executive’s delivering to the Company the Release provided for in Section 16 with all periods for revocation expired, the Company shall pay or provide to the Executive the amounts and benefits set forth in Section 5(a)(ii) through 5(a)(iv):

(i) a single lump sum cash payment within thirty (30) days following the expiration of such revocation period equal to the Executive’s then current Base Pay, to the extent unpaid, through the Termination Date; plus

(ii) a lump sum payment in cash within thirty (30) days following the expiration of such revocation period equal to two (2) times the sum of (i) the Executive’s Base Pay and (ii) the Average Annual Incentive Compensation; provided that, the portion (if any) of such lump sum payment which may be paid immediately upon expiration of such revocation period shall be limited to two (2) times the lesser of (i) the maximum limit on the annual compensation that may be taken into account by a qualified retirement under Section 401(a)(17) of the Code for the year which includes the date of Termination or (ii) the Executive’s annualized compensation from the Company for the calendar year preceding the year of the Termination, and the remainder of this lump sum payment shall not be paid to the Executive until the delayed payment date prescribed by Section 24 below; plus

(iii) a single lump sum cash payment equal to the actuarial equivalent of the retirement pension the Executive has accrued under the Nonqualified Supplementary Benefit Plan payable on the delayed payment date that is six (6) months after the date of Termination, as prescribed by Section 24 below; and

(iv) for twenty-four (24) months following the Termination Date, the Company shall provide the Executive with life, accident and health insurance benefits substantially similar to those to which the Executive and the Executive’s family were entitled immediately prior to the Termination provided that, to the extent such health benefits are determined to be taxable benefits by reason of Section 105(h) of the Code or otherwise, such health coverage shall be limited to eighteen (18) months following the Termination Date. Thereafter the Company shall provide retiree medical and life insurance coverage to the extent the Executive is eligible for such benefits under the terms of the applicable Plans in effect immediately prior to the Termination. Benefits otherwise receivable by the Executive pursuant to this Section 5(a)(iv) shall be reduced to the extent comparable benefits are actually received by the Executive from other employment, and any such benefits actually received by the Executive shall be reported to the Company.

For purposes of Section 5(a)(iii), “actuarial equivalent” shall be determined using the 1994 Uninsured Pensioner Mortality Table (UP-94) and annual compound interest at the Corporate Bond yield average for bonds rated Aaa by Moody’s reduced by fifty (50) basis points (.5 percent). The rate chosen from the aforereferenced table will be for the calendar month five months prior to the month which contains the effective date of payment and will be truncated to the lower 0.25% increment (e.g. 6.00%, 6.25%, 6.50%, etc.).

(b) Notwithstanding any provision in any award agreement between the Company and the Executive or this Section 5, (i) all restricted stock units granted to the Executive that vest based solely upon the Executive's continued employment with the Company and which have not otherwise vested shall vest immediately upon Termination, (ii) all restricted stock units granted to the Executive that vest based upon the achievement of performance criteria and which have not otherwise vested shall vest immediately upon Termination, but only to the extent that such awards would have become vested based upon the achievement of the relevant performance criteria through the Termination Date, or, in the case that either such performance cannot be calculated under the program prior to the completion of the performance period or the amount or benefit payable is not based solely on objective performance criteria, the vesting shall be pro-rated through the Termination Date assuming that the target level of performance had been achieved, and (iii) within five (5) days after the Termination Date, the Company shall either (1) pay to the Executive an amount equal to the fair market value (computed as the average of the high and low trades reported on the New York Stock Exchange) of the Common Stock represented by such vested restricted stock units determined as of the Termination Date, or (2) issue Common Stock under such vested awards to the Executive. Any such cash payment shall be deemed to be in lieu of and in substitution for any right the Executive may have to such vested restricted stock units under the terms of any award agreement between the Company and the Executive, and the Executive agrees to surrender all such vested restricted stock units being cashed out hereunder immediately prior to receiving the cash payment described above. For purposes hereunder, the term "restricted stock unit" should be read to include all other similar equity instruments, including, but not limited to, restricted stock.

(c) Notwithstanding any provision in the Incentive Compensation Plan, the 1998 Option Plan, other relevant plan or program or this Section 5:

(i) for a period of ninety (90) days following the Termination Date (or such longer period as may be set forth in the applicable stock option plan or award agreement) all stock options granted to the Executive by the Company that are both outstanding and vested immediately prior to Termination (in accordance with their then existing terms and this Section 5(c)) shall remain outstanding and exercisable, after which all such stock options that have not been exercised shall immediately terminate; and

(ii) all stock options granted to the Executive by the Company which have not otherwise vested shall be vested immediately upon Termination and shall remain outstanding and exercisable thereafter for a period of ninety (90) days following the Termination Date, after which all such stock options that have not been exercised shall immediately terminate.

For purposes hereunder, the term "stock option" should be read to include all other similar equity instruments, including, but not limited to, stock appreciation rights.

(d) Notwithstanding anything herein to the contrary, in no event shall amounts in respect of any restricted stock units or other stock rights that, as determined by the Company, provide for the "deferral of compensation" (as such term is defined under Section 409A of the Code and the regulations and other Treasury Department guidance promulgated thereunder (collectively, "**Section 409A**")), that was granted or became vested on or after January 1, 2005, be distributed pursuant to Section 5(b) or Section 5(c) prior to the occurrence of the earlier of either (i) the Termination Date (or such later date required under Section 24), (ii) the Executive's death or "Disability" (as such term is defined under Section 409A and in Section 1(l) above), (iii) a "change in the ownership or effective control" of the Company or in the "ownership of a substantial portion of the assets" of the Company (each as defined under Section 409A), or (iv) the specified time or fixed schedule as may be elected by the Executive in accordance with the applicable plan or arrangement and Section 409A. This Section 5(d) shall not apply to any stock options which are not considered deferred compensation subject to Section 409A pursuant to Treasury Regulation Section 1.409A-1(b)(5).

6. Severance and Other Benefits Upon or Following a Change in Control.

(a) Upon Termination subsequent to a Change in Control the Company shall pay the Executive the amount set forth in Section 6(a)(i) and subject to and conditioned upon Section 24 and to the Executive's delivering to the Company the Release provided for in Section 16 with all periods for revocation expired, the Company shall pay or provide to the Executive the amounts and benefits set forth in Section 6(a)(ii) through 6(a)(v):

(i) a single lump sum cash payment within five (5) days following the expiration of such revocation period equal to the Executive's then current Base Pay, to the extent unpaid, through the Termination Date;

(ii) a lump sum cash payment within five (5) days following the expiration of such revocation period equal to the pro-rated portion of the benefit payable under any annual bonus compensation program in which Executive participates and of the pro-rated portion the benefit payable under each Long-Term Performance-Based Compensation award or program in which Executive participates; plus

(iii) a single lump sum cash payment within five (5) days following the expiration of such revocation period equal to two (2) times the sum of (x) the Executive's Base Pay plus (y) the greater of (A) the Executive's target Annual Incentive Compensation for the year in which the Change in Control occurs or (B) the Average Annual Incentive Compensation; provided that, the portion (if any) of such lump sum payment which may be paid immediately upon the expiration of such revocation period shall be limited to two times the lesser of (i) the maximum limit on the annual compensation that may be taken into account by a qualified retirement under Section 401(a)(17) of the Code for the year which includes the date of Termination or (ii) the Executive's annualized compensation from the Company for the calendar year preceding the year of the Termination, and the remainder of this lump sum payment shall not be paid to the Executive until the delayed payment date prescribed by Section 24 below; plus

(iv) a single lump sum cash payment equal to the actuarial equivalent of the retirement pension the Executive has accrued under the Nonqualified Supplementary Benefit Plan payable on the date that is six (6) months after the date of Termination, as prescribed by Section 24 below ; and

(v) for twenty-four (24) months following the Termination Date, the Company shall provide the Executive with life, accident and health insurance benefits substantially similar to those to which the Executive and the Executive's family were entitled immediately prior to the Termination provided that, to the extent such health benefits are determined to be taxable by reason of Section 105(h) of the Code or otherwise, such health coverage shall be limited to eighteen (18) months following the Termination Date. Thereafter the Company shall provide retiree medical and life insurance coverage to the extent the Executive is eligible for such benefits under the terms of the applicable Plans in effect immediately prior to the Termination, with benefits otherwise receivable by the Executive pursuant to this Section 6(a)(~~iv~~v) shall be reduced to the extent comparable benefits are actually received by the Executive from other employment, and any such benefits actually received by the Executive shall be reported to the Company.

For purposes of Sections 6(a)(~~ii~~), 7, 8(b), 9(a) and 10, the "pro-rated portion of the benefit payable" under a compensation arrangement shall be an amount pro-rated based upon the number of full months between the beginning of the year or other performance period and the date of Executive's Termination relative to the total number of months in the year or in the applicable performance period, and the amount that is so pro-rated shall be, for an amount or benefit that is payable, earned and/or vested based solely on the achievement of objective performance criteria, based on actual performance through the end of the most recent quarter prior to the date of Executive's Termination or, in the case that either such performance cannot be calculated under the program prior to the end of the year or the completion of the performance period or the amount or benefit payable is not based solely on objective performance criteria, the amount that is so pro-rated shall be based on the target amount or benefit under the compensation arrangement.

For purposes of Section 6(a)(iv), "actuarial equivalent" shall be determined using the 1994 Uninsured Pensioner Mortality Table (UP-94) and annual compound interest at the Corporate Bond yield average for bonds rated AAA by Moody's reduced by fifty (50) basis points (.5 percent). The rate chosen from the aforereferenced table will be for the calendar month five months prior to the month which contains the effective date of payment and will be truncated to the lower 0.25% increment (e.g. 6.00%, 6.25%, 6.50%, etc.);

(b) Notwithstanding any provision in any award agreement between the Company and the Executive or this Section 6, (i) all restricted stock units granted to the Executive that vest based solely upon the Executive's continued employment with the Company and which have not otherwise vested shall vest immediately prior to the consummation of a Change in Control, (ii) all restricted stock units granted to the Executive that vest based upon the achievement of performance criteria and which have not otherwise vested shall vest immediately prior to the consummation of a Change in Control, but only to the extent that such awards would have become vested based upon the achievement of the relevant performance criteria through the date of the Change in Control, or, in the case that either such performance cannot be calculated under the program prior to the completion of the performance period or the amount or benefit payable is not based solely on objective performance criteria, the vesting shall be pro-rated through the date of the Change in Control assuming that the target level of performance had been achieved, and (iii) within five (5) days after the consummation of the Change in Control, and, subject to Section 6(d), the Company shall either (1) pay to the Executive an amount equal to the fair market value (computed as the average of the high and low trades reported on the New York Stock Exchange) of the Common Stock represented by such vested restricted stock units determined as of the consummation of the Change in Control, or (2) issue Common Stock under such vested awards to the Executive. Any such cash payment shall be deemed to be in lieu of and in substitution for any right the Executive may have to such vested restricted stock units under the terms of any award agreement between the Company and the Executive, and the Executive agrees to surrender all such vested restricted stock units being cashed out hereunder immediately prior to receiving the cash payment described above. For purposes hereunder, the term "restricted stock unit" should be read to include all other similar equity instruments, including, but not limited to, restricted stock.

(c) Notwithstanding any provision in the Incentive Compensation Plan, the 1998 Option Plan, other relevant plan or program or this Section 6, all stock options granted to the Executive by the Company which have not otherwise vested shall be vested immediately prior to the consummation of a Change in Control and, subject to Section 6(d), within five (5) days after the consummation of the Change in Control, the Company may, at its election, pay to the Executive in cash an amount equal to the

aggregate of the difference between the exercise price of each stock option granted to the Executive prior to the consummation of the Change in Control that remains outstanding and unexercised at the time of the consummation of the Change in Control, and the fair market value (computed as the average of the high and low trades reported on the New York Stock Exchange) of the Common Stock subject to the option, determined as of the consummation of the Change in Control. Such cash payment shall be deemed to be in lieu of and in substitution for any right the Executive may have to exercise such stock option or a related stock appreciation right under the terms of the relevant stock option plan describing such rights, and the Executive agrees to surrender all stock options and related stock appreciation rights being cashed out hereunder prior to receiving the cash payment described above. For purposes hereunder, the term “stock option” should be read to include all other similar equity instruments, including, but not limited to, stock appreciation rights.

(d) Notwithstanding anything herein to the contrary, in no event shall amounts in respect of any restricted stock units or other stock rights that, as determined by the Company, provides for the “deferral of compensation” (as such term is defined under Section 409A), that was granted or became vested on or after January 1, 2005, be distributed pursuant to Section 6(b) or Section 6(c) prior to the occurrence of the earlier of either (i) the Termination Date (or such later date required under Section 24), (ii) the Executive’s death or “Disability” (as such term is defined under Section 409A and in Section 1(l) above), (iii) a “change in the ownership or effective control” of the Company or in the “ownership of a substantial portion of the assets” of the Company (each as defined under Section 409A), or (iv) the specified time or fixed schedule as may be elected by the Executive in accordance with the applicable plan or arrangement and Section 409A. This Section 6(d) shall not apply to any stock options which are not considered deferred compensation subject to Section 409A pursuant to Treasury Regulation Section 1.409A-1(b)(5).

7. Termination for Cause or Without Good Reason. If, prior to the expiration of the Term, the Executive’s employment is terminated by the Company for Cause, or if the Executive terminates his employment hereunder without Good Reason, the Executive shall not be eligible to receive Base Pay under Section 4(a) or to participate in any Plans under Section 4(b) with respect to periods after the Termination Date, and except as otherwise provided by applicable law, and except for the right to receive vested benefits under any Plan in accordance with the terms of such Plan. However, the Executive shall be eligible to receive a pro-rated portion of the benefit payable under any annual bonus compensation program in which Executive participates for the Company’s fiscal year during which the Termination Date occurs, but not for any later years.

8. Termination by Death. If the Executive dies prior to the expiration of the Term, the Executive’s designated beneficiaries (and, with respect to amounts payable under Section 8(a) and (b), the Executive’s estate if he has not designated any beneficiaries) shall be entitled to receive:

(a) for a period of 90 days beginning on the date of the Executive’s death a biweekly amount equal to the biweekly Base Pay paid to the Executive by the Company for the payroll period immediately prior to his death;

(b) a single lump sum cash payment within thirty (30) days following the Termination Date equal to the pro-rated portion of the benefit payable under any annual bonus compensation program in which Executive participates and the pro-rated portion of the benefit payable under each Long-Term Performance-Based Compensation award or program in which Executive participates; and

(c) for twenty-four (24) months following the Termination Date, the Company shall provide the Executive’s surviving spouse or other dependents with non-taxable health insurance benefits substantially similar to those to which the Executive’s family were entitled immediately prior to the Executive’s Death, and thereafter in addition to any continuation coverage the Executive and/or his covered beneficiaries are entitled to under COBRA the Company shall provide health insurance benefits under the Company’s retiree medical plans in effect immediately prior to the Executive’s death.

9. Termination by Disability. If, prior to the expiration of the Term, the Executive becomes Disabled, the Company or the Executive shall be entitled to terminate his employment, and the Executive shall be entitled to:

(a) a lump sum cash payment within thirty (30) days following the Termination Date equal to the Executive’s then current Base Pay, to the extent unpaid, through the Termination Date;

(b) receive a lump sum cash payment within thirty (30) days following the Termination Date equal to the pro-rated portion of the benefit payable under any annual bonus compensation program in which Executive participates and the pro-rated portion of the benefit payable under each Long-Term Performance-Based Compensation award or program in which Executive participates; and

(c) for twenty-four (24) months following the Termination Date, the Company shall provide the Executive with life, accident and health insurance benefits substantially similar to those to which the Executive and the Executive’s family were entitled immediately prior to the Termination, provided that, to the extent such health benefits are determined to be taxable by reason of Section 105(h) of the Code or otherwise, such health coverage shall be limited to eighteen (18) months following the Termination Date unless the Executive has provided the Company with evidence that he has received a

Social Security disability award. Thereafter in addition to any continuation coverage the Executive and/or his covered beneficiaries are entitled to under COBRA the Company shall provide all benefits available under the Plans on account of termination due to becoming Disabled, including life, accident disability and/or retiree medical and life insurance coverage, which shall be based on the Company's plans in effect immediately prior to the Termination Date.

10. Termination by Retirement. If, prior to the expiration of the Term, the Executive voluntarily elects to retire under the Salaried Employees' Retirement Plan, the Executive's employment will be terminated as of the date of such retirement and the Executive shall be entitled to a single lump sum cash payment within thirty (30) days following the Termination Date equal to the Executive's then current Base Pay, to the extent unpaid, through the Termination Date, plus an additional lump sum cash payment within thirty (30) days following the Termination Date equal to the pro-rated portion of the benefit payable under any annual bonus compensation program in which Executive participates and the pro-rated portion of the benefit payable under each Long-Term Performance-Based Compensation award or program in which Executive participates. All stock options (or similar equity instruments, including, but not limited to stock appreciation rights) granted to the Executive by the Company that are both outstanding and vested immediately prior to Termination (in accordance with their then existing terms) shall remain outstanding and exercisable for such period as set forth in the applicable stock option plan or award agreement, after which all such stock options that have not been exercised shall immediately terminate.

11. Funding Upon Potential Change in Control.

(a) Upon the earlier to occur of (i) a Change in Control or (ii) a declaration by the Board that a Change in Control is imminent, the Company shall promptly pay to the extent it has not done so, and in any event within five (5) business days, a sum equal to the present value on the date of the Change in Control (or on such fifth business day if the Board has declared a Change in Control to be imminent) of the payments to be made to the Executive under the provisions of Sections 6 and 12 hereof, which shall be transferred to National City Bank (the "Trustee") and added to any principal of the Trust under a Master Grantor Trust Agreement, dated November 9, 2001 between the Company and Trustee (the "Trust Agreement").

(b) Any payments of compensation, pension, severance or other benefits by the Trustee pursuant to the Trust Agreement shall, to the extent thereof, discharge the Company's obligation to pay compensation, pension, severance and other benefits hereunder, it being the intent of the Company that assets in such Trust be held as security for the Company's obligation to pay compensation, pension, severance and other benefits under this Agreement.

12. Certain Additional Payments by the Company.

(a) Anything in this Agreement to the contrary notwithstanding, but subject to Section 12(h), in the event that following a Change in Control the Executive's employment with the Company is terminated by the Company or the Executive, and it shall be determined (as hereafter provided) that any payment (other than the Gross-Up payments provided for in this Section 12) or distribution by the Company or any of its Affiliates to or for the benefit of the Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise pursuant to or by reason of any other agreement, policy, plan, program or arrangement, including without limitation any stock option, performance share, performance unit, stock appreciation right or similar right, or the lapse or termination of any restriction on or the vesting or exercisability of any of the foregoing (a "Payment"), would be subject to the excise tax imposed by Section 4999 of the Code (or any successor provision thereto) by reason of being considered "contingent on a change in ownership or control" of the Company, within the meaning of Section 280G of the Code (or any successor provision thereto) or to any similar tax imposed by state or local law, or any interest or penalties with respect to such tax (such tax or taxes, together with any such interest and penalties, being hereafter collectively referred to as the "Excise Tax"), then the Executive shall be entitled to receive an additional payment or payments (collectively, a "Gross-Up Payment"); provided, however, that no Gross-Up Payment shall be made with respect to the Excise Tax, if any, attributable to (i) any incentive stock option ("ISO"), as defined by Section 422 of the Code (or any successor provision thereto) granted prior to the execution of this Agreement where the addition of a Gross-Up Payment would cause the ISO to lose such status, or (ii) any stock appreciation or similar right, whether or not limited, granted in tandem with any ISO described in clause (i). The Gross-Up Payment shall be in an amount such that, after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including any Excise Tax imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payment.

(b) Subject to the provisions of Section 12(f), all determinations required to be made under this Section 12, including whether an Excise Tax is payable by the Executive and the amount of such Excise Tax and whether a Gross-Up Payment is required to be paid by the Company to the Executive and the amount of such Gross-Up Payment, if any, shall be made by a nationally recognized accounting firm (the "Accounting Firm") selected by the Company in its sole discretion. The Accounting Firm shall submit its determination and detailed supporting calculations to both the Company and the Executive within 30 calendar days after the Termination Date, if applicable, and any such other time or times as may be requested by the Company or the Executive. If the Accounting Firm determines that any Excise Tax is payable by the Executive, the Company shall pay the required Gross-Up Payment to the

Executive within five (5) business days after receipt of such determination and calculations with respect to any Payment to the Executive. If the Accounting Firm determines that no Excise Tax is payable by the Executive, it shall, at the same time as it makes such determination, furnish the Company and the Executive a written statement that the Executive has substantial authority not to report any Excise Tax on his federal, state or local income or other tax return. As a result of the uncertainty in the application of Section 4999 of the Code (or any successor provision thereto) and the possibility of similar uncertainty regarding applicable state or local tax law at the time of any determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made (an **“Underpayment”**), consistent with the calculations required to be made hereunder. In the event that the Company exhausts or fails to pursue its remedies pursuant to Section 12(f) and the Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and submit its determination and detailed supporting calculations to both the Company and the Executive as promptly as possible. Any such Underpayment shall be promptly paid by the Company to, or for the benefit of, the Executive within five (5) business days after receipt of such determination and calculations.

(c) The Company and the Executive shall each provide the Accounting Firm access to and copies of any books, records and documents in the possession of the Company or the Executive, as the case may be, reasonably requested by the Accounting Firm, and otherwise cooperate with the Accounting Firm in connection with the preparation and issuance of the determinations and calculations contemplated by Section 12(b). Any determination by the Accounting Firm as to the amount of the Gross-Up Payment shall be binding upon the Company and the Executive.

(d) The federal, state and local income or other tax returns filed by the Executive shall be prepared and filed on a consistent basis with the determination of the Accounting Firm with respect to the Excise Tax payable by the Executive. The Executive shall make proper payment of the amount of any Excise Payment, and at the request of the Company, provide to the Company true and correct copies (with any amendments) of his federal income tax return as filed with the Internal Revenue Service and corresponding state and local tax returns, if relevant, as filed with the applicable taxing authority, and such other documents reasonably requested by the Company, evidencing such payment. If prior to the filing of the Executive’s federal income tax return, or corresponding state or local tax return, if relevant, the Accounting Firm determines that the amount of the Gross-Up Payment should be reduced, the Executive shall within five (5) business days pay to the Company the amount of such reduction.

(e) The fees and expenses of the Accounting Firm for its services in connection with the determinations and calculations contemplated by Section 12(b) shall be borne by the Company. If such fees and expenses are initially paid by the Executive, the Company shall reimburse the Executive the full amount of such fees and expenses within five (5) business days after receipt from the Executive of a statement therefore and reasonable evidence of his payment thereof or as soon thereafter as may be reasonably practical.

(f) The Executive shall notify the Company in writing of any claim by the Internal Revenue Service or any other taxing authority that, if successful, would require the payment by the Company of a Gross-Up Payment. Such notification shall be given as promptly as practicable but no later than ten (10) business days after the Executive actually receives notice of such claim and the Executive shall further apprise the Company of the nature of such claim and the date on which such claim is requested to be paid (in each case, to the extent known by the Executive). The Executive shall not pay such claim prior to the earlier of (i) the expiration of the 30-calendar-day period following the date on which he gives such notice to the Company and (ii) the date that any payment of amount with respect to such claim is due. If the Company notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall:

(i) provide the Company with any written records or documents in his possession relating to such claim reasonably requested by the Company;

(ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including without limitation accepting legal representation with respect to such claim by an attorney competent in respect of the subject matter and reasonably selected by the Company;

(iii) cooperate with the Company in good faith in order to effectively contest such claim; and

(iv) permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including interest and penalties) incurred in connection with such contest and shall indemnify and hold harmless the Executive, on an after-tax basis, for and against any Excise Tax or income tax, including interest and penalties with respect thereto, imposed as a result of such representation and payment of costs and expenses. Without limiting the foregoing provisions of this Section 12(f), the Company shall control all proceedings taken in connection with the contest of any claim contemplated by this Section 12(f) and, at its sole option, may pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim (provided, however, that the Executive may participate therein at his own cost and expense) and may, at its option, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to

a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Executive to pay the tax claimed and sue for a refund, the Company shall advance the amount of such payment to the Executive on an interest-free basis and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income or other tax, including interest or penalties with respect thereto, imposed with respect to such advance; and provided further, however, that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which the contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of any such contested claim shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(g) If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 12(f), the Executive receives any refund with respect to such claim, the Executive shall (subject to the Company's complying with the requirements of Section 12(f)) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after any taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 12(f), a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial or refund prior to the expiration of thirty (30) calendar days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of any such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid by the Company to the Executive pursuant to this Section 12.

(h) Notwithstanding the foregoing provisions of this Section 12, if the Accounting Firm determines that, absent this sentence, the Executive is entitled to a Gross-Up Payment, but that the portion of the Payments that would be treated as "parachute payments" under Code Section 280G (the "**Parachute Payments**") does not exceed 110% of the greatest amount of Parachute Payments that could be paid to the Executive such that the receipt of such Parachute Payments would not give rise to any Excise Tax (the "**Safe Harbor Amount**"), then no Gross-Up Payment shall be paid to the Executive (unless for any reason the Executive is determined to be subject to the Excise Tax after application of the balance of this sentence, in which case the full Gross-Up Payment shall be paid), and the Parachute Payments shall be reduced so that the Parachute Payments, in the aggregate, are reduced to the Safe Harbor Amount. As soon as practicable, the Company shall notify the Executive of any intent to reduce the amount of any Payments in accordance with this Section 12(h), and the Executive shall have the right to designate which of the Payments shall be reduced and to what extent, provided that the Executive may not so elect to the extent that, in the determination of the Company, such election would cause the Executive to be subject to the Excise Tax.

13. Mitigation. Nothing in this Agreement shall be construed to require the Executive to mitigate his damages upon termination of employment without Cause or for Good Reason. The Company hereby acknowledges that it will be difficult and may be impossible for the Executive to find reasonably comparable employment following the Termination Date and that the non-competition covenant contained in Section 15 will further limit the employment opportunities for the Executive. In addition, the Company acknowledges that its severance pay plans applicable in general to its salaried employees do not provide for mitigation, offset or reduction of any severance payment received thereunder. Accordingly, the payment of the severance compensation by the Company to the Executive in accordance with the terms of this Agreement is hereby acknowledged by the Company to be reasonable, and the Executive will not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise, nor will any profits, income, earnings or other benefits from any source whatsoever create any mitigation, offset, reduction or any other obligation on the part of the Executive hereunder or otherwise.

14. Legal Fees and Expenses. It is the intent of the Company that the Executive not be required to incur legal fees and the related expenses associated with the interpretation, enforcement or defense of the Executive's rights under this Agreement by litigation or otherwise because the cost and expense thereof would substantially detract from the benefits intended to be extended to the Executive hereunder. Accordingly, if it should appear to the Executive that the Company has failed to comply with any of its obligations under this Agreement or in the event that the Company or any other person takes or threatens to take any action to declare this Agreement void or unenforceable, or institutes any litigation or other action or proceeding designed to deny, or to recover from, the Executive the benefits provided or intended to be provided to the Executive hereunder, the Company irrevocably authorizes the Executive from time to time to retain counsel of the Executive's choice, at the expense of the Company as hereafter provided, to advise and represent the Executive in connection with any such interpretation, enforcement or defense. Notwithstanding any existing or prior attorney-client relationship between the Company and such counsel, the Company irrevocably consents to the Executive's entering into an attorney-client relationship with such counsel, and in that connection the Company and the Executive agree that a confidential relationship shall exist between the Executive and such counsel. The Company will pay and be solely financially responsible for any and all attorneys' and related fees and expenses incurred by the Executive in connection with any of the foregoing; provided that, in regard to such matters, the Executive has not failed to prevail in at least one asserted claim, has not acted frivolously, in bad faith or with no colorable claim, and has not asserted a claim in violation of the Release.

15. Secrecy and Non-competition.

(a) No Competing Employment. For so long as the Executive is employed by the Company and continuing for two (2) years after the termination of such employment for any reason (the “**Non-Compete Period**”), the Executive shall not, unless he receives the prior written consent of the Board, directly or indirectly, whether as owner, consultant, employee, partner, venturer, agent, through stock ownership (except ownership of less than one percent (1.0%) of the number of shares outstanding of any securities which are publicly traded), investment of capital, lending of money or property, rendering of services, or otherwise, compete with any of the businesses engaged in by the Company or any Affiliate at the time of the termination of the Executive’s employment hereunder (such businesses are herein after referred to as the “**Business**”), or assist, become interested in or be connected with any corporation, firm, partnership, joint venture, sole proprietorship or other entity which so competes with the Business. The restrictions imposed by this Section 15(a) shall not apply to any geographic area in which neither the Company nor any Affiliate is engaged in the Business.

(b) No Interference. During the Non-Compete Period, the Executive shall not, whether for his own account or for the account of any other individual, partnership, firm, corporation or other business organization or entity (other than the Company), intentionally solicit, endeavor to entice away from the Company or any Affiliate or otherwise interfere with the relationship of the Company or any Affiliate with, any person who is employed by or associated with the Company or any Affiliate (including, but not limited to, any independent sales representatives or organizations) or any person or entity who is, or was within the then most recent 12-month period, a customer or client of the Company or any Affiliate.

(c) Secrecy. The Executive recognizes that the services to be performed by him hereunder are special, unique and extraordinary in that, by reason of his employment hereunder and his past employment with the Company, he may acquire or has acquired confidential information and trade secrets concerning the operation of the Company or any Affiliate, the use or disclosure of which could cause the Company substantial loss and damages which could not be readily calculated and for which no remedy at law would be adequate. Accordingly, the Executive covenants and agrees with the Company that he will not at any time, except in performance of the Executive’s obligations to the Company hereunder or with the prior written consent of the Board, directly or indirectly, disclose any secret or confidential information that he may learn or has learned by reason of his association with the Company or any Affiliate, or use any such information to the detriment of the Company or any Affiliate. The term “confidential information”, includes, without limitation, information not previously disclosed to the public or to the trade by the Company’s management with respect to the Company’s or any Affiliate’s products, manufacturing processes, facilities and methods, research and development, trade secrets, know-how and other intellectual property, systems, procedures, manuals, confidential reports, product price lists, customer lists, marketing plans or strategies, financial information (including the revenues, costs or profits associated with the Company’s or any Affiliate’s products), business plans, prospects or opportunities. The Executive understands and agrees that the rights and obligations set forth in this Section 15(c) are perpetual and, in any case, shall extend beyond the Non-Compete Period and the Executive’s employment hereunder.

(d) Exclusive Property. The Executive confirms that all confidential information is and shall remain the exclusive property of the Company. All business records, papers and documents kept or made by the Executive relating to the business of the Company shall be and remain the property of the Company. Upon the termination of his employment with the Company or upon the request of the Company at anytime, the Executive shall promptly deliver to the Company, and shall not, without the consent of the Board (which consent shall not be unreasonably withheld), retain copies of, any written materials not previously made available to the public, records and documents made by the Executive or coming into his possession concerning the business or affairs of the Company excluding records relating exclusively to the terms and conditions of his employment relationship with the Company. The Executive understands and agrees that the rights and obligations set forth in this Section 15(d) are perpetual and, in any case, shall extend beyond the Non-Compete Period and the Executive’s employment hereunder.

(e) Stock Ownership. Other than as specified in Section 2(c) or 15(a) hereof, nothing in this Agreement shall prohibit the Executive from acquiring or holding any issue of stock or securities of any company or other business entity.

(f) Injunctive Relief. Without intending to limit the remedies available to the Company, executive acknowledges that a breach of any of the covenants contained in this Section 15 may result in material irreparable injury to the Company for which there is no adequate remedy at law, that it will not be possible to measure damages for such injuries precisely and that, in the event of such a breach or threat thereof, the Company shall be entitled to obtain a temporary restraining order and/or a preliminary or permanent injunction restraining the Executive from engaging in activities prohibited by this Section 15 or such other relief as may be required to specifically enforce any of the covenants in this Section 15.

(g) Extension of Non-Compete Period. In addition to the remedies the Company may seek and obtain pursuant to Section 15(f), the Non-Compete Period shall be extended by any and all periods during which the Executive shall be found by a court possessing personal jurisdiction over him to have been in violation of the covenants contained in this Section 15.

16. Release. The receipt of payments provided for in Section 5, Section 6 and Section 12 is conditioned upon the Executive executing and delivering a release substantially in the form of Annex A hereto, and upon the expiration of the revocation period provided for in Annex A.

17. Breach; Reimbursement .

(a) In addition to the remedies provided for in Section 15(f), if the Executive is in breach of this Agreement, then the Company may, at its sole option:

(i) In the case of a breach of any provision of this Agreement, immediately suspend payment or provision of all remaining payments and benefits described in Section 5 or Section 6 of this Agreement. Provided the Board gives Executive written notice (that provides detail as to the effective date and the contractual and factual basis for the Board's action) (the " **Notice** ") and, within thirty (30) days after the date of the Notice, an opportunity for Executive to appear before the Board with counsel to respond and/or, at Executive's option, to present to the Board a written response to the Notice (the opportunity to appear with counsel and/or provide a written response within thirty (30) days of the date of the Notice is hereafter referred to as a " **Hearing** "), the Board may terminate all such remaining payments and benefits but only if, after due consideration of Executive's appearance and/or written response to the Notice, a majority of the Board (excluding any directors who have been recused from such determination due to a conflict of interest) specifically determines that the acts or omissions specified in the Notice occurred and that such acts or omissions constitute a breach of this Agreement, which determination shall not be unreasonably delayed.

(ii) In the case of a breach of any of Section 15(a), Section 15(b) or Section 15(c) of this Agreement, in addition to the remedies provided for in Section 17(a)(i), the Company may obtain reimbursement from the Executive of all payments by the Company already provided pursuant to Section 5 or Section 6 of this Agreement, plus any expenses, fees and damages incurred as a result of the breach; provided that the Board gives Executive Notice (that provides detail as to the contractual and factual basis for the alleged breach of Section 15(a), 15(b) or 15(c)) and a Hearing and after due consideration of Executive's appearance and/or written response, a majority of the Board specifically determines that the acts or omissions that gave rise to the alleged breach actually occurred as described in the Notice and that such acts or omissions constitute a breach of Section 15(a), 15(b) or 15(c), as applicable.

(b) In the event that the Company issues restated or reclassified annual financial statements after the Executive's Termination Date that reflect a reduction in previously published financial results and such restatement or reclassification is attributable, in whole or in material part, directly or indirectly, to the malfeasance or gross negligence of the Executive, the Company may, at its sole option, immediately suspend payment or provision of all remaining payments and benefits described in Section 5 or Section 6 of this Agreement, and terminate all remaining payments and benefits described in Section 5 or Section 6 of this Agreement and obtain reimbursement from the Executive of all payments by the Company already provided pursuant to Section 5 or Section 6 of this Agreement; provided that the Board provides Executive Notice (that provides detail as to the contractual and factual basis for the suspension of payments and benefits by the Company and, if applicable, for the claim for reimbursement of previously paid amounts) and a Hearing, and that a majority of the Board (excluding any directors who have been recused from such determination due to a conflict of interest) specifically determines, after due consideration of Executive's appearance and/or written response to the Notice, that the acts or omissions specified in the Notice occurred and that such acts or omissions constitute malfeasance or gross negligence of the Executive with respect to which the issuance of such restated or reclassified annual financial statements is attributable, in whole or in material part, which determination shall not be unreasonably delayed. In the event that the Company issues restated or reclassified annual financial statements, regardless of whether before or after the Executive's Termination Date, that reflect a reduction in previously published financial results as a result of misconduct and the previously published financial results provided the basis for any previously paid incentive compensation, the Company may, at its sole option, obtain reimbursement from the Executive of all payments by the Company to the extent such payments would not have been made based upon the restated or reclassified financial statements.

If the Company suspends or terminates Executive's payments or benefits or seeks reimbursement under this Section 17, the remainder of this Agreement, and all promises and covenants herein, will nonetheless remain in full force and effect. Notwithstanding anything herein to the contrary, any payments or benefits suspended will immediately be reinstated, no benefits or payments will be terminated and any effort to obtain reimbursement will be halted within five (5) days of the applicable Board determination described in this Section 17 under which the Board determines that there is no basis for the suspension, termination or repayment of such benefits or payments pursuant hereto.

18. Continued Availability and Cooperation .

(a) Following any Termination Date, the Executive shall cooperate fully with the Company and with the Company's counsel in connection with any present and future actual or threatened litigation or administrative proceeding involving the Company that relates to events, occurrences or conduct occurring (or claimed to have occurred) during the period of the Executive's employment by the Company. This cooperation by the Executive shall include, but not be limited to:

(i) making himself reasonably available for interviews and discussions with the Company's counsel as well as for depositions and trial testimony;

(ii) if depositions or trial testimony are to occur, making himself reasonably available and cooperating in the preparation therefore as and to the extent that the Company or the Company's counsel reasonably requests;

(iii) refraining from impeding in any way the Company's prosecution or defense of such litigation or administrative proceeding;
and

(iv) cooperating fully in the development and presentation of the Company's prosecution or defense of such litigation or administrative proceeding.

(b) In addition to the Executive's obligations under this Section 18, during the Non-Compete Period, the Executive shall make himself available for consultation with and advice to the Company at times and for periods of time which are mutually agreeable to the Company and the Executive.

19. Successors; Assignability.

(a) By the Executive. Neither this Agreement nor any right, duty, obligation or interest hereunder shall be assignable or delegable by the Executive without the Company's prior written consent; provided, however, that nothing in this Section 19(a) shall preclude the Executive from designating any of his beneficiaries to receive any benefits payable hereunder upon his death, or the executors, administrators, or other legal representatives, from assigning any rights hereunder to the person or persons entitled thereto.

(b) By the Company. The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such assumption and agreement prior to the effectiveness of any such succession shall be a breach of this Agreement and shall entitle the Executive to compensation from the Company in the same amount and on the same terms as the Executive would be entitled to hereunder if the Executive had terminated his employment for Good Reason subsequent to a Change in Control, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Termination Date.

20. Employment Rights. Nothing expressed or implied in this Agreement shall create any right or duty on the part of the Company or the Executive to have the Executive remain in the employment of the Company at any time prior to a Change in Control; provided, however, that any Termination of the Executive or the removal of the Executive from the office or position in the Company following the commencement of any discussion with a third person that ultimately results in a Change in Control shall be deemed to be a Termination of the Executive after a Change in Control for purposes of this Agreement. The Executive expressly acknowledges that he is an employee at will, and that the Company may terminate him at any time during the Term for any reason if the Company makes the payments and provides the benefits provided for under Section 5 or 6 of this Agreement, and otherwise comply with its other continuing covenants in this Agreement, including without limitation, Sections 4, 12 and 14.

21. Withholding of Taxes. The Company may withhold from any amounts payable under this Agreement all federal, state, city or other taxes as shall be required pursuant to any law or government regulation or ruling.

22. Severability. If the final determination of a court of competent jurisdiction declares, after the expiration of the time within which judicial review (if permitted) of such determination may be perfected, that any term or provision hereof is invalid or unenforceable, (a) the remaining terms and provisions hereof shall be unimpaired and (b) the invalid or unenforceable term or provision shall be replaced by a term or provision that is mutually agreeable to the parties hereto and is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision. Notwithstanding the foregoing, the invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement which shall nevertheless remain in full force and effect.

23. Amendment; Waiver. This Agreement may not be modified, amended or waived in any manner except by an instrument in writing signed by both parties hereto. The waiver by either party of compliance with any provision of this Agreement by the other party shall not operate or be construed as a waiver of any other provision of this Agreement, or of any subsequent breach by such party of a provision of this Agreement.

24. Effect of Section 409A of the Code. Notwithstanding anything to the contrary in this Agreement, if the Company determines that any payments or taxable benefits to be provided to the Executive pursuant to Sections 5 through 12 of this Agreement are or may become subject to the additional tax under Section 409A(a)(1)(B) of the Code or any other taxes or penalties imposed under Section 409A (the "**409A Taxes**") as applicable at the time such payments and benefits are otherwise required under this Agreement unless payment is delayed for at least six (6) months following the date of the Executive's "separation from service" (as such term is defined under Section 409A) with the Company, then:

(a) (i) such payments shall be delayed until the date that is six months after the date of the Executive's "separation from service" (as such term is defined under Section 409A) with the Company, or for shorter period of time that the Company determines is sufficient to avoid the imposition of the 409A Taxes (the "**Payments Delay Period**"), and (ii) such payments shall be increased by an amount equal to interest on such payments for the Payments Delay Period at a rate equal to the prime rate in effect as of the date the payment was first due (for this purpose, the prime rate will be based on the rate published from time to time in the Wall Street Journal) (the "**Interest Rate**"); and

(b) (i) with respect to the provision of such taxable benefits, for a period of six months following the date of the Executive's "separation from service" (as such term is defined under Section 409A) with the Company, or for shorter period of time that the Company determines is sufficient to avoid the imposition of the 409A Taxes (the "**Benefits Delay Period**"), the Executive shall be responsible for the full cost of providing such taxable benefits, and (ii) on the first day following the Benefits Delay Period, the Company shall reimburse the Executive for the costs of providing such benefits imposed on the Executive during the Benefits Delay Period, plus interest accrued at the Interest Rate.

25. Governing Law. All matters affecting this Agreement, including the validity thereof, are to be governed by, interpreted and construed in accordance with the substantive laws of the State of Ohio, without giving effect to the principles of conflict of laws of such State.

26. Arbitration. The parties hereto shall endeavor to settle all disputes by amicable negotiations. Any claim, dispute, disagreement or controversy that arises among the parties relating to this Agreement (excluding enforcement by the Company of its rights under the Section 15) that is not amicably settled shall be resolved by arbitration with respect to any claims as to which arbitration is not prohibited by applicable federal or state law. Such arbitration shall be conducted, as follows:

(a) An arbitration may be commenced by any party to this Agreement by the service of a written request for arbitration upon the other affected party(ies). Such request for arbitration shall summarize the controversy or claim to be arbitrated.

(b) Any such arbitration shall be heard in the State of Ohio, before a panel consisting of one (1) to three (3) arbitrators, each of whom shall be impartial. Except as the parties may otherwise agree, an arbitrator shall be selected in the first instance by those members of the Board who are neither members of the Committee nor employees of the Company. If there are no such members of the Board, an arbitrator shall be selected by the full Board. The Executive may request that additional arbitrators be appointed, which arbitrator(s) shall be named by the appropriate official in the Cincinnati, Ohio office of the American Arbitration Association or, in the event of his or her unavailability by reason of disqualification or otherwise, by the appropriate official in the New York City office of the American Arbitration Association. In determining the number and appropriate background of any additional arbitrators, the appointing authority shall give due consideration to the issues to be resolved, but his or her decision as to the number of arbitrators and their identity shall be final. Any arbitrator shall be an individual who is an attorney licensed to practice law in the State of Ohio. Such arbitrator shall be neutral within the meaning of the Commercial Rules of Dispute Resolution of the American Arbitration Association; provided, however, that the arbitration shall not be administered by the American Arbitration Association. Any challenge to the neutrality of an arbitrator shall be resolved by the arbitrator whose decision shall be final and conclusive. The arbitration shall be administered and conducted by the arbitrator(s) pursuant to the then-current employment dispute resolution rules of the American Arbitration Association.

(c) The parties hereby expressly waive punitive damages, and under no circumstances shall an award contain any amount that in any way reflects punitive damages.

(d) The decision of the arbitrator on the issue(s) presented for arbitration shall be final and conclusive and may be enforced in any court of competent jurisdiction.

(e) It is intended that controversies or claims submitted to arbitration under this Section 26 shall remain confidential, and to that end it is agreed by the parties that neither the facts disclosed in the arbitration, the issues arbitrated, nor the views or opinions of any persons concerning them, shall be disclosed to third persons at any time, except to the extent necessary to enforce an award or judgment or as required by law or regulation, including the federal securities laws and the regulations thereunder, in response to legal process or in connection with such arbitration.

27. Notices. Any notice hereunder by either party to the other shall be given in writing by personal delivery or certified mail, return receipt requested. If addressed to Executive, the notice shall be delivered or mailed to the Executive at his principal residence, or to such other address as the Executive shall give notice in writing in accordance herewith. If addressed to the Company, the notice shall be delivered or mailed to the Company at its executive offices at 701 Lima Avenue, Findlay, Ohio 45840 to the attention of the Board. A notice shall be deemed given, if by personal delivery, on the date of such delivery or, if by certified mail, on the date shown on the applicable return receipt.

28. Previous Agreements. This Agreement supersedes the all previous employment agreements between the Executive and the Company, including, on or after January 1, 2009, the Amended Employment Agreement, which shall be of no further force or effect on or after January 1, 2009; provided, however, that this Agreement shall not supersede or in any way limit the rights, duties or obligations of the Employee or the Company under (i) the Plans, except that payments pursuant to Section 5(a) or Section 6(b) shall be in lieu of any other cash severance pay provided by the Company, or (ii) with respect to periods prior to January 1, 2009, the Amended Employment Agreement. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party that are not expressly set forth in this Agreement or, with respect to period prior to January 1, 2009, in the Amended Employment Agreement.

29. Counterparts. This Agreement may be executed by either of the parties hereto in counterpart, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument.

30. Headings. The headings of sections herein are included solely for convenience of reference and shall not control the meaning or interpretation of any of the provisions of this Agreement.

IN WITNESS WHEREOF , the Company has caused the Agreement to be signed by an officer pursuant to the authority of its Board, and the Executive has executed this Agreement, as of the day and year first written above.

COOPER TIRE & RUBBER COMPANY

/s/ Roy V. Armes

By: Roy V. Armes

Title: Chairman and CEO

/s/ Philip G. Weaver

By: Philip G. Weaver, Executive

ANNEX A

Form of Release

WHEREAS, there has been a Termination (as such term is defined in the Amended and Restated 2009 Employment Agreement (the "Agreement") made and entered into on ____, 2008 between the undersigned (the "Executive") and COOPER TIRE & RUBBER COMPANY ("Cooper"), of the Executive's employment from Cooper; and

WHEREAS, the Executive is required to sign this Release in order to receive the severance benefits as described in Section 5, Section 6 and Section 12 of the Agreement.

NOW THEREFORE, in consideration of the promises and agreements contained herein and other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, and intending to be legally bound, the Executive agrees as follows:

1. This Release is effective on the date hereof and will continue in effect as provided herein.

2. In consideration of the payments to be made and the benefits to be received by the Executive pursuant to Section 5, Section 6 and Section 12 of the Agreement, which the Executive acknowledges are in addition to payments and benefits which the Executive would be entitled to receive absent the Agreement, the Executive, for himself and his dependents, successors, assigns, heirs, executors and administrators (and his and their legal representatives of every kind), hereby releases, dismisses, remises and forever discharges its predecessors, parents, subsidiaries, divisions, related or affiliated companies, officers, directors, stockholders, members, employees, heirs, successors, assigns, representatives, agents and counsel (the "Company") from any and all arbitrations, claims, including claims for attorney's fees, demands, damages, suits, proceedings, actions and/or causes of action of any kind and every description, whether known or unknown, which the Executive now has or may have had for, upon, or by reason of any cause whatsoever ("claims"), against the Company, including but not limited to:

(a) any and all claims arising out of or relating to the Executive's employment by or service with the Company and his termination from the Company;

(b) any and all claims of discrimination, including but not limited to claims of discrimination on the basis of sex, race, age, national origin, marital status, religion or handicap, including, specifically, but without limiting the generality of the foregoing, any claims under the Age Discrimination in Employment Act, as amended, Title VII of the Civil Rights Act of 1964, as amended, the Americans with Disabilities Act, Ohio Revised Code Section 4101.17 and Ohio Revised Code Chapter 4112, including Sections 4112.02 and 4112.99 thereof, and any other applicable state statutes and regulations; and

(c) any and all claims of wrongful or unjust discharge or breach of any contract or promise, express or implied;

provided, however, that the foregoing shall not apply to claims to enforce rights that the Executive may have as of the date hereof or in the future under any of Cooper's health, welfare, retirement, pension or incentive plans, under any indemnification agreement between the Executive and Cooper, under Cooper's indemnification by-laws, under the directors' and officers' liability coverage maintained by Cooper, under the applicable provisions of the Delaware General Corporation Law, or that the Executive may have in the future under the Agreement or under this Release.

3. The Executive understands and acknowledges that the Company does not admit any violation of law, liability or invasion of any of his rights and that any such violation, liability or invasion is expressly denied. The consideration provided for this Release is made for the purpose of settling and extinguishing all claims and rights (and every other similar or dissimilar matter) that the Executive ever had or now may have against the Company to the extent provided in this Release. The Executive further agrees and acknowledges that no representations, promises or inducements have been made by the Company other than as appear in the Agreement.

4. The Executive further agrees and acknowledges that:

(a) The release provided for herein releases claims to and including the date of this Release;

(b) The Executive has been advised by the Company to consult with legal counsel prior to executing this Release, has had an opportunity to consult with and to be advised by legal counsel of his choice, fully understands the terms of this Release, and enters into this Release freely, voluntarily and intending to be bound;

(c) The Executive has been given a period of twenty-one (21) days to review and consider the terms of this Release, prior to its execution and that he may use as much of the twenty-one (21) day period as he desires; and

(d) The Executive may, within 7 days after execution, revoke this Release. Revocation shall be made by delivering a written notice of revocation to the General Counsel at Cooper. For such revocation to be effective, written notice must be actually received by the General Counsel at Cooper no later than the close of business on the 7th day after the Executive executes this Release. If the Executive does exercise his right to revoke this Release, all of the terms and conditions of the Release shall be of no force and effect and Cooper shall not have any obligation to make further payments or provide benefits to the Executive as set forth in Section 5, Section 6, and Section 12 of the Agreement.

5. The Executive agrees that he will never file a lawsuit or other complaint asserting any claim that is released in this Release.

6. The Executive waives and releases any claim that he has or may have to reemployment after the Termination Date as defined in the Agreement.

IN WITNESS WHEREOF, the Executive has executed and delivered this Release on the date set forth below.

Date: _____

Philip G. Weaver

**EMPLOYMENT AGREEMENT
AMENDED AND RESTATED**

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT (this “**Agreement**”) is made and entered into this 22 day of December, 2008, between COOPER TIRE & RUBBER COMPANY, a Delaware corporation (the “**Company**”), and Roy V. Armes (the “**Executive**”).

WITNESSETH:

WHEREAS, the Executive and the Company entered into an Employment Agreement dated as of December 19, 2006 (the “Original Agreement”); and

WHEREAS, the Executive and the Company agree that the substantive provisions of the Original Agreement shall remain in full force and effect, but also agree that it is desirable to modify the terms of the Original Agreement in certain respects in order to satisfy the requirements Section 409A of the Code imposes on those payments under the Agreement which can be considered “deferred compensation” for purposes of Section 409A;

WHEREAS, the Company desires to continue to retain the services of the Executive as its President and Chief Executive Officer and the Executive desires to continue to be so employed by the Company; and

WHEREAS, the Company and the Executive desire to enter into this Agreement setting forth the terms and conditions of such continued employment.

NOW, THEREFORE, in consideration of the premises and the mutual promises and agreements contained herein and other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, and intending to be legally bound hereby, the Company and the Executive hereby amend and restate the Original Agreement to read as follows:

1. Certain Defined Terms. In addition to terms defined elsewhere herein, the following terms have the following meanings when used in this Agreement with initial capital letters:

(a) “**Affiliate**” means any corporation, limited liability company, joint venture, partnership, or other legal entity in which the Company owns, directly or indirectly, or has previously owned, at least fifty percent (50%) of the capital stock, profits, interest or capital interest.

(b) “**Annual Incentive Compensation**” means the amount paid or (but for any deferral) payable to the Executive for a year under any annual bonus compensation programs or arrangements. Annual Incentive Compensation shall not include or take into account long-term incentive compensation, stock option or other equity awards (regardless of whether granted annually), pension or other retirement benefit contributions or accruals, perquisites or other fringe benefits. For the avoidance of doubt, “Annual Incentive Compensation” may be zero.

(c) “**Average Annual Incentive Compensation**” means:

(i) the average of the Annual Incentive Compensation earned and certified by the Compensation Committee of the Board for the Executive for the three (3) fiscal years preceding the year in which a Termination Date occurs; (provided that, for purposes of this Section 1 (c), if a fiscal year is less than 12 complete months, the bonus will be annualized by dividing the bonus amount for such year by the fraction the numerator of which is the number of days constituting such short fiscal year and the denominator of which is 365);

(ii) if the Executive has been employed by the Company and the Annual Incentive Compensation that has been earned and certified by the Compensation Committee of the Board for the Executive for fewer than three (3) fiscal years, the average of the Annual Incentive Compensation that has been earned and certified by the Compensation Committee of the Board for the Executive for the number of fiscal years through the Termination Date; or

(iii) if the Termination Date occurs prior to the date Annual Incentive Compensation is earned and certified by the Compensation Committee of the Board for the Executive for the 2007 fiscal year, the target Annual Incentive Compensation for fiscal year 2007.

(d) “**Base Pay**” means the Executive’s rate of annual base salary payable under this Agreement (which rate shall not be deemed to be reduced for purposes of Sections 5 or Section 6 hereof by reason of any elective deferrals of annual base salary) at the

time a termination of employment occurs or, if applicable, immediately before any reduction in such amount that serves as a basis for a termination for Good Reason.

(e) **“Board”** means the Board of Directors of the Company.

(f) **“Cause”** means:

(X) prior to a Change in Control, termination of the Executive’s employment with the Company by the Board because of:

(i) the willful and continued failure by the Executive to perform substantially the duties of the Executive’s position, and the failure of the Executive to correct such failure of performance within thirty (30) days after notification by the Board of any such failure (other than by reason of the incapacity of the Executive due to physical or mental illness); or

(ii) any other willful act or omission which is materially injurious to the financial condition or business reputation of, or is otherwise materially injurious to, the Company or any Affiliate thereof, and failure of the Executive to correct such act or omission within thirty (30) days after notification by the Board of any such act or omission (other than by reason of the incapacity of the Executive due to physical or mental illness); or

(iii) the Executive is found guilty of, or pleads guilty or nolo contendere to, a felony or any criminal act involving fraud, embezzlement, theft, or moral turpitude; or

(iv) the Executive is found guilty of, or pleads guilty or nolo contendere to, any criminal act committed in the course of the Executive’s employment with the Company or against the Company or any Affiliate, or the Executive is found liable in a civil action, in which an allegation involves a dishonest act, fraud, embezzlement or theft committed in the course of the Executive’s employment with the Company or against the Company or any Affiliate.

(Y) following a Change in Control, termination of the Executive’s employment with the Company by the Board because of:

(i) any act or omission constituting a material breach by the Executive of any of his significant obligations or agreements under this Agreement or the continued willful failure or refusal of the Executive to adequately perform the duties reasonably required hereunder which is materially injurious to the financial condition or business reputation of, or is otherwise materially injurious to, the Company or any Affiliate thereof, after notification by the Board of such breach, failure or refusal and the failure of the Executive to correct such breach, failure or refusal within thirty (30) days of such notification (other than by reason of the incapacity of the Executive due to physical or mental illness); or

(ii) any other willful act or omission which is materially injurious to the financial condition or business reputation of, or is otherwise materially injurious to, the Company or any Affiliate thereof, and failure of the Executive to correct such act or omission within thirty (30) days after notification by the Board of any such act or omission (other than by reason of the incapacity of the Executive due to physical or mental illness); or

(iii) the Executive is found guilty of, or pleads guilty or nolo contendere to, a felony or any criminal act involving fraud, embezzlement, theft, or moral turpitude; or

(iv) the Executive is found guilty of, or pleads guilty or nolo contendere to, any criminal act committed in the course of the Executive’s employment with the Company or against the Company or any Affiliate, or the Executive is found liable in a civil action, in which an allegation involves a dishonest act, fraud, embezzlement or theft committed in the course of the Executive’s employment with the Company or against the Company or any Affiliate.

For purposes of this Agreement, no act, or failure to act, on the Executive’s part shall be deemed **“willful”** if done, or omitted to be done, by the Executive in good faith and with a reasonable belief that the Executive’s action or omission was in the best interest of the Company. Any notification to be given by the Board in accordance with Section 1(f)(X)(i), 1(f)(X)(ii), 1(f)(Y)(i) or 1(f)(Y)(ii) shall be in writing and shall specifically identify the breach, failure, refusal, act or omission to which

the notification relates and, in the case of Section 1(f)(X)(ii), 1(f)(Y)(i) or 1(f)(Y)(ii), shall describe the injury to the Company, and such notification must be given within twelve (12) months of the Board becoming aware, or within twelve (12) months of when the Board should have reasonably become aware of the breach, failure, refusal, act, omission or injury identified in the notification. Notwithstanding Section 23 hereto, failure to notify the Executive within any such twelve (12) month period shall be deemed to be a waiver by the Board of any such breach, failure, refusal, act or omission by the Executive and any such breach, failure, refusal, act or omission by the Executive shall not then be determined to be a breach of this Agreement. For the avoidance of doubt and for the purpose of determining Cause, the exercise of business judgment by the Executive shall not be determined to be Cause, even if such business judgment materially injures the financial condition or business reputation of, or is otherwise materially injurious to the Company or any Affiliate thereof, unless such business judgment by the Executive was not made in good faith, or constitutes willful or wanton misconduct, or was an intentional violation of state or federal law.

(g) **“Change in Control”** means the occurrence during the Term of any of the following events:

(i) the Company merges into itself, or is merged or consolidated with, another entity and as a result of such merger or consolidation less than 51% of the voting power of the then-outstanding voting securities of the surviving or resulting entity immediately after such transaction are directly or indirectly beneficially owned in the aggregate by the former stockholders of the Company immediately prior to such transaction;

(ii) all or substantially all the assets accounted for on the consolidated balance sheet of the Company are sold or transferred to one or more entities or persons, and as a result of such sale or transfer less than 51% of the voting power of the then-outstanding voting securities of such entity or person immediately after such sale or transfer is directly or indirectly beneficially held in the aggregate by the former stockholders of the Company immediately prior to such transaction or series of transactions;

(iii) a person, within the meaning of Section 3(a)(9) or 13(d)(3) (as in effect on the date of this Agreement) of the Securities Exchange Act of 1934, (the “Exchange Act”) becomes the beneficial owner (as defined in Rule 13d-3 of the Securities and Exchange Commission pursuant to the Exchange Act) of 35% or more of the voting power of the then-outstanding voting securities of the Company; provided, however, that the foregoing does not apply to any such acquisition that is made by (w) any Affiliate of the Company; (x) any employee benefit plan of the Company or any Affiliate; or (y) any person or group of which employees of the Company or of any Affiliate control a greater than 25% interest unless the Board determines that such person or group is making a “hostile acquisition;” or (z) any person or group that directly or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the Executive; or

(iv) a majority of the members of the Board are not Continuing Directors, where a “Continuing Director” is any member of the Board who (x) was a member of the Board on the date of this Agreement or (y) was nominated for election or elected to such Board with the affirmative vote of a majority of the Continuing Directors who were members of such Board at the time of such nomination or election, provided that any director appointed or elected to the Board to avoid or settle a threatened or actual proxy contest shall in no event be deemed to be a Continuing Director.

(h) **“Code”** means the Internal Revenue Code of 1986, as amended.

(i) **“Committee”** means the Compensation Committee of the Board.

(j) **“Common Stock”** means the Company’s common stock, par value \$1.00 per share.

(k) **“Company”** means the Company as hereinbefore defined.

(l) **“Disability”** or **“Disabled”** means when the Executive has been totally disabled by bodily injury or disease so as to prevent him from being physically able to perform the job duties as required under this Agreement, and such total disability shall have continued for five (5) consecutive months, and, in the opinion of a qualified physician selected by the Company (and reasonably acceptable to the Executive), such disability will presumably be permanent and continuous during the remainder of the Executive’s life. Notwithstanding the preceding sentence, for any payment or benefit payable under this Agreement which is considered “deferred compensation” subject to Section 409A of the Code, the payment or benefit shall not be payable to the Executive solely by reason of a Disability unless such Disability is by reason of a medically determinable physical or mental impairment that can be expected to last for a continuous period of not less than twelve (12) months or to result in death, and such Disability has caused the Executive to be either (i) unable to engage in any substantial, gainful activity, or (ii) eligible to receive income replacement benefits under an accident and health plan of the Company for a period of at last three (3) months.

(m) **“Good Reason”** means the occurrence of any of the following conditions, without the Executive’s express, prior written consent in each case, provided that the Executive has provided express written notice of the condition to the Company within ninety (90) days of the initial existence of the condition and the Company has failed to remedy such breach within thirty (30) days after its receipt of such written notice from the Executive:

(i) a material (greater than 5%) reduction in the Executive’s Base Pay, other than as part of a reduction applicable at the same time to executive officers of the Company generally; provided, any such reduction applicable to other executive officers shall not for the Executive exceed the percentage of reduction applicable to such other executive officers, and thereafter such reduction shall cease to apply at the same time and to the same extent (on a like percentage basis) as the reduction may cease to apply to such other executive officers;

(ii) a material breach by the Company of Section 2(a) or Section 4 of this Agreement, including but not limited to, the assignment to the Executive of any duties inconsistent with his status as President and Chief Executive Officer of the Company, or his removal from such position, or a substantial alteration in the nature or status of his responsibilities from those described herein (except, in each case, in connection with a promotion of the Executive), or a change in Executive’s reporting relationship such that the Executive no longer reports directly to the full Board, or the failure of the Executive to be elected or reelected to the Board;

(iii) the relocation of the office of the Company where the Executive is employed to a location at least fifty (50) miles from Findlay, Ohio, except for required travel on the Company’s business to an extent reasonably required to perform his duties hereunder;

(iv) except as required by law, the Company directly or indirectly materially reducing the level of benefits or award opportunities provided to the Executive under the Plans below the level required by Section 4 of this Agreement, other than a reduction or change in such benefits or opportunities applicable to executive officers of the Company generally or the Company failing to provide the Executive with the number of paid vacation days to which he is entitled on the basis of years of service with the Company in accordance with the Company’s then current normal vacation policy for the Company’s senior executives;

(v) the failure of the Company to obtain a satisfactory agreement from any successor to assume and agree to perform this Agreement, as required in Section 19 hereof or, if the business of the Company for which the Executive’s services are principally performed is sold, the failure of the purchaser of such business to assume this Agreement or to provide the Executive with the same or a comparable position, duties, benefits, base salary and incentive compensation as provided in Sections 2 and 4 of this Agreement; or

(vi) the failure of the Board to elect the Executive to his existing position or an equivalent position.

Any notification to be given by the Executive in accordance with Section 1(m) shall specifically identify the breach or failure to which the notification relates, and such notification must be given within ninety (90) days of the Executive becoming aware, or within ninety (90) days of when the Executive should have reasonably become aware of, the breach or failure identified in the notification. Notwithstanding Section 23 hereto, failure to notify the Company within any such ninety (90) day period shall be deemed to be a waiver by the Executive of any such breach or failure and any such breach or failure shall not then be considered “Good Reason.”

(n) **“Incentive Compensation Plan”** means the Cooper Tire & Rubber Company 1998, 2001 and 2006 Incentive Compensation Plans, as amended, and any successor to such plans.

(o) **“Long-Term Performance-Based Incentive Compensation”** means any cash or equity-based compensation program in which the amounts paid, earned or vested are based upon achievement of specified performance goals over a period of more than one year. For the avoidance of doubt, equity awards that are earned, vest or become exercisable based solely upon continued employment and/or the passage of time are not “Long-Term Performance-Based Incentive Compensation.”

(p) **“Nonqualified Supplementary Benefit Plan”** means the Cooper Tire & Rubber Company Nonqualified Supplementary Benefit Plan, effective November 8, 1984, as amended.

(q) **“Retirement Plans”** means the Spectrum Retirement Plan and the Nonqualified Supplementary Benefit Plan or any successor plans thereto which provide comparable benefits.

(r) **“Spectrum Retirement Plan”** means the Cooper Tire & Rubber Company Spectrum Retirement Plan, effective January 1, 2002, as amended.

(s) **“Termination”** means:

(i) the involuntary termination of the Executive’s employment by the Company at any time for any reason other than retirement, death, disability, Cause or the reason set forth in subparagraph (iii) of this Section 1(s), or

(ii) termination of the Executive’s employment by the Executive for Good Reason, or

(iii) termination of the Executive’s employment at the end of the Term as a result of the Company delivering a notice of non-extension pursuant to Section 3 prior to the Executive’s 64th birthday.

(t) **“Termination Date”** means the date on which the Executive’s employment with the Company is terminated by the Company or the Executive for any reason or for no reason. If the Executive’s employment is terminated by the Company, such date shall be specified in a written notice of termination (which date shall be no earlier than the date of furnishing such notice), or if no such date is specified therein, the date of receipt by the Executive of such written notice of termination. The Executive shall specify such termination date in any written notice of his resignation.

(u) **“1998 Option Plan”** means the Cooper Tire & Rubber Company 1998 Employee Stock Option Plan, as amended.

2. Employment and Duties.

(a) General. The Company hereby employs the Executive and the Executive agrees upon the terms and conditions herein set forth to serve as President and Chief Executive Officer, said employment to commence on January 1, 2007, and, in such capacity, shall perform such duties as may be delineated in the Bylaws of the Company, and such other duties, commensurate with the Executive’s title and position of President and Chief Executive Officer, as may be assigned to the Executive from time to time by the Board. The Executive shall report directly to the full Board. The Board shall appoint the Executive as a member of the Board effective January 1, 2007.

(b) Exclusive Services. Throughout the Term (as defined in Section 3), the Executive shall, except as may from time to time be otherwise agreed in writing by the Company and during reasonable vacations and unless prevented by ill health, devote his full-time and undivided attention during normal business hours to the business and affairs of the Company consistent with his senior executive position, shall in all respects conform to and comply with the lawful and reasonable directions and instructions given to him by the Board (provided that such directions and instructions are not inconsistent with Section 2(a)), and shall use his best efforts to promote and serve the interests of the Company.

(c) Restrictions on Other Employment. Throughout the Term and provided that such activities do not contravene the provisions of Section 2(b) hereof or Section 15 hereof:

(i) the Executive may engage in charitable and community affairs;

(ii) the Executive may perform inconsequential services without specific compensation therefore in connection with the management of personal investments; and

(iii) the Executive may, directly or indirectly, render services to any other person or organization (including service as a member of the Board of Directors of any other unaffiliated company), for which he receives compensation, that is not in competition with the Company, subject in each case to the prior written approval of the Board which approval will not be unreasonably withheld. The Executive may retain all fees he receives for such services, and the Company shall not reduce his compensation by the amount of such fees. For purposes of this Section 2(c)(iii) competition shall have the same meaning as intended for the purposes of Section 15.

3. Term of Employment. Subject to the provisions of Section 5 through Section 10 hereof, the Company shall retain the Executive pursuant to this Agreement and the Executive shall serve in the employ of the Company for a period (the **“Term”**) commencing on January 1, 2007 and continuing in effect through December 31, 2009; provided, however, that on each January 1 after the commencement of the Term until the year in which the Executive’s 64th birthday occurs, the Term shall automatically be extended for one additional year unless, no later than September 30 of the preceding year, the Company or the Executive shall have given notice to the other that it does not wish to extend this Agreement.

4. Compensation and Other Benefits. Subject to the provisions of this Agreement, the Company shall pay and provide the following compensation and other benefits to the Executive during the Term as compensation for services rendered hereunder:

(a) Base Pay. The Company shall pay to the Executive Base Pay at the rate of \$700,000 per annum, payable biweekly. The Base Pay will be reviewed not less frequently than annually by the Board or by the Committee.

(b) Employee Benefit Plans. At all times during the Term, the Executive shall be provided the opportunity to participate in the Cooper Tire & Rubber Company Spectrum Retirement Plan as a Spectrum Participant and the Cooper Tire & Rubber Company Nonqualified Supplementary Benefit Plan, and such employee pension and retirement benefit plans, whether or not qualified, and employee welfare benefit or perquisite plans, programs and arrangements (collectively, the “**Plans**”) as are, from time to time hereafter, based on the Executive’s date of hire, generally made available to executives of the Company.

(c) Annual Incentive Compensation. The Executive shall be eligible to participate in such Annual Incentive Compensation programs or arrangements established from time to time for executives of the Company. The Executive shall be eligible for a target award equal to 85% of Base Pay and a maximum award equal to 170% of Base Pay under such Annual Incentive Compensation programs or arrangements pursuant to the terms and conditions established therein, from time to time, for executives of the Company. Notwithstanding the terms and conditions of the Annual Incentive Compensation programs or arrangements established for the 2007 fiscal year, the Executive shall receive an award of not less than 85% of Base Pay for Annual Incentive Compensation attributable to the 2007 fiscal year payable on or before March 15, 2008 or as soon thereafter as practical (but in no event later than December 31, 2008).

(d) Long-Term Performance-Based Incentive Compensation. The Executive shall be eligible to participate in such long-term performance-based incentive compensation plans and programs as the Company generally provides from time to time to its senior executives.

(e) Initial Restricted Stock Unit Award.

(i) Grant. As of commencement of employment or as soon thereafter as may be practicable, the Executive shall be awarded a grant of such number of restricted stock units pursuant to the Company’s 2006 Incentive Compensation Plan (“**Plan**”) as equals the quotient of (x) \$4,000,000 divided by (y) the average closing price of one (1) share of Common Stock for all trading days during the month of December 2006, each such unit representing a right to receive one (1) share of Common Stock (the “**Initial RSU Award**”) and each such restricted stock unit a “**Unit**”) in accordance with such terms and conditions as may be determined by the Board, consistent with the provisions of this Section 4(e).

(ii) Vesting and Deferral. The Initial RSU Award shall vest on December 31, 2009 provided that, except as set forth in Sections 5, 6, 8 and 9, the Executive is continuously employed by the Company through such date for such Initial RSU Award to so vest. The Initial RSU Award (including both Units initially awarded under Section 4(e)(i) and dividend equivalent Units provided under Section 4(e)(iii)) shall be payable in two installments:

(X) the first such installment of vested Units shall be paid in shares of Common Stock on the date following the date on which the Initial RSU Award vests (or as soon thereafter as may be practical) in such number of shares as are equal to 75% of the sum of the number of Units initially awarded under Section 4(e)(i) and dividend equivalent Units provided under Section 4(e)(iii); and

(Y) the second such installment of vested Units shall be paid in such number of shares of Common Stock on the Executive’s Termination Date or, for any termination not resulting from the Executive’s death or Disability, such delayed payout date six months and one day later as may be required to comply with Section 409A of the Code pursuant to Section 24 of this Agreement equal to the Units attributable to the Initial RSU Award (including Units attributable to dividend equivalents) that have not been settled in accordance with clause (X) next above;

provided that, to the extent that the Termination Date occurs prior to December 31, 2009 and the Units become vested by reason of the occurrence of a Termination, such vesting and distribution will be subject to the applicable requirements of Section 5 or Section 6, as applies, that the Executive sign a Release. For the avoidance of doubt, it is recited here that, for purposes of this Agreement, the Initial RSU Award shall be treated as an award that vests in a single sum; provided that this sentence shall not be construed to exclude other awards being treated as awards that vest in a single sum.

(iii) Dividend Equivalents. The Initial RSU Award shall provide for accrual of dividend equivalents until the date of payment of such award, as follows. As of each dividend date with respect to shares of Common Stock, a dollar amount equal to the amount of the dividend that would have been paid on the number of shares of Common Stock equal to the number of Units awarded under the Initial RSU Award held by the Executive as of the close of business on the record date for such dividend shall be converted into a number of Units equal to the number of whole and fractional shares of Common Stock that could have been purchased at the closing price on the dividend payment date with such dollar amount, which Units shall be subject to all terms and conditions applicable to Units under the Initial RSU Award. In the case of any

dividend declared on shares of Common Stock which is payable in shares of Common Stock, the Executive shall be credited with an additional number of Units equal to the product of (x) the number of his Units then held on the related dividend record date multiplied by the (y) the number of shares of Common Stock (including any fraction thereof) distributable as a dividend on a share of Common Stock; provided that in the event of a dividend of stock of a subsidiary of the Company, or other similar event, the Initial RSU Award shall be adjusted in the same manner and to the same extent as the adjustment to other restricted stock or restricted stock unit awards held by executives of the Company.

(f) Vacation. The Executive shall be entitled to paid annual vacation during the Term in accordance with the Company's then current vacation policy for the Company's senior executives.

5. Termination Without Cause or for Good Reason or Non-Renewal of Term Prior to a Change in Control.

(a) Severance and Benefits. Upon a Termination prior to, or more than two (2) years following, a Change in Control, the Company shall pay the Executive the amount set forth in Section 5(a)(i) and, subject to and conditioned upon the provisions of Section 24 and to the Executive's delivering to the Company the Release provided for in Section 16 with all periods for revocation expired, the Company shall pay or provide to the Executive the amounts and benefits set forth in Section 5(a)(ii) through 5(a)(iv):

(ii) a single lump sum cash payment within thirty (30) days following the expiration of such revocation period equal to the Executive's then current Base Pay, to the extent unpaid, through the date of the Executive's Termination;

(iii) lump sum cash payment within thirty (30) days following the expiration of such revocation period equal to the pro-rated portion of the benefit payable under each Long-Term Performance-Based Compensation award or program in which Executive participates (including, without limitation, any performance-based restricted stock unit award); and

(iv) a single lump sum in cash within thirty (30) days following the expiration of such revocation period equal to the sum of (A) \$75,000 plus (B)(I) two (2) times (II) the sum of (x) the Executive's Base Pay plus (y) the Average Annual Incentive Compensation; provided, if such Termination occurs at any time on or prior to December 31, 2009 (other than a Termination occurring at the end of the Term ending on December 31, 2009 as a result of the Company delivering a notice of non-extension pursuant to Section 3), the amount set forth in clause (B) (I) shall be equal to three (3); provided that, the portion (if any) of such lump sum payment which may be paid immediately upon expiration of such revocation period shall be limited to two (2) times the lesser of (i) the maximum limit on the annual compensation that may be taken into account by a qualified retirement under Section 401(a)(17) of the Code for the year which includes the date of Termination or (ii) the Executive's annualized compensation from the Company for the calendar year preceding the year of the Termination, and the remainder of this lump sum payment shall not be paid to the Executive until the delayed payment date prescribed by Section 24 below; and

(v) for twenty-four (24) months following the Termination Date, the Company shall provide the Executive with life, accident and health insurance benefits substantially similar to those to which the Executive and the Executive's family were entitled immediately prior to the Termination, provided that, to the extent such health benefits are determined to be taxable benefits by reason of Section 105(h) of the Code or otherwise, such health coverage shall be limited to eighteen (18) months following the Termination Date. Thereafter the Company shall provide retiree medical and life insurance coverage to the extent the Executive is eligible for such benefits under the terms of the applicable Plans in effect immediately prior to the Termination. Benefits otherwise receivable by the Executive pursuant to this Section 5(a)(~~iii~~iv) shall be reduced to the extent the Executive is eligible to receive comparable benefits from other employment, and any such benefits eligibility shall be reported to the Company.

(b) Time-Vested Restricted Stock Units. Subject to and conditioned upon the Executive's delivering to the Company the Release provided for in Section 16 with all periods for revocation expired, the Initial RSU Award (including dividend equivalents credited thereon pursuant to Section 4(e)(iii)), if then unvested, shall fully vest immediately upon Termination and shall be payable in accordance with Section 4(e)(ii). Notwithstanding any provision in any award agreement between the Company and the Executive or this Section 5, subject to and conditioned upon the Executive's delivering to the Company the Release provided for in Section 16 with all periods for revocation expired, (i) all restricted stock units granted to the Executive, other than the Initial RSU Award, that vest based solely upon the Executive's continued employment with the Company and which have not otherwise vested shall vest and shall be payable in accordance with the terms of the particular award under which they were granted; provided, any outstanding restricted stock unit award that vests in a single sum determined solely on the basis of the Executive's continuous employment through a stated vesting date shall vest as to such number of restricted stock units on the date of the Executive's Termination as equals the fraction the numerator of which is the number of full months (based on the monthly "anniversary" date of the award) so continuously employed from the first day of such vesting period through the Termination Date and the denominator of which is the total number of months comprising the vesting period of such award; and (ii) for all such restricted stock units (other than the Initial RSU Award), within five (5) days after the Termination Date, the Company shall either (1) pay to the Executive an amount equal to the fair market value

(computed as the average of the high and low trades reported on the New York Stock Exchange) of the Common Stock represented by such vested restricted stock units determined as of the Termination Date, or (2) issue Common Stock under such vested awards to the Executive. Any such cash payment shall be deemed to be in lieu of and in substitution for any right the Executive may have to such vested restricted stock units under the terms of any award agreement between the Company and the Executive, and the Executive agrees to surrender all such vested restricted stock units being cashed out hereunder immediately prior to receiving the cash payment described above. For purposes hereunder, the term “restricted stock unit” should be read to include all other similar equity instruments (other than the Initial RSU Award), including, but not limited to, restricted stock.

(c) Stock Options. Subject to and conditioned upon the Executive’s delivering to the Company the Release provided for in Section 16 with all periods for revocation expired and notwithstanding any provision in the Incentive Compensation Plan, the 1998 Option Plan, other relevant plan or program or this Section 5:

(i) for a period of ninety (90) days following the date of the Executive’s Termination (or such longer period as may be set forth in the applicable stock option plan or award agreement), but not later than the expiration of the stated option term under the award, all stock options granted to the Executive by the Company that are both outstanding and vested immediately prior to Termination (in accordance with their then existing terms and this Section 5(c)) shall remain outstanding and exercisable, after which all such stock options that have not been exercised shall immediately terminate; and

(ii) all stock options granted to the Executive by the Company which have not otherwise vested shall be forfeited immediately upon Termination; provided, any outstanding unvested stock option award that vests in a single sum determined solely on the basis of the Executive’s continuous employment through a stated vesting period of more than one (1) year shall vest as to such number of stock options stock on the date of the Executive’s Termination as equals the fraction the numerator of which is the number of full months (based on the monthly “anniversary” date of the award) so continuously employed from the first day of such vesting period through the Termination Date and the denominator of which is the total number of months comprising the vesting period of such award, and such vested options shall remain outstanding and exercisable thereafter for a period of ninety (90) days following the date of the Executive’s Termination (or such longer period as may be set forth in the applicable stock option plan or award agreement), but not later than the expiration of the stated option term under the award, after which all such stock options that have not been exercised shall immediately terminate.

For purposes hereunder, the term “stock option” also means all other similar equity instruments, including, but not limited to, stock appreciation rights.

(d) Section 409A. Notwithstanding anything herein to the contrary, in no event shall amounts in respect of any restricted stock units or other stock rights that, as determined by the Company, provides for the “deferral of compensation” (as such term is defined under Section 409A of the Code and the regulations and other Treasury Department guidance promulgated thereunder (collectively, “**Section 409A**”)), be distributed pursuant to Section 5(b) or Section 5(c) prior to the occurrence of the earlier of either (i) the Termination Date (or such later date required under Section 24), (ii) the Executive’s death or “Disability” (as such term is defined under Section 409A and in Section 1(l) above), (iii) a “change in the ownership or effective control” of the Company or in the “ownership of a substantial portion of the assets” of the Company (each as defined under Section 409A), or (iv) the specified time or fixed schedule as may be elected by the Executive in accordance with the applicable plan or arrangement and Section 409A. This Section 5(d) shall not apply to any stock options which are not considered deferred compensation subject to Section 409A pursuant to Treasury Regulation Section 1.409A-1(b)(5).

6. Severance and Other Benefits Upon or Following a Change in Control.

(a) Severance and Benefits. Upon a Termination that occurs at any time during the period commencing on the occurrence of a Change in Control and ends on the second anniversary of such Change in Control, the Company shall pay the Executive the amount set forth in Section 6 (a)(i) and, subject to and conditioned upon the provisions of Section 24 and to the Executive’s delivering to the Company the Release provided for in Section 16 with all periods for revocation expired, the Company shall pay or provide to the Executive the amounts and benefits set forth in Section 6(a)(ii), 6(a)(iii) and 6(a)(iv):

(i) a single lump sum cash payment within five (5) days following the expiration of such revocation period equal to the Executive’s then current Base Pay, to the extent unpaid, through the date of the Executive’s Termination, plus

(ii) a lump sum cash payment within five (5) days following the expiration of such revocation period equal to the pro-rated portion of the benefit payable under each Long-Term Performance-Based Compensation award or program in which Executive participates (including, without limitation, any performance-based restricted stock unit award); and

(iii) a single lump sum in cash within thirty (30) days following the expiration of such revocation period equal to the sum of (A) \$75,000 plus (B)(I) two (2) times (II) the sum of (x) the Executive's Base Pay plus (y) the Average Annual Incentive Compensation; provided, if such Termination occurs at any time on or prior to December 31, 2009 (other than a Termination occurring at the end of the Term ending on December 31, 2009 as a result of the Company delivering a notice of non-extension pursuant to Section 3), the amount set forth in clause (B) (I) shall be equal to three (3); provided that, the portion (if any) of such lump sum payment which may be paid immediately upon the expiration of such revocation period shall be limited to two times the lesser of (i) the maximum limit on the annual compensation that may be taken into account by a qualified retirement under Section 401(a)(17) of the Code for the year which includes the date of Termination or (ii) the Executive's annualized compensation from the Company for the calendar year preceding the year of the Termination, and the remainder of this lump sum payment shall not be paid to the Executive until the delayed payment date prescribed by Section 24 below; and

(iv) for twenty-four (24) months following the Termination Date, the Company shall provide the Executive with life, accident and health insurance benefits substantially similar to those to which the Executive and the Executive's family were entitled immediately prior to the Termination, provided that, to the extent such health benefits are determined to be taxable by reason of Section 105(h) of the Code or otherwise, such health coverage shall be limited to eighteen (18) months following the Termination Date, and thereafter the Company shall provide retiree medical and life insurance coverage to the extent the Executive is eligible for such benefits under the terms of the applicable Plans in effect immediately prior to the Termination. Benefits otherwise receivable by the Executive pursuant to this Section 6(a)(iv) shall be reduced to the extent the Executive is eligible to receive comparable benefits from other employment, and any such benefits eligibility shall be reported to the Company.

For purposes of Sections 5(a)(ii), 6(a)(ii), 8(a), 9(a) and 10, the "pro-rated portion of the benefit payable" under a compensation arrangement shall be an amount pro-rated based upon the number of full months (based on the monthly "anniversary" date of the first day of the performance period) between the beginning of the year or other performance period and the Termination Date relative to the total number of months in the year or in the applicable performance period, and the amount that is so pro-rated shall be, for an amount or benefit that is payable, earned and/or vested based solely on the achievement of objective performance criteria, based on actual performance through the end of the most recent fiscal quarter prior to the Termination Date.

(b) Time-Vested Restricted Stock Units. Notwithstanding any provision in any award agreement between the Company and the Executive or this Section 6, and subject to and conditioned upon the Executive's delivering to the Company the Release provided for in Section 16 with all periods for revocation expired, (i) upon a Termination that occurs upon the date of the Change in Control or thereafter on or before the second anniversary of the date of the Change in Control, all restricted stock units granted to the Executive that vest based solely upon the Executive's continuous employment with the Company through a stated vesting date, including, without limitation, the Initial RSU Award (including dividend equivalents credited thereon pursuant to Section 4(e)(iii)), if then unvested, shall fully vest immediately upon Termination and shall be payable in accordance with the terms thereof (the Initial RSU Award shall be payable in accordance with Section 4(e)(ii)); provided, such restricted stock units shall vest immediately upon the consummation of a Change in Control if the successor to the Company has not assumed (expressly or impliedly) the Company's obligations under the applicable restricted stock unit award or plan document or issued to the Executive a substitute equity-based award of equivalent value on no less favorable terms for vesting or payment as provided under the restricted stock unit award so replaced (including, without limitation, the Initial RSU Award); and (ii) within five (5) days after the Termination Date, the Company shall either (1) pay to the Executive an amount equal to the fair market value (computed as the average of the high and low trades reported on the New York Stock Exchange) of the Common Stock represented by such vested restricted stock units (other than the Initial RSU Award) determined as of the Termination Date, or (2) issue Common Stock under such vested awards to the Executive. Any such cash payment shall be deemed to be in lieu of and in substitution for any right the Executive may have to such vested restricted stock units under the terms of any award agreement between the Company and the Executive, and the Executive agrees to surrender all such vested restricted stock units being cashed out hereunder immediately prior to receiving the cash payment described above. For purposes hereunder, the term "restricted stock unit" should be read to include all other similar equity instruments (other than the Initial RSU Award), including, but not limited to, restricted stock.

(c) Stock Options. Subject to and conditioned upon the Executive's delivering to the Company the Release provided for in Section 16 with all periods for revocation expired and notwithstanding any provision in the Incentive Compensation Plan, the 1998 Option Plan, other relevant plan or program or this Section 6, all stock options granted to the Executive by the Company which have not otherwise vested shall vest immediately upon a Termination that occurs upon the date of the Change in Control or thereafter on or before the second anniversary of the Change in Control and such vested stock options shall remain exercisable for a period of ninety (90) days following the Termination Date (or such longer period as may be set forth in the applicable stock option plan or award agreement), but not later than the expiration of the stated option term; provided, however, such stock options shall vest immediately upon the consummation of a Change in Control if the successor entity has not either assumed (expressly or impliedly) the Company's obligations under the applicable option award or plan document or issued to the Executive a substitute stock option award of equivalent value on no less favorable terms for vesting or payment as provided under the stock option award so replaced; provided

further that, subject to Section 6(d), within five (5) days after all periods for revocation have expired in the Release provided for in Section 16, the Company may, at its election, pay to the Executive in cash an amount equal to the aggregate of the difference between the exercise price of each stock option granted to the Executive prior to the consummation of the Change in Control that remains outstanding and unexercised at the time of Termination, and the fair market value (computed as the average of the high and low trades reported on the New York Stock Exchange) of the Common Stock subject to the option, determined as of the Termination Date. Such cash payment shall be deemed to be in lieu of and in substitution for any right the Executive may have to exercise such stock option or a related stock appreciation right under the terms of the relevant stock option plan describing such rights, and the Executive agrees to surrender all stock options and related stock appreciation rights being cashed out hereunder prior to receiving the cash payment described above. For purposes hereunder, the term “stock option” should be read to include all other similar equity instruments, including, but not limited to, stock appreciation rights.

(d) Section 409A. Notwithstanding anything herein to the contrary, in no event shall amounts in respect of any restricted stock units or other stock rights that, as determined by the Company, provides for the “deferral of compensation” (as such term is defined under Section 409A) be distributed pursuant to Section 6(b) or Section 6(c) prior to the occurrence of the earlier of either (i) the Termination Date (or such later date required under Section 24), (ii) the Executive’s death or “Disability” (as such term is defined under Section 409A or Section 1(l) above), (iii) a “change in the ownership or effective control” of the Company or in the “ownership of a substantial portion of the assets” of the Company (each as defined under Section 409A), or (iv) the specified time or fixed schedule as may be elected by the Executive in accordance with the applicable plan or arrangement and Section 409A. This Section 6(d) shall not apply to any stock options which are not considered deferred compensation subject to Section 409A pursuant to Treasury Regulation Section 1.409A-1(b)(5).

7. Termination for Cause or Without Good Reason. If, prior to the expiration of the Term, the Executive’s employment is terminated by the Company for Cause, or if the Executive terminates his employment hereunder without Good Reason, the Executive shall not be eligible to receive Base Pay under Section 4(a) or to participate in any Plans under Section 4(b) with respect to periods after the Termination Date, and except as otherwise provided by applicable law, and except for the right to receive vested benefits under any Plan in accordance with the terms of such Plan.

8. Termination by Death. If the Executive dies prior to the expiration of the Term, the Executive’s designated beneficiaries (and, with respect to amounts payable under Section 8(a), the Executive’s estate if he has not designated any beneficiaries) shall be entitled to:

(a) receive a lump sum cash payment within thirty (30) days following the Termination Date equal to the Executive’s then current Base Pay, to the extent unpaid, through the Termination Date;

(b) receive a lump sum cash payment within thirty (30) days following the Termination Date equal to the full target bonus for the year in which termination occurs under the Annual Incentive Compensation program in which the Executive participates and the pro-rated portion of the benefit payable under each Long-Term Performance-Based Incentive Compensation award or program in which the Executive participates (including, without limitation, any performance-based restricted stock unit award);

(c) for twenty-four (24) months following the Termination Date, receive non-taxable health insurance benefits substantially similar to those to which the Executive’s family were entitled immediately prior to the Executive’s death (which coverage shall not be counted toward the period of coverage that the Company must provide in accordance with COBRA), and thereafter any continuation coverage the Executive’s covered beneficiaries are entitled to under COBRA; and

(d) to the extent not already vested, immediate vesting of the Initial RSU Award (including dividend equivalents credited thereon pursuant to Section 4(e)(iii)) and payment of that portion of the initial RSU Award not previously paid, to be paid to the Executive promptly after the Termination Date, without regard to the delayed payment prescribed by Section 24 below.

9. Termination by Disability. If, prior to the expiration of the Term, the Executive becomes Disabled, the Company or the Executive shall be entitled to terminate his employment, and the Executive shall be entitled to:

(a) receive a lump sum cash payment within thirty (30) days following the Termination Date equal to the Executive’s then current Base Pay, to the extent unpaid, through the Termination Date;

(b) receive a lump sum cash payment within thirty (30) days following the Termination Date equal to the full target annual bonus for the year in which termination occurs under the Annual Incentive Compensation program in which the Executive participates and the pro-rated portion of the benefit payable under each Long-Term Performance-Based Incentive

Compensation award or program in which the Executive participates (including, without limitation, any performance-based restricted stock unit award);

(c) for twenty-four (24) months following the Termination Date, receive life, accident and health insurance benefits substantially similar to those to which the Executive and the Executive's family were entitled immediately prior to the Termination Date (which coverage shall not be counted toward the period of coverage that the Company must provide in accordance with COBRA), provided that, to the extent such health benefits are determined to be taxable by reason of Section 105(h) of the Code or otherwise, such health coverage shall be limited to eighteen (18) months following the Termination Date unless the Executive has provided the Company with evidence that he has received a Social Security disability award, and thereafter any continuation coverage the Executive and/or his covered beneficiaries are entitled to under COBRA; and

(d) to the extent not already vested, immediate vesting of the Initial RSU Award (including dividend equivalents credited thereon pursuant to Section 4(e)(iii)) and payment of that portion of the initial RSU Award not previously paid, to be paid to the Executive promptly after the Termination Date, without regard to the delayed payment prescribed by Section 24 below.

10. Termination by Retirement. If, prior to the expiration of the Term, the Executive voluntarily elects to retire under Article B-I of the Spectrum Retirement Plan, the Executive's employment will be terminated as of the date of such retirement and the Executive shall be entitled to a single lump sum cash payment within thirty (30) days following the Termination Date equal to the Executive's then current Base Pay, to the extent unpaid, through the Termination Date, plus an additional lump sum cash payment within thirty (30) days following the Termination Date equal to the pro-rated portion of the benefit payable under each Annual Incentive Compensation program and Long-Term Performance-Based Incentive Compensation award or program in which the Executive participates (including, without limitation, any performance-based restricted stock unit award). All stock options (or similar equity instruments, including, but not limited to stock appreciation rights) granted to the Executive by the Company that are both outstanding and vested immediately prior to the Termination Date (in accordance with their then existing terms) shall remain outstanding and exercisable for such period as set forth in the applicable stock option plan or award agreement, after which all such stock options that have not been exercised shall immediately terminate.

11. Funding Upon Potential Change in Control.

(a) Upon the earlier to occur of (i) a Change in Control or (ii) a declaration by the Board that a Change in Control is imminent, the Company shall promptly pay to the extent it has not done so, and in any event within five (5) business days, a sum equal to the present value on the date of the Change in Control (or on such fifth business day if the Board has declared a Change in Control to be imminent) of the payments to be made to the Executive under the provisions of Sections 6 and 12 hereof, which shall be transferred to National City Bank (the "**Trustee**") and added to any principal of the Trust under a Master Grantor Trust Agreement, dated November 9, 2001 between the Company and Trustee (the "**Trust Agreement**").

(b) Any payments of compensation, pension, severance or other benefits by the Trustee pursuant to the Trust Agreement shall, to the extent thereof, discharge the Company's obligation to pay compensation, pension, severance and other benefits hereunder, it being the intent of the Company that assets in such Trust be held as security for the Company's obligation to pay compensation, pension, severance and other benefits under this Agreement.

12. Certain Additional Payments by the Company.

(a) In the event it shall be determined (as hereafter provided) that any payment, benefit or distribution or combination thereof (other than the Gross-Up Payments provided for in this Section 12) from the Company, any affiliate, or trusts established by the Company or by any affiliate thereof to the Executive or for the benefit of the Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise pursuant to or by reason of any other agreement, policy, plan, program or arrangement, including without limitation any stock option, performance share, performance unit, stock appreciation right or similar right, or the lapse or termination of any restriction on or the vesting or exercisability of any of the foregoing (a "**Payment**") would be subject to the excise tax imposed by Section 4999 of the Code (or any successor provision thereto), or any similar tax imposed by state or local law or any interest or penalties with respect to such tax (such tax or taxes, together with any such interest and penalties, being hereafter collectively referred to as the "**Excise Tax**"), then the Executive shall be entitled to receive an additional payment or payments (collectively, a "**Gross-Up Payment**"); provided, however, that no Gross-Up Payment shall be made with respect to the Excise Tax, if any, attributable to (i) any incentive stock option ("ISO"), as defined by Section 422 of the Code (or any successor provision thereto) granted prior to the execution of this Agreement where the addition of a Gross-Up Payment would cause the ISO to lose such status, or (ii) any stock appreciation or similar right, whether or not limited, granted in tandem with any ISO described in clause (i). The Gross-Up Payment shall be in an amount such that, after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including any Excise Tax imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payment.

Notwithstanding the foregoing, to the extent that amounts are characterized as Payments by reason of accelerated vesting or payment that results from the Executive's termination of employment, the right to the Gross-Up Payment shall be contingent on the Executive entering into a Release as described in Section 16.

(b) Subject to the provisions of Section 12(f), all determinations required to be made under this Section 12, including whether an Excise Tax is payable by the Executive and the amount of such Excise Tax and whether a Gross-Up Payment is required to be paid by the Company to the Executive and the amount of such Gross-Up Payment, if any, shall be made by a nationally recognized accounting firm (the "**Accounting Firm**") selected by the Company in its sole discretion. The Accounting Firm shall submit its determination and detailed supporting calculations to both the Company and the Executive within 30 calendar days after the Termination Date, if applicable, and any such other time or times as may be requested by the Company or the Executive. If the Accounting Firm determines that any Excise Tax is payable by the Executive, the Company shall pay the required Gross-Up Payment to the Executive within five (5) business days after receipt of such determination and calculations with respect to any Payment to the Executive. If the Accounting Firm determines that no Excise Tax is payable by the Executive, it shall, at the same time as it makes such determination, furnish the Company and the Executive a written statement that the Executive has substantial authority not to report any Excise Tax on his federal, state or local income or other tax return. As a result of the uncertainty in the application of Section 4999 of the Code (or any successor provision thereto) and the possibility of similar uncertainty regarding applicable state or local tax law at the time of any determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made (an "**Underpayment**"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts or fails to pursue its remedies pursuant to Section 12(f) and the Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and submit its determination and detailed supporting calculations to both the Company and the Executive as promptly as possible. Any such Underpayment shall be promptly paid by the Company to, or for the benefit of, the Executive within five (5) business days after receipt of such determination and calculations.

(c) The Company and the Executive shall each provide the Accounting Firm access to and copies of any books, records and documents in the possession of the Company or the Executive, as the case may be, reasonably requested by the Accounting Firm, and otherwise cooperate with the Accounting Firm in connection with the preparation and issuance of the determinations and calculations contemplated by Section 12 (b). Any determination by the Accounting Firm as to the amount of the Gross-Up Payment shall be binding upon the Company and the Executive.

(d) The federal, state and local income or other tax returns filed by the Executive shall be prepared and filed on a consistent basis with the determination of the Accounting Firm with respect to the Excise Tax payable by the Executive. The Executive shall make proper payment of the amount of any Excise Payment, and at the request of the Company, provide to the Company true and correct copies (with any amendments) of his federal income tax return as filed with the Internal Revenue Service and corresponding state and local tax returns, if relevant, as filed with the applicable taxing authority, and such other documents reasonably requested by the Company, evidencing such payment. If prior to the filing of the Executive's federal income tax return, or corresponding state or local tax return, if relevant, the Accounting Firm determines that the amount of the Gross-Up Payment should be reduced, the Executive shall within five (5) business days pay to the Company the amount of such reduction.

(e) The fees and expenses of the Accounting Firm for its services in connection with the determinations and calculations contemplated by Section 12(b) shall be borne by the Company. If such fees and expenses are initially paid by the Executive, the Company shall reimburse the Executive the full amount of such fees and expenses within five (5) business days after receipt from the Executive of a statement therefore and reasonable evidence of his payment thereof.

(f) The Executive shall notify the Company in writing of any claim by the Internal Revenue Service or any other taxing authority that, if successful, would require the payment by the Company of a Gross-Up Payment. Such notification shall be given as promptly as practicable but no later than ten (10) business days after the Executive actually receives notice of such claim and the Executive shall further apprise the Company of the nature of such claim and the date on which such claim is requested to be paid (in each case, to the extent known by the Executive). The Executive shall not pay such claim prior to the earlier of (i) the expiration of the 30-calendar-day period following the date on which he gives such notice to the Company and (ii) the date that any payment of amount with respect to such claim is due. If the Company notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall:

(i) provide the Company with any written records or documents in his possession relating to such claim reasonably requested by the Company;

(ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including without limitation accepting legal representation with respect to such claim by an attorney competent in respect of the subject matter and reasonably selected by the Company;

- (iii) cooperate with the Company in good faith in order to effectively contest such claim; and
- (iv) permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including interest and penalties) incurred in connection with such contest and shall indemnify and hold harmless the Executive, on an after-tax basis, for and against any Excise Tax or income tax, including interest and penalties with respect thereto, imposed as a result of such representation and payment of costs and expenses. Without limiting the foregoing provisions of this Section 12(f), the Company shall control all proceedings taken in connection with the contest of any claim contemplated by this Section 12(f) and, at its sole option, may pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim (provided, however, that the Executive may participate therein at his own cost and expense) and may, at its option, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Executive to pay the tax claimed and sue for a refund, the Company shall advance the amount of such payment to the Executive on an interest-free basis and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income or other tax, including interest or penalties with respect thereto, imposed with respect to such advance; and provided further, however, that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which the contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of any such contested claim shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(g) If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 12(f), the Executive receives any refund with respect to such claim, the Executive shall (subject to the Company's complying with the requirements of Section 12(f)) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after any taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 12(f), a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial or refund prior to the expiration of thirty (30) calendar days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of any such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid by the Company to the Executive pursuant to this Section 12.

(h) Notwithstanding the foregoing provisions of this Section 12, if the Accounting Firm determines that, absent this sentence, the Executive is entitled to a Gross-Up Payment, but that the portion of the Payments that would be treated as "parachute payments" under Code Section 280G (the "**Parachute Payments**") does not exceed 110% of the greatest amount of Parachute Payments that could be paid to the Executive such that the receipt of such Parachute Payments would not give rise to any Excise Tax (the "**Safe Harbor Amount**"), then no Gross-Up Payment shall be paid to the Executive (unless for any reason the Executive is determined to be subject to the Excise Tax after application of the balance of this sentence, in which case the full Gross-Up Payment shall be paid), and the Parachute Payments shall be reduced so that the Parachute Payments, in the aggregate, are reduced to the Safe Harbor Amount. As soon as practicable, the Company shall notify the Executive of any intent to reduce the amount of any Payments in accordance with this Section 12(h), and the Executive shall have the right to designate which of the Payments shall be reduced and to what extent, provided that the Executive may not so elect to the extent that, in the determination of the Company, such election would cause the Executive to be subject to the Excise Tax.

13. Mitigation. Nothing in this Agreement shall be construed to require the Executive to mitigate his damages upon termination of employment without Cause or for Good Reason. The Company hereby acknowledges that it will be difficult and may be impossible for the Executive to find reasonably comparable employment following the Termination Date and that the non-competition covenant contained in Section 15 will further limit the employment opportunities for the Executive. In addition, the Company acknowledges that its severance pay plans applicable in general to its salaried employees do not provide for mitigation, offset or reduction of any severance payment received thereunder. Accordingly, the payment of the severance compensation by the Company to the Executive in accordance with the terms of this Agreement is hereby acknowledged by the Company to be reasonable, and the Executive will not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise, nor will any profits, income, earnings or other benefits from any source whatsoever create any mitigation, offset, reduction or any other obligation on the part of the Executive hereunder or otherwise, except as provided in Sections 5(a)(iii) and 6(a)(iv); provided, to the extent that the Executive becomes entitled to any payments, benefits or other entitlements pursuant to any severance payable in connection with a severance or change in control severance plan, program or policy made available to other employees of the Company, any amounts payable by the Company pursuant to any of Sections 5, 6, 7, 8, 9 or 10, shall be offset by such severance payments.

14. Legal Fees and Expenses.

(a) Agreement Negotiation. The Company shall reimburse the Executive for up to \$25,000 of reasonable attorneys' fees incurred by the Executive in connection with the negotiation and preparation of this Agreement, subject to submission to the Company of appropriate supporting invoices. If applicable, any such reimbursement shall be grossed up for tax purposes.

(b) Dispute Related to this Agreement. It is the intent of the Company that the Executive not be required to incur legal fees and the related expenses associated with the interpretation, enforcement or defense of the Executive's rights under this Agreement by litigation or otherwise because the cost and expense thereof would substantially detract from the benefits intended to be extended to the Executive hereunder. Accordingly, if it should appear to the Executive that the Company has failed to comply with any of its obligations under this Agreement or in the event that the Company or any other person takes or threatens to take any action to declare this Agreement void or unenforceable, or institutes any litigation or other action or proceeding designed to deny, or to recover from, the Executive the benefits provided or intended to be provided to the Executive hereunder, the Company irrevocably authorizes the Executive from time to time to retain counsel of the Executive's choice, at the expense of the Company as hereafter provided, to advise and represent the Executive in connection with any such interpretation, enforcement or defense. Notwithstanding any existing or prior attorney-client relationship between the Company and such counsel, the Company irrevocably consents to the Executive's entering into an attorney-client relationship with such counsel, and in that connection the Company and the Executive agree that a confidential relationship shall exist between the Executive and such counsel. The Company will pay and be solely financially responsible for any and all reasonable attorneys' and related fees and reasonable expenses incurred by the Executive in connection with any of the foregoing; provided that, in regard to such matters, the Executive has not failed to prevail in at least one asserted claim, has not acted frivolously, in bad faith or with no colorable claim, and has not asserted a claim in violation of the Release.

15. Secrecy and Non-Competition.

(a) No Competing Employment. For so long as the Executive is employed by the Company and continuing for two (2) years after the Termination Date for any reason (the "**Non-Compete Period**"), the Executive shall not, unless he receives the prior written consent of the Board, directly or indirectly, whether as owner, consultant, employee, partner, venturer, agent, through stock ownership (except ownership of less than one percent (1.0%) of the number of shares outstanding of any securities which are publicly traded), investment of capital, lending of money or property, rendering of services, or otherwise, compete with any of the businesses engaged in by the Company or any Affiliate at the time of the termination of the Executive's employment hereunder (such businesses are herein after referred to as the "**Business**"), or assist, become interested in or be connected with any corporation, firm, partnership, joint venture, sole proprietorship or other entity which so competes with the Business. The restrictions imposed by this Section 15(a) shall not apply to any geographic area in which neither the Company nor any Affiliate is engaged in the Business.

(b) No Interference. During the Non-Compete Period, the Executive shall not, whether for his own account or for the account of any other individual, partnership, firm, corporation or other business organization or entity (other than the Company), intentionally solicit, endeavor to entice away from the Company or any Affiliate or otherwise interfere with the relationship of the Company or any Affiliate with, any person who is employed by or associated with the Company or any Affiliate (including, but not limited to, any independent sales representatives or organizations) or any person or entity who is, or was within the then most recent 12-month period, a customer or client of the Company or any Affiliate.

(c) Secrecy. The Executive recognizes that the services to be performed by him hereunder are special, unique and extraordinary in that, by reason of his employment hereunder and his past employment with the Company, he may acquire or has acquired confidential information and trade secrets concerning the operation of the Company or any Affiliate, the use or disclosure of which could cause the Company substantial loss and damages which could not be readily calculated and for which no remedy at law would be adequate. Accordingly, the Executive covenants and agrees with the Company that he will not at any time, except in performance of the Executive's obligations to the Company hereunder or with the prior written consent of the Board, directly or indirectly, disclose any secret or confidential information that he may learn or has learned by reason of his association with the Company or any Affiliate, or use any such information to the detriment of the Company or any Affiliate. The term "confidential information", includes, without limitation, information not previously disclosed to the public or to the trade by the Company's management with respect to the Company's or any Affiliate's products, manufacturing processes, facilities and methods, research and development, trade secrets, know-how and other intellectual property, systems, procedures, manuals, confidential reports, product price lists, customer lists, marketing plans or strategies, financial information (including the revenues, costs or profits associated with the Company's or any Affiliate's products), business plans, prospects or opportunities. The Executive understands and agrees that the rights and obligations set forth in this Section 15(c) are perpetual and, in any case, shall extend beyond the Non-Compete Period and the Executive's employment hereunder.

(d) Exclusive Property. The Executive confirms that all confidential information is and shall remain the exclusive property of the Company. All business records, papers and documents kept or made by the Executive relating to the business of the Company shall be and remain the property of the Company. Upon the termination of his employment with the Company or upon the

request of the Company at anytime, the Executive shall promptly deliver to the Company, and shall not, without the consent of the Board (which consent shall not be unreasonably withheld), retain copies of, any written materials not previously made available to the public, records and documents made by the Executive or coming into his possession concerning the business or affairs of the Company excluding records relating exclusively to the terms and conditions of his employment relationship with the Company; provided, however, that the Executive shall be entitled to retain a copy of any rolodex or other compilation maintained by him of the names of business contacts with their addresses, telephone numbers and similar information. The Executive understands and agrees that the rights and obligations set forth in this Section 15(d) are perpetual and, in any case, shall extend beyond the Non-Compete Period and the Executive's employment hereunder.

(e) Stock Ownership. Other than as specified in Section 2(c) or 15(a) hereof, nothing in this Agreement shall prohibit the Executive from acquiring or holding any issue of stock or securities of any company or other business entity.

(f) Injunctive Relief. Without intending to limit the remedies available to the Company, executive acknowledges that a breach of any of the covenants contained in this Section 15 may result in material irreparable injury to the Company for which there is no adequate remedy at law, that it will not be possible to measure damages for such injuries precisely and that, in the event of such a breach or threat thereof, the Company shall be entitled to obtain a temporary restraining order and/or a preliminary or permanent injunction restraining the Executive from engaging in activities prohibited by this Section 15 or such other relief as may be required to specifically enforce any of the covenants in this Section 15.

(g) Extension of Non-Compete Period. In addition to the remedies the Company may seek and obtain pursuant to Section 15(f), the Non-Compete Period shall be extended by any and all periods during which the Executive shall be found by a court possessing personal jurisdiction over him to have been in violation of the covenants contained in this Section 15.

16. Release. The receipt of payments provided for in Section 5, Section 6 and Section 12 is conditioned upon the Executive executing and delivering a release substantially in the form of Annex A hereto, and upon the expiration of the revocation period provided for in Annex A; provided that payments under Section 12 shall be subject to this Section 16 only to the extent required by Section 12(a).

17. Breach; Reimbursement.

(a) In addition to the remedies provided for in Section 15(f), in the case of a breach of any of Section 15(a), Section 15(b) or Section 15(c) of this Agreement, the Company may immediately suspend payment or provision of all remaining payments and benefits described in Section 5, Section 6 or Section 12 of this Agreement, and terminate all remaining payments and benefits described in Section 5, Section 6 or Section 12 of this Agreement and obtain reimbursement from the Executive of all payments by the Company already provided pursuant to Section 5, Section 6 or Section 12 of this Agreement, plus any expenses, fees and damages incurred as a result of the breach; provided, the Board shall give the Executive a written notice (that provides detail as to the contractual and factual basis for the alleged breach of Section 15 (a), 15(b) or 15(c)) (the "**Notice**") and, within thirty (30) days after the date of the Notice, an opportunity for the Executive to appear before the Board with counsel to respond and/or, at the Executive's option, to present to the Board a written response to the Notice (the opportunity to appear with counsel and/or provide a written response within thirty (30) days of the date of the Notice is hereafter referred to as a "**Hearing**"), and after due consideration of the Executive's appearance and/or written response, a majority of the Board specifically determines that the acts or omissions that gave rise to the alleged breach actually occurred as described in the Notice and that such acts or omissions constitute a breach of Section 15(a), 15(b) or 15(c), as applicable.

(b) In the event that the Company issues restated or reclassified annual financial statements after the Termination Date that reflect a reduction in previously published financial results and such restatement or reclassification is attributable, in whole or in material part, directly or indirectly, to the malfeasance or gross negligence of the Executive, the Company may, at its sole option, immediately suspend payment or provision of all remaining payments and benefits described in Section 5, Section 6 or Section 12 of this Agreement, and terminate all remaining payments and benefits described in Section 5, Section 6 or Section 12 of this Agreement and obtain reimbursement from the Executive of all payments by the Company already provided pursuant to Section 5, Section 6 or Section 12 of this Agreement; provided that the Board provides the Executive Notice (that provides detail as to the contractual and factual basis for the suspension of payments and benefits by the Company and, if applicable, for the claim for reimbursement of previously paid amounts) and a Hearing, and that a majority of the Board (excluding any directors who have been recused from such determination due to a conflict of interest) specifically determines, after due consideration of the Executive's appearance and/or written response to the Notice, that the acts or omissions specified in the Notice occurred and that such acts or omissions constitute malfeasance or gross negligence of the Executive with respect to which the issuance of such restated or reclassified annual financial statements is attributable, in whole or material part, which determination shall not be unreasonably delayed. In the event that the Company issues restated or reclassified annual financial statements, regardless of whether before or after the Termination Date, that reflect a reduction in previously published financial results as a result of misconduct and the previously published financial results provided the basis for any previously paid incentive compensation, the Company may, at its sole option, obtain reimbursement from

the Executive of all payments by the Company to the extent such payments would not have been made based upon the restated or reclassified financial statements.

(c) If the Company suspends or terminates the Executive's payments or benefits or seeks reimbursement under this Section 17, the remainder of this Agreement, and all promises and covenants herein, will nonetheless remain in full force and effect. Notwithstanding anything herein to the contrary, any payments or benefits suspended will immediately be reinstated, no benefits or payments will be terminated and any effort to obtain reimbursement will be halted within five (5) days of the applicable Board determination described in this Section 17 under which the Board determines that there is no basis for the suspension, termination or repayment of such benefits or payments pursuant hereto. Nothing herein shall be interpreted to deny Executive his rights to a de novo review in arbitration pursuant to Section 26 of this Agreement of the Board's determination under this Section 17.

18. Continued Availability and Cooperation .

(a) Following any Termination Date, the Executive shall cooperate fully with the Company and with the Company's counsel in connection with any present and future actual or threatened litigation or administrative proceeding involving the Company that relates to events, occurrences or conduct occurring (or claimed to have occurred) during the period of the Executive's employment by the Company. This cooperation by the Executive shall include, but not be limited to:

(i) making himself reasonably available for interviews and discussions with the Company's counsel as well as for depositions and trial testimony;

(ii) if depositions or trial testimony are to occur, making himself reasonably available and cooperating in the preparation therefore as and to the extent that the Company or the Company's counsel reasonably requests;

(iii) refraining from impeding in any way the Company's prosecution or defense of such litigation or administrative proceeding; and

(iv) cooperating fully in the development and presentation of the Company's prosecution or defense of such litigation or administrative proceeding.

(b) In addition to the Executive's obligations under this Section 18, during the Non-Compete Period, the Executive shall make himself available for consultation with and advice to the Company at times and for periods of time which are mutually agreeable to the Company and the Executive.

(c) Notwithstanding the foregoing, the Executive's obligation under this Section 18 shall be subject to the following: (i) The Company will consult with the Executive, and make reasonable efforts to schedule any assistance otherwise required so as not to materially disrupt the Executive's other full-time business endeavors. (ii) The Executive shall not be required to take any action, or fail to take any action, that would otherwise be required under this Section 18, if the Executive or the Executive's counsel determines that compliance with this Section 18 would require him to violate any law or otherwise compromise or interfere with his legal rights. (iii) This Section 18 shall not prevent the Executive from honestly testifying at a legal proceeding in response to a lawful and properly served subpoena in a proceeding involving the Company or its Affiliates or from cooperating with any governmental investigation.

19. Successors; Assignability.

(a) By the Executive . Neither this Agreement nor any right, duty, obligation or interest hereunder shall be assignable or delegable by the Executive without the Company's prior written consent; provided, however, that nothing in this Section 19(a) shall preclude the Executive from designating any of his beneficiaries to receive any benefits payable hereunder upon his death, or the executors, administrators, or other legal representatives, from assigning any rights hereunder to the person or persons entitled thereto.

(b) By the Company . The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such assumption and agreement prior to the effectiveness of any such succession shall be a breach of this Agreement and shall entitle the Executive to compensation from the Company in the same amount and on the same terms as the Executive would be entitled to hereunder if the Executive had terminated his employment for Good Reason subsequent to a Change in Control, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Termination Date.

20. Employment Rights . Nothing expressed or implied in this Agreement shall create any right or duty on the part of the Company or the Executive to have the Executive remain in the employment of the Company at any time prior to a Change in Control;

provided, however, that any Termination of the Executive or the removal of the Executive from the office or position in the Company following the commencement of any discussion with a third person that ultimately results in a Change in Control shall be deemed to be a Termination of the Executive after a Change in Control for purposes of this Agreement. The Executive expressly acknowledges that he is an employee at will, and that the Company may terminate him at any time during the Term for any reason if the Company makes the payments and provides the benefits provided for under Section 5 or 6 of this Agreement, and otherwise comply with its other continuing covenants in this Agreement, including without limitation, Sections 4, 12 and 14(b).

21. Withholding of Taxes. The Company may withhold from any amounts payable under this Agreement all federal, state, city or other taxes as shall be required pursuant to any law or government regulation or ruling.

22. Severability. If the final determination of a court of competent jurisdiction declares, after the expiration of the time within which judicial review (if permitted) of such determination may be perfected, that any term or provision hereof is invalid or unenforceable, (a) the remaining terms and provisions hereof shall be unimpaired and (b) the invalid or unenforceable term or provision shall be replaced by a term or provision that is mutually agreeable to the parties hereto and is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision. Notwithstanding the foregoing, the invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement which shall nevertheless remain in full force and effect.

23. Amendment; Waiver. This Agreement may not be modified, amended or waived in any manner except by an instrument in writing signed by both parties hereto. The waiver by either party of compliance with any provision of this Agreement by the other party shall not operate or be construed as a waiver of any other provision of this Agreement, or of any subsequent breach by such party of a provision of this Agreement.

24. Effect of Section 409A of the Code. Notwithstanding anything to the contrary in this Agreement, if the Company determines that any payments or taxable benefits to be provided to the Executive pursuant to Sections 5 through 12 of this Agreement are or may become subject to the additional tax under Section 409A(a)(1)(B) of the Code or any other taxes or penalties imposed under Section 409A (the "**409A Taxes**") as applicable at the time such payments and benefits are otherwise required under this Agreement unless payment is delayed for at least six (6) months following the date of the Executive's "separation from service" (as such term is defined under Section 409A) with the Company, then:

(a) (i) such payments shall be delayed until the date that is six months after the date of the Executive's "separation from service" (as such term is defined under Section 409A) with the Company, or for shorter period of time that the Company determines is sufficient to avoid the imposition of the 409A Taxes (the "**Payments Delay Period**"), and (ii) such payments shall be increased by an amount equal to interest on such payments for the Payments Delay Period at a rate equal to the prime rate in effect as of the date the payment was first due (for this purpose, the prime rate will be based on the rate published from time to time in the Wall Street Journal) (the "**Interest Rate**"); and

(b) (i) with respect to the provision of such taxable benefits, for a period of six months following the date of the Executive's "separation from service" (as such term is defined under Section 409A) with the Company, or for shorter period of time that the Company determines is sufficient to avoid the imposition of the 409A Taxes (the "**Benefits Delay Period**"), the Executive shall be responsible for the full cost of providing such taxable benefits, and (ii) on the first day following the Benefits Delay Period, the Company shall reimburse the Executive for the costs of providing such benefits imposed on the Executive during the Benefits Delay Period, plus interest accrued at the Interest Rate.

25. Governing Law. All matters affecting this Agreement, including the validity thereof, are to be governed by, interpreted and construed in accordance with the substantive laws of the State of Ohio, without giving effect to the principles of conflict of laws of such State.

26. Arbitration. The parties hereto shall endeavor to settle all disputes by amicable negotiations. Any claim, dispute, disagreement or controversy that arises among the parties relating to this Agreement (excluding enforcement by the Company of its rights under the Section 15) that is not amicably settled shall be resolved by arbitration with respect to any claims as to which arbitration is not prohibited by applicable federal or state law. Such arbitration shall be conducted, as follows:

(a) An arbitration may be commenced by any party to this Agreement by the service of a written request for arbitration upon the other affected party(ies). Such request for arbitration shall summarize the controversy or claim to be arbitrated.

(b) Any such arbitration shall be heard in the State of Ohio, and except as the parties may otherwise agree, before a panel consisting of three (3) arbitrators, each of whom shall be independent and impartial. One of the arbitrators shall be appointed by the Company, one shall be appointed by the Executive, and the third shall be appointed by the first two arbitrators. If the first two arbitrators cannot agree on the third arbitrator within 30 days of the appointment of the second

arbitrator, then the third arbitrator shall be named by the appropriate official in the Cincinnati, Ohio office of the American Arbitration Association or, in the event of his or her unavailability by reason of disqualification or otherwise, by the appropriate official in the New York City office of the American Arbitration Association. In determining the appropriate background of the third arbitrator, the appointing authority shall give due consideration to the issues to be resolved, but his or her decision as to the identity of the arbitrator shall be final. Any arbitrator shall be an individual who is an attorney licensed to practice law in the State of Ohio. Such arbitrator shall be neutral within the meaning of the Commercial Rules of Dispute Resolution of the American Arbitration Association; provided, however, that the arbitration shall not be administered by the American Arbitration Association. Any challenge to the neutrality of an arbitrator shall be resolved by the arbitrator whose decision shall be final and conclusive. The arbitration shall be administered and conducted by the arbitrator(s) pursuant to the then-current employment dispute resolution rules of the American Arbitration Association.

(c) The parties hereby expressly waive punitive damages, and under no circumstances shall an award contain any amount that in any way reflects punitive damages.

(d) The decision of the arbitrator on the issue(s) presented for arbitration shall be final and conclusive and may be enforced in any court of competent jurisdiction.

(e) It is intended that controversies or claims submitted to arbitration under this Section 26 shall remain confidential, and to that end it is agreed by the parties that neither the facts disclosed in the arbitration, the issues arbitrated, nor the views or opinions of any persons concerning them, shall be disclosed to third persons at any time, except to the extent necessary to enforce an award or judgment or as required by law or regulation, including the federal securities laws and the regulations thereunder, in response to legal process or in connection with such arbitration.

27. Notices. Any notice hereunder by either party to the other shall be given in writing by personal delivery or certified mail, return receipt requested. If addressed to the Executive, the notice shall be delivered or mailed to the Executive at his principal residence, or to such other address as the Executive shall give notice in writing in accordance herewith. If addressed to the Company, the notice shall be delivered or mailed to the Company at its executive offices at 701 Lima Avenue, Findlay, Ohio 45840 to the attention of the Board. A notice shall be deemed given, if by personal delivery, on the date of such delivery or, if by certified mail, on the date shown on the applicable return receipt.

28. Representations; Entire Agreement.

(a) The Executive represents and warrants that he is free to enter into and perform each of the terms and conditions of this Agreement and is not subject to any agreement, judgment, order or restriction that would be violated by being employed by the Company or that in any way restricts the services that may be rendered to the Company.

(b) This agreement embodies the entire representations, warranties, covenants and agreements in relation to the subject matter hereof. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party that are not expressly set forth in this Agreement.

29. Counterparts. This Agreement may be executed by either of the parties hereto in counterpart, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument.

30. Headings. The headings of sections herein are included solely for convenience of reference and shall not control the meaning or interpretation of any of the provisions of this Agreement.

IN WITNESS WHEREOF, the Company has caused this Agreement to be signed by an officer pursuant to the authority of its Board, and the Executive has executed this Agreement, as of the day and year first written above.

COOPER TIRE & RUBBER COMPANY

By: Roy V. Armes
Title: Chairman, CEO, & President

EXECUTIVE: /s/ Roy V. Armes
Roy V. Armes

ANNEX A
Form of Release

WHEREAS, there has been a Termination (as such term is defined in the Employment Agreement (the “**Agreement**”) made and entered into on , 20___ between the undersigned (the “Executive”) and COOPER TIRE & RUBBER COMPANY (“**Cooper**”), of the Executive’s employment from Cooper; and

WHEREAS, the Executive is required to sign this Release in order to receive the severance benefits as described in Section 5, Section 6 and Section 12 (to the extent provided in Section 12) of the Agreement.

NOW THEREFORE, in consideration of the promises and agreements contained herein and other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, and intending to be legally bound, the Executive agrees as follows:

1. This Release is effective on the date hereof and will continue in effect as provided herein.

2. In consideration of the payments to be made and the benefits to be received by the Executive pursuant to Section 5, Section 6 and Section 12 of the Agreement, which the Executive acknowledges are in addition to payments and benefits which the Executive would be entitled to receive absent the Agreement, the Executive, for himself and his dependents, successors, assigns, heirs, executors and administrators (and his and their legal representatives of every kind), hereby releases, dismisses, remises and forever discharges its predecessors, parents, subsidiaries, divisions, related or affiliated companies, officers, directors, stockholders, members, employees, heirs, successors, assigns, representatives, agents and counsel (the “Company”) from any and all arbitrations, claims, including claims for attorney’s fees, demands, damages, suits, proceedings, actions and/or causes of action of any kind and every description, whether known or unknown, which the Executive now has or may have had for, upon, or by reason of any cause whatsoever (“claims”), against the Company, including but not limited to:

(a) any and all claims arising out of or relating to the Executive’s employment by or service with the Company and his termination from the Company;

(b) any and all claims of discrimination, including but not limited to claims of discrimination on the basis of sex, race, age, national origin, marital status, religion or handicap, including, specifically, but without limiting the generality of the foregoing, any claims under the Age Discrimination in Employment Act, as amended, Title VII of the Civil Rights Act of 1964, as amended, the Americans with Disabilities Act, Ohio Revised Code Section 4101.17 and Ohio Revised Code Chapter 4112, including Sections 4112.02 and 4112.99 thereof, and any other applicable state statutes and regulations, and

(c) any and all claims of wrongful or unjust discharge or breach of any contract or promise, express or implied;

provided, however, that the foregoing shall not apply to claims to enforce rights that the Executive may have as of the date hereof or in the future under any of Cooper’s health, welfare, retirement, pension or incentive plans, under any indemnification agreement between the Executive and Cooper, under Cooper’s indemnification by-laws, under the directors’ and officers’ liability coverage maintained by Cooper, under the applicable provisions of the Delaware General Corporation Law, or that the Executive may have in the future under the Agreement or under this Release.

3. The Executive understands and acknowledges that the Company does not admit any violation of law, liability or invasion of any of his rights and that any such violation, liability or invasion is expressly denied. The consideration provided for this Release is made for the purpose of settling and extinguishing all claims and rights (and every other similar or dissimilar matter) that the Executive ever had or now may have against the Company to the extent provided in this Release. The Executive further agrees and acknowledges that no representations, promises or inducements have been made by the Company other than as appear in the Agreement.

4. The Executive further agrees and acknowledges that:

(a) The release provided for herein releases claims to and including the date of this Release;

(b) The Executive has been advised by the Company to consult with legal counsel prior to executing this Release, has had an opportunity to consult with and to be advised by legal counsel of his choice, fully understands the terms of this Release, and enters into this Release freely, voluntarily and intending to be bound;

(c) The Executive has been given a period of twenty-one (21) days to review and consider the terms of this Release, prior to its execution and that he may use as much of the twenty-one (21) day period as he desires; and

(d) The Executive may, within 7 days after execution, revoke this Release. Revocation shall be made by delivering a written notice of revocation to the General Counsel at Cooper. For such revocation to be effective, written notice must be actually received by the General Counsel at Cooper no later than the close of business on the 7th day after the Executive executes this Release. If the Executive does exercise his right to revoke this Release, all of the terms and conditions of the Release shall be of no force and effect and Cooper shall not have any obligation to make further payments or provide benefits to the Executive as set forth in Section 5, Section 6, and Section 12 of the Agreement.

5. The Executive agrees that he will never file a lawsuit or other complaint asserting any claim that is released in this Release.

6. The Executive waives and releases any claim that he has or may have to reemployment after the Termination Date as defined in the Agreement.

IN WITNESS WHEREOF, the Executive has executed and delivered this Release on the date set forth below.

Dated: _____, _____

Roy V. Armes

COOPER TIRE & RUBBER COMPANY
1998 NON-EMPLOYEE DIRECTORS COMPENSATION DEFERRAL PLAN
(AS AMENDED AND RESTATED AS OF JANUARY 1, 2005)
Amended for Section 409A Changes effective as of May 7, 2008

1. Purpose. The purpose of the Plan is to provide qualified individuals who are not employees of the Company who serve as members of the Board with equity compensation in addition to their Director's Fees and with an opportunity to defer payment of a portion of their Director's Fees in accordance with the terms and conditions set forth herein.

2. Definitions. For the purposes of the Plan, the following capitalized words shall have the meanings set forth below:

"Annual Fees" means the cash portion of (i) any annual fee payable to a Non-Employee Director for service on the Board; (ii) any other fee determined on an annual basis and payable for service on, or for acting as chairperson of, any committee of the Board, and (iii) any similar annual fee or fees payable in respect of service on the board of directors of any Subsidiary or any committee of any such board of directors.

"Annual Meeting" means an annual meeting of the Company's stockholders.

"Annual Units" means Phantom Stock Units to be awarded to Non-Employee Directors as additional compensation for service on the Board pursuant to Section 5(b).

"Beneficiary" or "Beneficiaries" means an individual or entity designated by a Non-Employee Director on a Beneficiary Designation Form to receive Deferred Benefits in the event of the Non-Employee Director's death; provided, however, that, if no such individual or entity is designated or if no such designated individual is alive at the time of the Non-Employee Director's death, Beneficiary shall mean the Non-Employee Director's estate.

"Beneficiary Designation Form" means a document, in a form approved by the Committee to be used by Non-Employee Directors to name their respective Beneficiaries. No Beneficiary Designation Form shall be effective unless it is signed by the Non-Employee Director and received by the Committee prior to the date of death of the Non-Employee Director.

"Board" means the Board of Directors of the Company.

"Code" means the Internal Revenue Code of 1986, as amended, and the applicable rules and regulations promulgated thereunder.

"Committee" means the committee of the Board that has been appointed to administer the Plan or, if no committee has been appointed, the Board.

"Common Stock" means the common stock, par value \$1.00 per share, of the Company.

"Companies" means the Company and each Subsidiary.

"Company" means Cooper Tire & Rubber Company, a Delaware corporation, or any successor to substantially all of its business.

"Deferral Election Form" means a document, in a form approved by the Committee, pursuant to which a Non-Employee Director makes a deferral election under the Plan.

"Deferral Period" means each period commencing on the date of an Annual Meeting and ending on the date immediately preceding the next Annual Meeting. The first Deferral Period under the Plan shall commence on the first day of the first fiscal quarter of the Company to begin after May 5, 1998. If an individual becomes eligible to participate in the Plan after the commencement of a Deferral Period, the Deferral Period for the individual shall be the remainder of such Deferral Period.

"Deferred Benefit" means the sum of (i) any amount that will be paid on a deferred basis under the Plan to a Non-Employee Director who has made a deferral election pursuant to Section 5 plus (ii) the amount payable with respect to the Annual Units.

“Deferred Compensation Account” means the bookkeeping record established for each Non-Employee Director. A Deferred Compensation Account is established only for purposes of measuring a Deferred Benefit and not to segregate assets or to identify assets that may be used to pay a Deferred Benefit.

“Director’s Fees” means the aggregate of a Non-Employee Director’s Annual Fees and Per Diem Fees. “Effective Date” means May 5, 1998, which was the original Effective Date of the Plan.

“Election Date” means the December 31st immediately preceding the commencement of a Deferral Period. If an individual first becomes eligible to participate in the Plan on an Annual Meeting date or after the start of a Deferral Period, the Election Date shall be the thirtieth day following such Annual Meeting date or initial participation date, as the case may be.

“Fair Market Value” means the average of the highest and the lowest quoted selling price of a share of Common Stock as reported on the composite tape for securities listed on the New York Stock Exchange, or such other national securities exchange as may be designated by the Committee, or, in the event that the Common Stock is not listed for trading on a national securities exchange but is quoted on an automated system, on such automated system, in any such case on the valuation date (or, if there were no sales on the valuation date, the average of the highest and the lowest quoted selling prices as reported on said composite tape or automated system for the most recent day during which a sale occurred).

“Non-Employee Director” means a member of the Board who is not, and has not been, an employee of the Company or any of its Subsidiaries.

“Per Diem Fees” means a fee paid for attendance at or participation in (i) each meeting of the Board, (ii) each meeting of a committee of the Board when such meeting is held on a day other than a day for which a fee is paid for a meeting of the Board, (iii) each day of services to the Company requested by the chairman of the Board, and (iv) services similar to those specified in (i), (ii), or (iii) above, provided to any Subsidiary.

“Phantom Stock Unit” means a bookkeeping unit representing one share of Common Stock credited to a Deferred Compensation Account in accordance with Section 5(d).

“Plan” means the Cooper Tire & Rubber Company 1998 Non-Employee Director Compensation Deferral Plan as herein set forth or as duly amended.

“Investment Funds” means the investment funds available from time to time under the Company’s Spectrum Investment Savings Plan, or such other funds as the Committee may designate from time to time.

“Subsidiary” means a corporation or other entity with respect to which the Company, directly or indirectly, has the power, whether through the ownership of voting securities, by contract or otherwise, to elect at least a majority of the members of such corporation’s board of directors or analogous governing body.

“Termination of Service” or “termination of service” means a separation from service as defined under Section 409A of the Code.

3. Administration.

(a) The Plan shall be administered by the Committee.

(b) The Committee shall be authorized to interpret the Plan, to establish, amend and rescind any rules and regulations relating to the Plan, to make factual determinations in connection with the administration or interpretation of the Plan, and to make any other determinations that it believes are necessary or advisable for the administration of the Plan. The Committee may correct any defect or supply any omission or reconcile any inconsistency in the Plan or in any Deferral Election Form to the extent the Committee deems desirable to carry the Plan into effect. Any decision of the Committee in the administration of the Plan, as described herein, shall be final and conclusive. The Committee may act only by a majority of its members, except that the members thereof may authorize any one or more of the Committee members to execute and deliver documents on behalf of the Committee.

(c) The Committee shall be entitled to rely in good faith upon any report or other information furnished to it by any officer or employee of the Companies or from the financial, accounting, legal or other advisers of the Companies. Each member of the Committee, each individual designated by the Committee to administer the Plan and each other person acting at the direction of or on behalf of the Committee shall not be liable for any determination or anything done or omitted to be done by him or by any other member of the Committee or any other such individual in connection with the Plan, except for his own willful misconduct or as expressly provided by statute, and to the extent permitted by law and the bylaws of the Company, shall be fully indemnified and

protected by the Company with respect to such determination, act or omission.

4. Shares Available. The Company is authorized to issue up to 200,000 shares of Common Stock under the Plan (the “Plan Limit”). Such shares of Common Stock may be newly issued shares of Common Stock or reacquired shares of Common Stock held in the treasury of the Company. The amount of any Annual Units paid in cash shall not be treated as issued under the Plan.

5. Deferral of Director’s Fees and Crediting of Annual Units.

(a) Deferral Elections.

(i) General Provisions. Non-Employee Directors may elect to defer all or a specified percentage of their Director’s Fees with respect to a Deferral Period in the manner provided in this Section 5. A Non-Employee Director’s Deferred Benefit is at all times nonforfeitable.

(ii) Deferral Election Forms. Before the Election Date applicable to a Deferral Period, each Non-Employee Director will be provided with a Deferral Election Form and a Beneficiary Designation Form. In order for a Non-Employee Director to participate in the deferral portion of the Plan for a given Deferral Period, a Deferral Election Form, completed and signed by him, must be delivered to the Company on or prior to the applicable Election Date. A Deferral Election Form submitted by a Non-Employee Director for a Deferral Period shall be deemed to be a continuing deferral election for all subsequent Deferral Periods, unless the Non-Employee Director completes and files a subsequent Deferral Election Form with the Company prior to the Election Date applicable to that Deferral Period. A Non-Employee Director electing to participate in the Plan for a given Deferral Period shall indicate on his Deferral Election Form:

(A) the percentage of the Director’s Fees earned during the Deferral Period to be deferred which shall be in multiples of 10%;

(B) if the Deferral Election Form is the first such form filed by the Non-Employee Director, the Non-Employee Director’s election, in accordance with Sections 5(f) and 5(g), as to the timing, form and manner of payment of the Deferred Benefits; and

(C) the Non-Employee Director’s investment election, with respect to the deemed investment of the deferred Director’s Fees and Annual Units, in accordance with Section 5(d).

A Non-Employee Director’s election as to the timing, form and manner of payment of Deferred Benefits in the initial Deferral Election Form shall govern the timing, form and manner of payment of all subsequent deferrals under the Plan and may not be changed or revoked without the prior written consent of the Committee, provided, however, that a Non-Employee Director, with the prior written consent of the Committee, may change the time of the commencement of payment(s) or the form of payment with regard to Deferred Benefits for a subsequent Deferral Period by completing and filing a subsequent Deferral Election Form with the Company prior to the Election Date applicable to that Deferral Period. Notwithstanding the foregoing, the Deferral Election Form that is filed by an individual who first becomes eligible to participate in the Plan on an Annual Meeting date or after the start of a Deferral Period by the applicable Election Date shall be effective only with respect to Director’s Fees earned and Annual Units awarded following the filing of such Deferral Election Form.

(iii) Effect of No Deferral Election. A Non-Employee Director who does not have a completed and signed Deferral Election Form on file with the Company on or prior to the applicable Election Date for a Deferral Period may not defer his Director’s Fees for such Deferral Period.

(iv) Subsequent Payment Elections. With the prior written consent of the Committee as described in Section 5(a)(ii) of the Plan, a Non-Employee Director may make a subsequent election to change the time of the commencement of payment(s) of the portion of the Non-Employee Director’s Deferred Benefit representing deferred Director’s Fees, the form of payment of the Non-Employee Director’s Deferred Benefit, or both, with respect to the amount of such Deferred Benefits that were previously deferred if all of the following requirements are met:

(A) Such subsequent payment election may not take effect until at least twelve months after the date on which the subsequent payment election is made;

(B) In the case of a subsequent payment election related to a payment not described in Section 5(i) of the Plan, the first payment under such subsequent payment election shall in all cases be deferred for a period of not less than five years from the date such payment would otherwise have been made (or, in the case of installment payments, which shall be treated as a single payment for purposes of this Section 5(a)(iv), five years from the date the first installment payment was scheduled to be paid); and

(C) Any subsequent payment election related to a distribution that is to be made at a specified date or pursuant to a fixed schedule pursuant to Section 5 of the Plan must be made not less than twelve months prior to the date the payment was scheduled to be made under the prior payment election (or, in the case of installment payments, which shall be treated as a single payment for purposes of this Section 5(a)(iv), twelve months prior to the date the first installment payment was scheduled to be paid).

(b) Award of Annual Units. Annual Units shall be awarded to each Non-Employee Director in December of each year (or at such other time as may be determined by the Committee) as follows:

(i) for the calendar year ended December 31, 2004, the number of Annual Units to be so awarded to each Non-Employee Director shall be 500 per year; and

(ii) for the calendar year beginning January 1, 2005 and for all calendar years thereafter, the number of Annual Units to be so awarded to each Non-Employee Director will be the number of Annual Units having a Fair Market Value on the day of the Annual Meeting equal to \$30,000, unless and until a greater or lesser number is specified by the Committee.

(c) Establishment of Deferred Compensation Accounts. A Non-Employee Director's deferrals and the Annual Units will be credited to a Deferred Compensation Account set up for that Non-Employee Director by the Company in accordance with the provisions of this Section 5. A Participant's Deferred Compensation Account shall be further divided into the following sub-accounts: (i) a sub-account which shall be the record of the Non-Employee Director's deferrals and the Annual Units that were earned and vested prior to January 1, 2005 (the "Grandfathered Deferred Benefits") and which are governed by the law applicable to nonqualified deferred compensation prior to the addition of Section 409A of the Code and shall be subject to the terms and conditions specified in the Plan as in effect prior to January 1, 2005 and (ii) a sub-account which shall be the record of the Non-Employee Director's deferrals and the Annual Units that were earned and vested on or after January 1, 2005 (the "Non-Grandfathered Deferred Benefits") and which are subject to the requirements of Section 409A of the Code.

(d) Crediting of Deferred Director's Fees and Annual Units to Deferred Compensation Accounts.

(i) Deferred Director's Fees. The portion of the Director's Fees that a Non-Employee Director elects to defer shall be credited to the Deferred Compensation Account as of the last business day of the fiscal quarter in which such portion of the Director's Fees would otherwise have been payable to the Non-Employee Director. Amounts of Director's Fees credited to the Deferred Compensation Account of a Non-Employee Director shall be deemed invested in accordance with such Non-Employee Director's investment election among the Phantom Stock Units and the Investment Funds. Any amounts credited to a Non-Employee Director's Deferred Compensation Account with respect to which such Non-Employee Director does not provide an investment election shall be deemed invested in Phantom Stock Units. A Non-Employee Director may change his investment election either prospectively or with respect to amounts previously credited to his Deferred Compensation Account in accordance with procedures specified by the Committee; provided, however, a Non-Employee Director may not make an election to transfer or reallocate amounts deemed invested in any Investment Fund into Phantom Stock Units. The number of Phantom Stock Units to be so credited to the Deferred Compensation Account shall be determined by dividing (1) the amount of the Director's Fees over such quarter by (2) the Fair Market share of Common Stock as of the date of crediting. Any partial Phantom Stock Unit that results from the application of the previous sentence shall be rounded to the nearest whole Phantom Stock Unit.

(ii) Annual Units. The Annual Units awarded to a Non-Employee Director shall be credited to the Deferred Compensation Account as of the date of grant. After the initial crediting of the Annual Units to a Non-Employee Director's Deferred Compensation Account, a Non-Employee Director may elect to reallocate any or all of such amounts from Phantom Stock Units to a deemed investment among the Phantom Stock Units and the Investment Funds. A Non-Employee Director may not make an election to transfer or reallocate amounts deemed invested in any Investment Fund into Phantom Stock Units.

(iii) Dividend Equivalents and Other Gains and Losses. In the event that the Company pays any cash or other dividend or makes any other distribution in respect of the Common Stock, with respect to any Phantom Stock Units deemed credited to the Deferred Compensation Account of a Non-Employee Director, such Deferred Compensation Account will be credited with additional Phantom Stock Units determined by dividing (A) the amount of cash, or the value (as determined by the Committee) of any securities or other property, paid or distributed in respect of a corresponding number of shares of Common Stock by (B) the Fair Market Value of a share of Common Stock as of the date of such payment or distribution. Any partial Phantom Stock Unit that results from the application of the previous sentence shall be rounded up to a whole Phantom Stock Unit. Such credit shall be made effective as of the date of the dividend or other distribution in respect of the Common Stock. A Non-Employee Director's Deferred Compensation Account will be credited with other gains, losses, interest and other earnings based on investment elections made by such Non-Employee Director, in accordance with investment deferral crediting options and procedures established by the Committee, which shall include procedures for prospective investment elections with respect to Director's Fees that are to be deferred under the

Plan and for the reallocation of Director's Fees (and gains, losses, interest and other earnings thereon) credited to a Non-Employee Director's Deferred Compensation Account. The Committee specifically retains the right in its sole discretion to change the investment deferral crediting options and procedures from time to time.

(iv) Deemed Investment. By electing to defer any amount pursuant to the Plan, each Non-Employee Director shall thereby acknowledge and agree that the Company is not and shall not be required to make any investment in connection with the Plan, nor is it required to follow the Non-Employee Director's investment directions in any actual investment it may make or acquire in connection with the Plan.

(v) No Rights as Stockholder. The crediting of Phantom Stock Units to a Non-Employee Director's Deferred Compensation Account shall not confer on the Non-Employee Director any rights as a stockholder of the Company.

(vi) Effective Date of Investment Election. Except as otherwise specified by the Committee or by the Non-Employee Director in his Deferral Election Form, the Non-Employee Director's investment election shall be effective as soon as practicable after receipt by the Committee. Without limiting the generality of the foregoing, any Non-Employee Director may provide, with respect to elections to transfer amounts invested in Phantom Stock into any Investment Fund, for future effectiveness of such investment election on a specified date or dates for the purpose of creating a Rule 10b5-1 trading plan under the Securities Exchange Act of 1934, subject to compliance with the Company's insider trading policy and any further procedures the Committee may adopt from time to time.

(e) Written Statements of Account. The Company will furnish each Non-Employee Director with a statement setting forth the value of such Non-Employee Director's Deferred Compensation Account as of the end of each Deferral Period and all credits to and payments from the Deferred Compensation Account during the Deferral Period. Such statement shall separately detail the portion of the Deferred Benefit representing deferred Director's Fees and the portion of the Deferred Benefit representing Annual Units and will further separately detail amounts deemed invested in Phantom Stock Units and amounts deemed invested in any Investment Fund, as provided in Section 5(d) of this Plan. Such statement shall also separately detail the portion of the Deferred Benefit representing Grandfathered Deferred Benefits (if any) and the portion of the Deferred Benefit representing Non-Grandfathered Deferred Benefits. Such statement will be furnished no later than sixty days after the end of the Deferral Period.

(f) Manner and Form of Payment of Deferred Benefit.

(i) Payment of any portion of the Deferred Benefit representing deferred Director's Fees shall be in cash or in shares of Common Stock at the Non-Employee Director's election; provided, however, that shares of Common Stock shall only be distributable with respect to that portion of a Non-Employee Director's Deferred Compensation Account that is deemed invested in Phantom Stock Units at the time of the distribution. If the Non-Employee Director fails to make a timely election prior to distribution, the deferred Director's Fees will be paid in Common Stock to the extent the portion of the Non-Employee Director's Deferred Compensation Account representing deferred Director's Fees is deemed invested in Phantom Stock Units and otherwise will be paid in cash. Payment shall be made in one of the following forms as elected by the Non-Employee Director: in a single lump sum or in a series of five or fewer annual installments. The amount of each installment payment to a Non-Employee Director shall be determined in accordance with the formula $B/(N - P)$, where "B" is the value of the Deferred Compensation Account representing deferred Director's Fees as of the installment calculation date, "N" is the number of installments elected by the Non-Employee Director and "P" is the number of installments previously paid to the Non-Employee Director. The same formula shall be applied to determine the amount of cash and shares of Common Stock, as applicable, payable to the Non-Employee Director. For purposes of this paragraph, the value of the Phantom Stock Units shall be the Fair Market Value of the Common Stock (i) on the installment calculation date, in the case of installment payments and (ii) on the day preceding the date of distribution, in the case of lump sum payments. If the Non-Employee Director elects to receive payment of the deferred Director's Fees in Common Stock, any partial unit resulting in the calculation above will be settled in cash.

(ii) Payment of the portion of the Deferred Benefits representing Annual Units shall be in cash or in shares of Common Stock at the Non-Employee Director's election; provided, however, that shares of Common Stock shall only be distributable with respect to that portion of a Non-Employee Director's Deferred Compensation Account that is deemed invested in Phantom Stock Units at the time of the distribution. If the Non-Employee Director fails to make a timely election prior to distribution, the Annual Units will be paid in Common Stock to the extent the portion of the Non-Employee Director's Deferred Compensation Account representing Annual Units is deemed invested in Phantom Stock Units and otherwise will be paid in cash. Payment shall be made in one of the following forms as elected by the Non-Employee Director: in a single lump sum or in a series of five or fewer annual installments. The amount of each installment payment to a Non-Employee Director shall be determined in accordance with the formula $B/(N - P)$, where "B" is the value of the Deferred Compensation Account representing deferred Annual Units as of the installment calculation date, "N" is the number of installments elected by the Non-Employee Director and "P" is the number of installments previously paid to the Non-Employee Director. The same formula shall be applied to determine the amount of cash and shares of Common Stock, as applicable, payable to the Non-Employee Director. For purposes of this paragraph, the value of the

Phantom Stock Units shall be the Fair Market Value of the Common Stock (i) on the installment calculation date, in the case of installment payments and (ii) on the day preceding the date of distribution, in the case of lump sum payments. If the Non-Employee Director elects to receive payment of the Annual Units in Common Stock, any partial unit resulting in the calculation above will be settled in cash.

(g) Commencement of Payment of Deferred Benefit Attributable to Deferred Director's Fees. Payment of a Non-Employee Director's Deferred Benefit attributable to any portion of the Deferred Benefit representing Director's Fees shall commence thirty days after the earlier to occur of:

(i) termination of service as a member of the Board; and

(ii) the date specified in the Deferral Election Form executed by the Non-Employee Director. For the avoidance of doubt, if the Non-Employee Director's termination of service as a member of the Board occurs prior to the date specified in the Deferral Election Form executed by the Non-Employee Director, payment of the portion of the Non-Employee Director's Deferred Benefit representing Director's Fees shall commence thirty days after such termination of service as a member of the Board.

(h) Commencement of Payment of Annual Units. Payment of a Non-Employee Director's Annual Units shall commence thirty days after termination of service as a member of the Board.

(i) Death. In the event of a Non-Employee Director's death, the Non-Employee Director's entire Deferred Benefit (including any unpaid portion thereof corresponding to installments not yet paid at the time of death), to the extent not distributed earlier pursuant to Section 5(g), will be distributed in a lump sum to the Non-Employee Director's Beneficiary sixty days after the Non-Employee Director's date of death.

(j) Restrictions on Transfer. The Company shall pay all Deferred Benefits payable under the Plan only to the Non-Employee Director or Beneficiary designated under the Plan to receive such amounts. Neither a Non-Employee Director nor his Beneficiary shall have any right to anticipate, alienate, sell, transfer, assign, pledge, encumber or change any benefits to which he may become entitled under the Plan, and any attempt to do so shall be void. A Deferred Benefit shall not be subject to attachment, execution by levy, garnishment, or other legal or equitable process for a Non-Employee Director's or Beneficiary's debts or other obligations.

(k) Special Election. Notwithstanding any other provision of the Plan, in accordance with Internal Revenue Service Notice 2007-86 on or before December 31, 2008, a Non-Employee Director may make a new payment election with respect to the form of payment of the portion of the Non-Employee Director's Deferred Benefits representing deferred Director's Fees earned, and Annual Units awarded, between January 1, 2005 and the date such new payment election is effective. Any such new payment election shall specify the form of payment, single lump sum or installments, as described in Section 5(f)(ii) and shall govern the form of payment of Director's Fees earned and Annual Units awarded during all subsequent Deferral Periods unless changed in accordance with Section 5(a)(ii).

6. Designation of Beneficiary.

(a) Beneficiary Designations. Each Non-Employee Director may designate a Beneficiary to receive any Deferred Benefit due under the Plan on the Non-Employee Director's death by executing a Beneficiary Designation Form.

(b) Change of Beneficiary Designation. A Non-Employee Director may change an earlier Beneficiary designation by executing a later Beneficiary Designation Form and delivering it to the Committee. The execution of a Beneficiary Designation Form and its receipt by the Committee revokes and rescinds any prior Beneficiary Designation Form.

7. Recapitalization or Reorganization.

(a) Authority of the Company and Stockholders. The existence of the Plan shall not affect or restrict in any way the right or power of the Company or the stockholders of the Company to make or authorize any adjustment, recapitalization, reorganization or other change in the Company's capital structure or its business, any merger or consolidation of the Company, any issue of stock or of options, warrants or rights to purchase stock or of bonds, debentures, preferred or prior preference stocks having rights superior to or affecting the Common Stock or the rights thereof or which are convertible into or exchangeable for Common Stock, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

(b) Change in Capitalization. Notwithstanding any other provision of the Plan, in the event of any change in the outstanding Common Stock by reason of a stock dividend, recapitalization, reorganization, merger, consolidation, stock split,

combination or exchange of shares (a “Change in Capitalization”): (i) such proportionate adjustments as may be necessary (in the form determined by the Committee in its sole discretion) to reflect such change shall be made to prevent dilution or enlargement of the rights of Non-Employee Directors under the Plan with respect to the aggregate number of shares of Common Stock authorized to be awarded under the Plan, the number of Phantom Stock Units credited to a Non-Employee Director’s Deferred Compensation Account and the number of Annual Units to be awarded pursuant to Section 5(b), and (ii) the Committee may make such other adjustments, consistent with the foregoing, as it deems appropriate in its sole discretion.

(c) Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, all Deferred Benefits credited to the Non-Employee Director’s Deferred Compensation Account as of the date of the consummation of a proposed dissolution or liquidation shall be paid in cash to the Non-Employee Director or, in the event of death of the Non-Employee Director prior to payment, to the Beneficiary thereof on the date of the consummation of such proposed action. The cash amount paid for each Phantom Stock Unit shall be the Fair Market Value of a share of Common Stock as of the date of the consummation of such proposed action.

8. Termination and Amendment of the Plan.

(a) Termination. Unless terminated earlier in accordance with Section 8(b), the Plan shall terminate on the tenth anniversary of the Effective Date. Following the tenth anniversary of the Effective Date, no further Director’s Fees or Annual Units may be deferred by a Non-Employee Director but any amounts deferred prior to the date of such termination shall be paid in accordance with the Deferral Election Form.

(b) General Power of Board. Notwithstanding anything herein to the contrary, the Board may at any time and from time to time terminate, modify, suspend or amend the Plan in whole or in part, provided, however, that no such termination, modification, suspension or amendment shall be effective without stockholder approval if such approval is required to comply with any applicable law or stock exchange rule; and, provided further, that the Board may not, without stockholder approval, increase the maximum number of shares issuable under the Plan, except as provided in Section 7(b) above. Upon termination of the Plan, payment of Plan benefits shall be made in accordance with the provisions of the Plan; provided, however, that the Board may, in its discretion, accelerate payment of Plan benefits in strict compliance with the provisions governing plan terminations set forth in Treasury Regulation 1.409A-3(j)(4)(ix).

9. Miscellaneous.

(a) No Right to Reelection. Nothing in the Plan shall be deemed to create any obligation on the part of the Board to nominate any of its members for reelection by the Company’s stockholders, nor confer upon any Non-Employee Director the right to remain a member of the Board for any period of time, or at any particular rate of compensation.

(b) Unfunded Plan.

(i) Generally. This Plan is unfunded. Amounts payable under the Plan will be satisfied solely out of the general assets of the Company subject to the claims of the Company’s creditors.

(ii) Deferred Benefits. A Deferred Benefit represents at all times an unfunded and unsecured contractual obligation of the Company and each Non-Employee Director or Beneficiary will be an unsecured creditor of the Company. No Non-Employee Director, Beneficiary or any other person shall have any interest in any fund or in any specific asset of the Company by reason of any amount credited to him hereunder, nor shall any Non-Employee Director, Beneficiary or any other person have any right to receive any distribution under the Plan except as, and to the extent, expressly provided in the Plan. The Company will not segregate any funds or assets for Deferred Benefits or issue any notes or security for the payment of any Deferred Benefits. Any reserve or other asset that the Company may establish or acquire to assure itself of the funds to provide benefits under the Plan shall not serve in any way as security to any Non-Employee Director, Beneficiary or other person for the performance of the Company under the Plan.

(c) Other Compensation Arrangements. Benefits received by a Non-Employee Director pursuant to the provisions of the Plan shall not be included in, nor have any effect on, the determination of benefits under any other arrangement provided by the Company.

(d) Securities Law Restrictions. All certificates for shares of Common Stock delivered under the Plan shall be subject to such stock-transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations, and other requirements of the Securities and Exchange Commission or any exchange upon which the Common Stock is then listed, and any applicable federal or state securities law, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions. No shares of Common Stock shall be issued hereunder unless the Company shall have determined that such issuance is in compliance with, or pursuant to an exemption from, all applicable federal and state securities laws.

(e) Expenses. The costs and expenses of administering the Plan shall be borne by the Company.

(f) Applicable Law. Except as to matters of federal law, the Plan and all actions taken thereunder shall be governed by and construed in accordance with the laws of the State of Delaware without giving effect to conflicts of law principles.

(g) Effective Date. The Plan was effective as of the Effective Date, subject to the approval thereof by the stockholders of the Company at the Annual Meeting held on such date. The Plan was amended and restated, effective November 18, 2004, without further approval by the stockholders, to provide for Annual Units. The Plan was further amended and restated, without approval by the stockholders, effective January 1, 2005, to allow Non-Employee Directors to make the investment elections provided for in Section 5(d) hereof and to allow for payment of deferred Director's Fees to be made in cash or in shares of Common Stock.

(h) Compliance with Section 409A of the Code. To the extent applicable, it is intended that this Plan comply with the provisions of Section 409A of the Code. The Plan shall be administered in a manner consistent with this intent, and any provision that would cause the Plan to fail to satisfy Section 409A of the Code shall have no force and effect until amended to comply with Section 409A (which amendment may be retroactive to the extent permitted by Section 409A of the Code and may be made by the Board without the consent of Non-Employee Directors). Any reference in this Plan to Section 409A of the Code will also include any proposed, temporary or final regulations, or any other guidance, promulgated with respect to such Section by the U.S. Department of the Treasury or the Internal Revenue Service. Notwithstanding the foregoing, any Deferred Benefits under this Plan that qualify for "grandfathered status" under Section 409A of the Code because such benefits were earned and vested prior to January 1, 2005 shall continue to be governed by the law applicable to nonqualified deferred compensation prior to the addition of Section 409A to the Code and, except as hereinafter provided, shall be subject to the terms and conditions specified in the Plan as in effect prior to January 1, 2005. The terms and conditions of the Plan as amended and restated as of January 1, 2005 relating to (i) the deemed investment of Director's Fees and Annual Units among Phantom Stock Units and the Investment Funds and (ii) the Non-Employee Director's election to receive payment of any portion of the Deferred Benefit representing deferred Director's Fees in cash or shares of Common Stock shall govern any Deferred Benefits under this Plan that qualify for "grandfathered status" under Section 409 A of the Code.

IN WITNESS WHEREOF, Cooper Tire & Rubber Company has caused this instrument to be executed in its name as of May 7, 2008, as approved by the Board of Directors.

COOPER TIRE & RUBBER COMPANY

By: /s/ Mark W. Krivoruchka
Mark W. Krivoruchka
Senior Vice President
Global Human Resources

To our Shareholders:

2008 was a year of extreme volatility for the tire industry and Cooper Tire & Rubber Company. In only my second year with Cooper, we were presented increasing and unprecedented challenges driven by the tumultuous economic environment. At the same time, we had successes and opportunities develop that are truly exciting.

In February 2008 our newly developed Strategic Plan was communicated. Since development of the plan we have encountered floods, earthquakes, hurricanes, the meltdown of the credit markets, oil prices that started the year around \$75 per barrel, spiked mid-year at nearly \$150 per barrel, and ended the year at around \$45 per barrel. We also entered into what some have termed a global recession. Demand for replacement tires declined for the second of three years, an extremely unusual pattern for the industry. All of this impacted our 2008 results. What it camouflaged is the focus on and progress we have made toward the four imperatives in our strategic plan and our efforts to build a stronger Cooper. Those imperatives are:

- 1) Build a sustainable, cost-competitive position,
- 2) Secure a cost-effective supply of tires,
- 3) Develop the right organization and execution capabilities to support the strategy, and
- 4) Deliver profitable top-line growth.

While implementing elements of the strategic plan in 2008, our existing operations were able to lower production costs, excluding the impacts of shutdowns due to soft demand. This improvement should continue in 2009 as we implement the closure of our Albany, Ga. plant and continue to implement Six Sigma, LEAN and automation projects. We also continued investing in facilities in lower cost countries. This positions us for improved operating costs, greater geographic flexibility, and the ability to penetrate markets outside of the United States.

To enhance our capabilities and enablers, we have continued to shift the culture at Cooper to a continuous improvement mindset. To that extent we have trained black and green belts, as part of our LEAN Six Sigma efforts, as well as made internal changes to the organization's structure to support quick and sustainable improvements to our operations.

Top-line growth will see an increased focus in 2009. To address the topline in the past, we launched new premium products that position us very well for growth in that segment of the market. In fact over 30 percent of our sales are from products launched in the last two years. The Cooper brand continued with a strong performance. In 2009 we will launch products aimed at the value segment of the markets. As our competitiveness improves, our ability to grow our top line increases. We are also very aggressively pursuing business that's positioning our products in channels of the market where we are currently underrepresented.

Market improvements would certainly be helpful in getting our bottom line back to a healthy position, but we are not simply waiting for that to happen. As we continue to execute our plans, we believe that each step we take should improve our ability to generate profits. Times have been difficult recently, but we are headed in the right direction, focused on the right actions, and have the strength, skills and ability to implement what it will take for us to deliver better results and capitalize on future opportunities.

We are fortunate to be in a position of flexibility with the deployment of our capital, should economic circumstances require additional adjustments. We still have cash and untapped credit lines available to us. We will continue to tightly monitor spending and capital expenditures during this period. We have suspended the repurchase of shares and debt, limited expenses where possible, and are investing only in the items that are critical to Cooper's success.

For 2009, we expect that in the first half of the year industry volumes in North America will be down compared to 2008. In the second half of 2009 we believe it is possible the market will begin to rebound. China has recently experienced double-digit growth in replacement tires. This is unlikely to occur in 2009, but we believe growth in the mid to high single-digit range is possible. European markets are also likely to experience declines.

Raw material costs were extremely volatile in 2008. In 2009 we expect costs to be less volatile and as companies begin to buy raw materials again, we could see prices strengthen later in the year. Our cash flows should benefit as these raw materials work their way through inventory.

We remain committed to the strategic plan. The path to achieving the goals in that plan has certainly been rockier than we initially anticipated. We have already had to make very difficult decisions to continue our progress. The actions we have taken and are taking will continue to move us along this path.

We are cautious in our 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. We expect there to be continued pressure on the industry as demand for tires in the short term is affected by global economic conditions. The plans we implement will address those conditions as we reposition the Company to emerge from the current recession as a much stronger competitor.

Several factors should help Cooper look different at the end of 2009, than in 2008. They include:

- improved fixed cost structure as we move from four plants to three in the U.S.,
- further benefits of automation, complexity reduction and process improvements lowering our manufacturing costs,
- improved momentum in the market due to new products and customers,
- increased units from our joint ventures,
- government incentives, and
- renegotiated labor contracts.

The Board of Directors, management, employees, and I are committed to delivering improvements for all stakeholders of the Company.

We thank you for your support and confidence during these turbulent times.

Roy V. Armes
Chairman of the Board,
President and Chief Executive Officer

Shareholder Information

Executive Offices

Cooper Tire & Rubber Company
701 Lima Avenue
Findlay, OH 45840
419-423-1321

For Information

Tire products	800-854-6288
Investor Relations	419-427-4768
Web site	www.coopertire.com

Annual Meeting

The 2009 Annual Meeting of Stockholders of Cooper Tire & Rubber Company will be held at The Westin Hotel, Lindbergh Ballroom, Detroit Metropolitan Airport, 2501 World Gateway Place, Detroit, Michigan 48242, on Tuesday, May 5, 2009 at 10:00 a.m. Eastern Daylight Time. All stockholders are cordially invited to attend. Proxy material is sent to stockholders together with this report.

Transfer Agent & Registrar

Computershare Investor Services LLC
250 Royall Street, Mail Stop 1A
Canton, MA 02021

888-294-8217 (toll free)
24 hours automated or Mon. — Fri.
8:30 a.m. to 5:30 p.m. (central time)

www.computershare.com

web.queries@computershare.com

Stockholders requiring a change of name, address or ownership of stock as well as information about stockholder records, lost or stolen certificates, dividend checks, dividend direct deposit and dividend reinvestment should contact our transfer agent by mail, by telephone or through its web site.

Filing Certifications

The Company has filed the certification required by Section 302 of the Sarbanes-Oxley Act of 2002 as an exhibit to its Form 10-K for the fiscal year ending December 31, 2008, filed with the Securities and Exchange Commission. On June 3, 2008, the Company filed with the New York Stock Exchange its Annual CEO Certification.

Direct Investment Plan

Computershare Investor Services serves as Administrator for a direct investment plan for the purchase, sale and/or dividend reinvestment of Cooper Tire & Rubber Company common stock. For information, call Computershare Investor Services at 888-294-8217.

Board of Directors

Roy V. Armes
Chairman of the Board,
President and Chief Executive Officer,
Cooper Tire & Rubber Company

Laurie J. Breininger ^{1,2}
Former President, Americas Bath and Kitchen,
American Standard Companies Inc.

Thomas P. Capo ²
Chairman of the Board,
Dollar Thrifty Automotive Group, Inc.

Steven M. Chapman ^{1,2}
Group VP, Emerging Markets & Businesses,
Cummins, Inc.

John J. Holland ^{1,3}
President, COO and CFO,
MMFX Technologies Corporation

John F. Meier ^{1,3,4}
Chairman and Chief Executive Officer,
Libbey Inc.

John H. Shuey ^{1,2}
Former Chairman, President and

Chief Executive Officer,
Amcast Industrial Corporation

Richard L. Wambold ³
Chairman and Chief Executive Officer,
Pactiv Corporation

Robert D. Welding ³
Non-Executive Chairman,
Public Safety Equipment P.L.C.

¹ Member of the Nominating and Governance Committee

² Member of the Audit Committee

³ Member of the Compensation Committee

⁴ Lead Director

Executive Officers

Roy V. Armes
Chairman of the Board,
President and Chief
Executive Officer,
Cooper Tire & Rubber Company

Mark W. Krivoruchka
Senior Vice President

James E. Kline
Vice President, General
Counsel and Secretary

Harold C. Miller
Vice President

Philip G. Weaver
Vice President and Chief
Financial Officer

Appointed Corporate Officers

Donald P. Ingols
Vice President

Jack J. McCracken
Assistant Secretary

Gregory E. Meyers
Assistant General Counsel

Carl R. Montalbine
Vice President

Charles F. Nagy
Assistant Treasurer

Linda L. Rennels
Vice President

Stephen O. Schroeder
Vice President and Treasurer

COOPER TIRE & RUBBER COMPANY
SUBSIDIARIES

Cooper Tire & Rubber Company (Parent) (Delaware)
 Alga Investments Company (Georgia)
 Cooper International Holding Corporation (Delaware)
 Cooper International Rubber, Limited (Jamaica) (Inactive)
 Cooper Tire & Rubber Company de Mexico SA de CV (Mexico) (50% owned)
 Corporación de Occidente SA de CV (16.8 % owned)
 Inversionistas del Bajío SA de CV (Mexico) (50 % owned)
 Corporación de Occidente SA de CV (41.6 % owned)
 Cooper Receivables LLC (Delaware)
 Cooper Tire Holding Company (Ohio)
 Cooper Tire Holding B.V. (The Netherlands)
 Cooper Tire International Trading Company (Cayman Islands)
 Cooper Tire & Rubber International Trading Limited (Cayman Islands)
 Branch Office (Singapore)
 Cooper Tire & Rubber Company (Barbados) Ltd. (Barbados)
 Cooper Tire Asia-Pacific (Shanghai) Trading Co. Ltd. (China)
 Cooper Tire Asia (Shanghai) Trading Company Ltd. (China)
 Cooper Tire Asia-Pacific Management (Shanghai) Co., Ltd. (China)
 Cooper Tire & Rubber Co. Shanghai Rep Office (China — Branch)
 Cooper Tire & Rubber Foundation (Ohio)
 Cooper Tire & Vehicle Test Center Inc. (Texas)
 Cooper Tyre & Rubber Company UK Limited (England)
 Cooper Tire & Rubber Company Deutschland GmbH (Germany)
 Cooper Tire & Rubber Company Espana S.L. (Spain)
 Cooper Tire & Rubber Company Europe Ltd. (England)
 Cooper Tire & Rubber Company International Development Limited (England)
 Cooper Tire & Rubber Company France Sarl (France)
 Cooper Tire & Rubber Company Italia S.r.l. (Italy)
 Cooper Tire & Rubber Company Suisse SA (Switzerland)
 CTB (Barbados) Investment Co. Ltd. (Barbados)
 Cooper Kenda Global Holding Co. Ltd. (Barbados) (50% owned)
 Cooper Kenda Tire (Kunshan) Co. Ltd. (China)
 Cooper Kenda Global Holding Investment Co. Ltd. (Barbados) (80% owned)
 Cooper Tire Investment Holding (Barbados) Ltd. (Barbados)
 Cooper Chengshan (Shandong) Tire Company Ltd. (China) (51% owned)
 CTBX Company (Ohio)
 CTTG Inc. (Ohio)
 Ilpea Equity, LLC (0.6264% owned)
 Master Assurance & Indemnity Ltd. (Bermuda)
 Max-Trac Tire Co., Inc. (Ohio)
 Mickey Thompson Performance Racing Inc. (Ohio)
 Mickey Thompson International, Inc. (Virgin Islands) (Inactive)
 RubberNetwork.com LLC (Georgia) (5.56% Owned)

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements of Cooper Tire & Rubber Company listed below, and in the related Prospectuses, of our reports dated February 20, 2009, with respect to the consolidated financial statements and schedule of Cooper Tire & Rubber and the effectiveness of internal control over financial reporting of Cooper Tire & Rubber Company, included in this Annual Report (Form 10-K) for the year ended December 31, 2008:

Form S-3	No. 33-44159 No. 333-89149	\$200,000,000 aggregate principal amount of the Company's Debt Securities Registration of securities not to exceed an initial public offering price of \$1,200,000,000
Form S-8	No. 2-58577 No. 33-35071 No. 33-47980 No. 33-47981 No. 333-09619 No. 333-83311 No. 333-83309 No. 333-83589 No. 333-84815 No. 333-84813 No. 333-84811 No. 333-103007 No. 333-113315 No. 333-138811 No. 333-142136	Thrift and Profit Sharing Plan Texarkana Pre-Tax Savings Plan 1991 Stock Option Plan for Non-Employee Directors Pre-Tax Savings Plan at the Findlay Plant 1996 Stock Option Plan Pre-Tax Savings Plan (Clarksdale) 1998 Employee Stock Option Plan 1998 Incentive Compensation Plan 1998 Non-Employee Directors Compensation Deferral Plan Thrift & Profit Sharing Plan Texarkana Pre-Tax Savings Plan Pre-Tax Savings Plan at the Findlay Plant 2001 Incentive Compensation Plan Pre-Tax Savings Plan at the Auburn Plant, Pre-Tax Savings Plan (Bowling Green — Hose), Pre-Tax Savings Plan (Bowling Green — Sealing), Pre-Tax Savings Plan (Clarksdale), Pre-Tax Savings Plan at the El Dorado Plant, Pre-Tax Savings Plan at the Findlay Plant, Texarkana Pre-Tax Savings Plan Pre-Tax Savings Plan (Findlay) and Pre-Tax Savings Plan (Texarkana) 2006 Incentive Compensation Plan

/s/ Ernst & Young LLP
ERNST & YOUNG LLP

Toledo, Ohio
February 20, 2009

POWER OF ATTORNEY**FOR EXECUTION OF ANNUAL REPORT ON FORM 10-K FOR
FISCAL YEAR ENDED DECEMBER 31, 2008**

KNOW ALL BY THESE PRESENTS, that each of the undersigned hereby constitutes and appoints James E. Kline as a true and lawful attorney-in-fact of the undersigned for the purpose of executing for and on behalf of all of the undersigned members of the Board of Directors of Cooper Tire & Rubber Company, the Company's Annual Report on Form 10-K for the fiscal year of the Company ended December 31, 2008.

The undersigned hereby grants such attorney-in-fact full power and authority to do and perform all and every act and thing whatsoever requisite, necessary and proper to be done in the exercise of any of the rights and powers herein granted, as fully to all intents and purposes as the undersigned might or could do if personally present, with full power of substitution or revocation, hereby ratifying and confirming all that such attorney-in-fact shall lawfully do or cause to be done by virtue of this Power of Attorney and the rights and powers herein granted.

This Power of Attorney shall remain in full force and effect until the filing by the Company of the Annual Report on Form 10-K for fiscal year 2008 with the Securities and Exchange Commission, unless earlier revoked by the undersigned in a signed writing delivered to the foregoing attorney-in-fact.

IN WITNESS WHEREOF, the undersigned has caused this Power of Attorney to be executed as of this 14th day of January, 2009.

/s/ Laurie J. Breininger
Laurie J. Breininger

/s/ John F. Meier
John F. Meier

/s/ Steven M. Chapman
Steven M. Chapman

/s/ John H. Shuey
John H. Shuey

/s/ Thomas P. Capo
Thomas P. Capo

/s/ Richard L. Wambold
Richard L. Wambold

/s/ John J. Holland
John J. Holland

/s/ Robert D. Welding
Robert D. Welding

CERTIFICATIONS

I, Roy V. Armes, certify that:

1. I have reviewed this Annual Report on Form 10-K of Cooper Tire & Rubber Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a – 15(f) and 15d – 15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 26, 2009

/s/ Roy V. Armes

Roy V. Armes, Chairman of the Board,
President and Chief Executive Officer

CERTIFICATIONS

I, Philip G. Weaver, certify that:

1. I have reviewed this Annual Report on Form 10-K of Cooper Tire & Rubber Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a – 15(f) and 15d – 15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 26, 2009

/s/ Philip G. Weaver

Philip G. Weaver

Vice President and Chief Financial Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Cooper Tire & Rubber Company (the "Company") on Form 10-K for the period ended December 31, 2008, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to such officer's knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

Date: February 26, 2009

/s/ Roy V. Armes
Name: Roy V. Armes
Title: Chief Executive Officer

/s/ Philip G. Weaver
Name: Philip G. Weaver
Title: Chief Financial Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.