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COOPER TIRE & RUBBER CO

FORM 10-Q
(Quarterly Report)

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

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

FORM 10-Q

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

For the quarterly period ended September 30, 2014

OR

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

Commission File No. 1-4329

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

DELAWARE **(State or other jurisdiction of incorporation or organization)**	**34-4297750** **(I.R.S. employer identification no.)**

701 Lima Avenue, Findlay, Ohio 45840
(Address of principal executive offices)
(Zip code)

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

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

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

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

Large accelerated filer ☒		Accelerated filer ☐
Non-accelerated filer ☐	(Do not check if a smaller reporting company)	Smaller reporting company ☐

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

Number of shares of common stock of registrant outstanding
at October 31, 2014: 58,108,285

Part I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

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

	December 31, 2013 (Note 1)	**September 30, 2014 (Unaudited)**
ASSETS		
Current assets:		
Cash and cash equivalents	$ 397,731	**$ 335,778**
Notes receivable	86,965	**90,098**
Accounts receivable, less allowances of $16,966 at 2013 and $14,289 at 2014	360,405	**538,790**
Inventories at lower of cost or market:		
Finished goods	360,686	**437,816**
Work in process	35,576	**40,983**
Raw materials and supplies	120,913	**123,210**
	517,175	**602,009**
Other current assets	92,514	**94,354**
Total current assets	1,454,790	**1,661,029**
Property, plant and equipment:		
Land and land improvements	51,186	**51,195**
Buildings	326,635	**329,790**
Machinery and equipment	1,847,576	**1,895,692**
Molds, cores and rings	246,760	**258,282**
	2,472,157	**2,534,959**
Less accumulated depreciation and amortization	1,497,888	**1,563,276**
Net property, plant and equipment	974,269	**971,683**
Goodwill	18,851	18,851
Intangibles, net of accumulated amortization of $63,354 at 2013 and $71,626 at 2014	160,308	**153,656**
Restricted cash	2,759	**640**
Deferred income taxes	111,644	**100,934**
Other assets	15,526	**16,586**
Total assets	$2,738,147	**$ 2,923,379**
LIABILITIES AND EQUITY		
Current liabilities:		
Notes payable	$ 22,105	**$ 184,553**
Accounts payable	302,422	**358,320**
Accrued liabilities	211,090	**264,056**
Income taxes	11,098	**16,961**
Current portion of long-term debt	17,868	**15,559**
Total current liabilities	564,583	**839,449**
Long-term debt	320,959	**325,538**
Postretirement benefits other than pensions	238,653	**239,282**
Pension benefits	291,808	**249,529**
Other long-term liabilities	157,918	**159,692**
Deferred income tax liabilities	6,601	**6,131**
Redeemable noncontrolling shareholder interest	—	**168,435**
Equity:		
Preferred stock, $1 par value; 5,000,000 shares authorized; none issued	—	**—**
Common stock, $1 par value; 300,000,000 shares authorized; 87,850,292 shares issued	87,850	**87,850**
Capital in excess of par value	4,433	**1,721**
Retained earnings	1,741,611	**1,790,969**
Cumulative other comprehensive loss	(410,020)	**(399,678)**
	1,423,874	**1,480,862**
Less: common shares in treasury at cost (24,464,264 at 2013 and 29,749,007 at 2014)	(433,008)	**(587,332)**
Total parent stockholders' equity	990,866	**893,530**
Noncontrolling shareholders' interests in consolidated subsidiaries	166,759	**41,793**
Total equity	1,157,625	**935,323**
Total liabilities and equity	$2,738,147	**$ 2,923,379**

See accompanying notes.

COOPER TIRE & RUBBER COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
THREE MONTHS ENDED SEPTEMBER 30, 2013 AND 2014
(UNAUDITED)
(Dollar amounts in thousands except per-share amounts)

	2013	**2014**
Net sales	$832,419	**$920,082**
Cost of products sold	735,015	**762,878**
Gross profit	97,404	**157,204**
Selling, general and administrative	69,496	**67,829**
Operating profit	27,908	**89,375**
Interest expense	(6,684)	**(7,050)**
Interest income	270	**305**
Other—expense	(348)	**(1,253)**
Income before income taxes	21,146	**81,377**
Income tax expense	17,845	**26,740**
Net income	3,301	**54,637**
Net income attributable to noncontrolling shareholders' interests	3,469	**6,938**
Net income (loss) attributable to Cooper Tire & Rubber Company	$ (168)	**$ 47,699**
Basic earnings (loss) per share:		
Net income (loss) attributable to Cooper Tire & Rubber Company common stockholders	$ (0.00)	**$ 0.79**
Diluted earnings (loss) per share:		
Net income (loss) attributable to Cooper Tire & Rubber Company common stockholders	$ (0.00)	**$ 0.77**
Dividends per share	$ 0.105	**$ 0.105**

See accompanying notes.

COOPER TIRE & RUBBER COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THREE MONTHS ENDED SEPTEMBER 30, 2013 AND 2014
(UNAUDITED)
(Dollar amounts in thousands)

	Three Months Ended September 30, 2013	Three Months Ended September 30, 2014
Net income	$ 3,301	**$ 54,637**
Other comprehensive income		
Cumulative currency translation adjustments		
Foreign currency translation adjustments	12,284	**(13,537)**
Financial instruments		
Change in the fair value of derivatives and marketable securities	(3,205)	**4,923**
Income tax benefit (expense) on derivative instruments	1,337	**(1,942)**
Financial instruments, net of tax	(1,868)	**2,981**
Postretirement benefit plans		
Amortization of actuarial loss	13,191	**9,147**
Amortization of prior service credit	(142)	**(141)**
Income tax expense on postretirement benefit plans	(4,744)	**(3,075)**
Foreign currency translation effect	(5,607)	**5,435**
Postretirement benefit plans, net of tax	2,698	**11,366**
Other comprehensive income	13,114	**810**
Comprehensive income	16,415	**55,447**
Less comprehensive income attributable to noncontrolling shareholders' interests	3,796	**5,857**
Comprehensive income attributable to Cooper Tire & Rubber Company	$ 12,619	**$ 49,590**

See accompanying notes.

COOPER TIRE & RUBBER COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
NINE MONTHS ENDED SEPTEMBER 30, 2013 AND 2014
(UNAUDITED)
(Dollar amounts in thousands except per-share amounts)

	2013	**2014**
Net sales	$2,578,226	**$2,605,225**
Cost of products sold	2,172,744	**2,152,810**
Gross profit	405,482	**452,415**
Selling, general and administrative	211,744	**205,540**
Operating profit	193,738	**246,875**
Interest expense	(21,016)	**(20,960)**
Interest income	707	**1,088**
Other—expense	(587)	**(787)**
Income before income taxes	172,842	**226,216**
Income tax expense	65,104	**75,093**
Net income	107,738	**151,123**
Net income attributable to noncontrolling shareholders' interests	16,340	**19,808**
Net income attributable to Cooper Tire & Rubber Company	$ 91,398	**$ 131,315**
Basic earnings per share:		
Net income attributable to Cooper Tire & Rubber Company common stockholders	$ 1.44	**$ 2.10**
Diluted earnings per share:		
Net income attributable to Cooper Tire & Rubber Company common stockholders	$ 1.42	**$ 2.07**
Dividends per share	$ 0.315	**$ 0.315**

See accompanying notes.

COOPER TIRE & RUBBER COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
NINE MONTHS ENDED SEPTEMBER 30, 2013 AND 2014
(UNAUDITED)
(Dollar amounts in thousands)

	Nine Months Ended September 30, 2013	**2014**
Net income	$ 107,738	**$ 151,123**
Other comprehensive income		
Cumulative currency translation adjustments		
Foreign currency translation adjustments	9,349	**(12,730)**
Financial instruments		
Change in the fair value of derivatives and marketable securities	1,588	**1,934**
Income tax expense on derivative instruments	(605)	**(856)**
Financial instruments, net of tax	983	**1,078**
Postretirement benefit plans		
Amortization of actuarial loss	39,558	**27,438**
Amortization of prior service credit	(425)	**(424)**
Income tax expense on postretirement benefit plans	(14,236)	**(9,267)**
Foreign currency translation effect	(918)	**2,193**
Postretirement benefit plans, net of tax	23,979	**19,940**
Other comprehensive income	34,311	**8,288**
Comprehensive income	142,049	**159,411**
Less comprehensive income attributable to noncontrolling shareholders’ interests	18,418	**17,754**
Comprehensive income attributable to Cooper Tire & Rubber Company	$ 123,631	**$ 141,657**

See accompanying notes.

COOPER TIRE & RUBBER COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2013 AND 2014
(UNAUDITED)
(Dollar amounts in thousands)

	2013	**2014**
Operating activities:		
Net income	$ 107,738	**$ 151,123**
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	99,222	**105,319**
Deferred income taxes	5,035	**2,717**
Stock based compensation	6,470	**5,845**
Change in LIFO inventory reserve	(37,033)	**(54,464)**
Amortization of unrecognized postretirement benefits	39,133	**27,014**
Changes in operating assets and liabilities:		
Accounts and notes receivable	(40,049)	**(187,541)**
Inventories	15,210	**(35,518)**
Other current assets	(15,878)	**(2,681)**
Accounts payable	(77,932)	**58,482**
Accrued liabilities	53,053	**52,519**
Other items	(31,857)	**(24,825)**
Net cash provided by operating activities	123,112	**97,990**
Investing activities:		
Additions to property, plant and equipment and capitalized software	(135,412)	**(112,126)**
Proceeds from the sale of assets	532	**1,089**
Net cash used in investing activities	(134,880)	**(111,037)**
Financing activities:		
Net issuance of (payments on) short-term debt	(6,864)	**163,473**
Additions to long-term debt	24,527	**15,634**
Repayments on long-term debt	(18,657)	**(13,363)**
Accelerated share repurchase program	—	**(200,000)**
Payment of dividends to noncontrolling shareholders	(9,790)	**(2,570)**
Payment of dividends	(19,950)	**(19,432)**
Issuance of common shares and excess tax benefits on options	1,869	**3,890**
Net cash used in financing activities	(28,865)	**(52,368)**
Effects of exchange rate changes on cash	(1,379)	**3,462**
Changes in cash and cash equivalents	(42,012)	**(61,953)**
Cash and cash equivalents at beginning of year	351,817	**397,731**
Cash and cash equivalents at end of period	$ 309,805	**$ 335,778**

See accompanying notes.

1. Basis of Presentation and Consolidation

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. There is a year-round demand for the Company's passenger and truck replacement tires, but sales of light vehicle replacement tires are generally strongest during the third and fourth quarters of the year. Winter tires are sold principally during the months of June through November. Operating results for the nine-month period ended September 30, 2014 are not necessarily indicative of the results that may be expected for the year ended December 31, 2014.

The Company consolidates into its financial statements the accounts of the Company, all wholly-owned subsidiaries, and any partially-owned subsidiary that the Company has the ability to control. Control generally equates to ownership percentage, whereby investments that are more than 50% owned are consolidated, investments in affiliates of 50% or less but greater than 20% are accounted for using the equity method, and investments in affiliates of 20% or less are accounted for using the cost method. The Company does not consolidate any entity for which it has a variable interest based solely on power to direct the activities and significant participation in the entity's expected results that would not otherwise be consolidated based on control through voting interests. Further, the Company's joint ventures are businesses established and maintained in connection with the Company's operating strategy. All intercompany transactions and balances have been eliminated.

Accounting Pronouncements

Changes to accounting principles generally accepted in the United States of America ("U.S. GAAP") are established by the Financial Accounting Standards Board ("FASB") in the form of accounting standards updates ("ASUs") to the FASB's Accounting Standards Codification.

The Company considers the applicability and impact of all ASUs. ASUs not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on the Company's consolidated financial statements.

Accounting Pronouncements – Recently Adopted

Income Taxes – In July 2013, the FASB issued ASU 2013-11, "Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists," which clarifies treatment of unrecognized tax benefits based on surrounding circumstances. The amendments in this update are effective for the annual and interim periods beginning on or after December 15, 2013. Although the Company does not expect the adoption of ASU 2013-11 to have a material effect on its consolidated financial statements, it will modify presentation of its unrecognized tax benefit if the specific circumstances are met. The adoption of this accounting standards update did not have an impact on the Company's consolidated financial statements.

Accounting Pronouncements – To be adopted

Discontinued Operations – In April 2014, the FASB issued ASU 2014-08, "Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity," which requires that a disposal representing a strategic shift that has or will have a major effect on an entity's financial results or a business activity classified as held for sale should be reported as discontinued operations. The amendments also expand the disclosure requirements for discontinued operations and add new disclosures for individually significant dispositions that do not qualify as discontinued operations. The guidance is effective for the interim and annual periods beginning on or after December 15, 2014 with early adoption permitted only for disposals that have not been previously reported. The Company has not yet selected a transition method and is currently evaluating the impact of the amended guidance on its consolidated financial statements and related disclosures.

Revenue Recognition – In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers," which will supersede most current revenue recognition guidance, including industry-specific guidance. The core principle is that an entity will recognize revenue to depict the transfer of goods or services to customers in an amount that the entity expects to be entitled to in exchange for those goods or services. The guidance provides a five-step model to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of time value of money in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The guidance is effective for the interim and annual periods beginning on or after December 15, 2016 with early adoption not permitted. The guidance permits the use of either a retrospective or cumulative effect transition method. The Company has not yet selected a transition method and is currently evaluating the impact of the amended guidance on its consolidated financial statements and related disclosures.

Stock-Based Compensation – In June 2014, the FASB issued ASU 2014-12 "Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period," which requires that a performance target that affects vesting, and that could be achieved after the requisite service period, be treated as a performance condition. As such, the performance target should not be reflected in estimating the grant date fair value of the award. This update further clarifies that compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the periods for which the requisite service has already been rendered. The guidance is effective for the interim and annual periods beginning on or after December 15, 2015 and can be applied either prospectively or retrospectively to all awards outstanding as of the beginning of the earliest annual period presented as an adjustment to opening retained earnings. Early adoption is permitted. The Company is evaluating the impact, if any, of adopting this new accounting guidance on its consolidated financial statements.

2. CCT Agreements

On January 29, 2014, the Company entered into an agreement (the "CCT Agreement") with Chengshan Group Company Ltd. ("Chengshan") and The Union of Cooper Chengshan (Shandong) Tire Company Co., Ltd. (the "Union") regarding Cooper Chengshan (Shandong) Tire Company Ltd. ("CCT") that, among other matters, provides Chengshan, with certain conditions and exceptions, a limited contractual right to either (i) purchase the Company's 65 percent equity interest in CCT for 65 percent of the Option Price (as defined below) or (ii) sell its 35 percent equity interest in CCT to the Company for 35 percent of the Option Price. In the event Chengshan elects not to exercise its right to purchase the Company's equity interest or sell its interest in CCT to the Company, the Company has the right to purchase Chengshan's 35 percent equity interest in CCT for 35 percent of the Option Price subject to certain conditions. In the event neither Chengshan nor the Company exercises their respective options prior to their expiration, the agreement allows for continuation of the joint venture as currently structured.

The "Option Price" under the CCT Agreement is defined as the greater of (i) the fair market value of CCT on a stand-alone basis, which value will not take into consideration the value of the trademarks and technologies licensed by the Company to CCT, as determined by an internationally recognized valuation firm (the "CCT valuation") and (ii) $435,000.

Under the terms of the CCT Agreement, once the Option Price is determined, the noncontrolling shareholder has 45 days to elect to either purchase the Company's 65 percent ownership interest in CCT for 65 percent of the Option Price or sell to the Company its 35 percent ownership interest in CCT at 35 percent of the Option Price or do neither. If the noncontrolling shareholder does not exercise these options, the options shall expire and the Company shall have the right to purchase the noncontrolling shareholder's 35 percent ownership interest in CCT at 35 percent of the Option Price. The CCT Agreement provides that, if the CCT valuation is not provided on or before August 11, 2014 (the "Option Commencement Deadline"), the options of both parties will terminate and be of no effect unless the Company, at its sole discretion, elects to extend the deadline for the CCT valuation. On August 11, 2014, the Company extended the Option Commencement Deadline from August 11, 2014 to August 14, 2014 to allow the parties to finalize the Option Agreement and related matters.

As contemplated by the CCT Agreement, on August 14, 2014, the Company, Cooper Tire Investment Holding (Barbados) Ltd., a wholly owned subsidiary of CTB, Chengshan and Prairie Investment Limited ("Prairie"), a wholly owned subsidiary of Chengshan, entered into an option agreement (the "Option Agreement"). The Option Agreement further extended the Option Commencement Deadline until August 24, 2014. Furthermore, the Option Agreement, among other matters, sets forth the details for exercising the options under the CCT Agreement and effecting the transactions pursuant thereto.

The CCT Agreement and the Option Agreement are separate and in addition to the purchase, sale, transfer, right of first refusal and other protective rights set forth in the existing joint venture agreement between the Company and Chengshan with respect to CCT, which continues to be in effect and fully operational.

The Company determined the CCT Agreement constitutes an accounting extinguishment and new issuance of the Chengshan Group's equity interest in CCT. In accordance with Accounting Standard Codification ("ASC") 810, "Consolidation", changes in a parent's interest while the parent retains its controlling financial interest in its subsidiary shall be accounted for as equity transactions. Therefore, gains and losses are not recorded in the Condensed Consolidated Statement of Income as a result of the CCT Agreement. The Company is required to measure the noncontrolling shareholder interest at fair value as of January 29, 2014, the transaction date (the "Transaction Date Assessment").

The measurement of the noncontrolling shareholder interest as of the transaction date was determined by assessing CCT as an ongoing component of the Company's operations. The Transaction Date Assessment was not meant to be representative of the fair market value of CCT as a stand-alone entity as defined by the CCT Agreement. Further, the Transaction Date Assessment also considered specific discounts attributable to a noncontrolling shareholder interest, including discounts for lack of control of the entity and lack of marketability. Any adjustment to the noncontrolling shareholder interest as a result of the Transaction Date Assessment was offset by a reduction to Capital in excess of par value, to the extent available, with any remaining amount treated as a reduction in Retained earnings.

In addition, because the CCT Agreement provides put and call options to the noncontrolling shareholder interest owner, these options should be measured at fair value (the "Options Assessment"). Adjustments to the carrying value of the noncontrolling shareholder interest as a result of the Options Assessment were to be treated like a dividend to the noncontrolling shareholder interest owner. Any adjustment to the noncontrolling shareholder interest as a result of the Options Assessment is offset by a reduction to Retained earnings and reflected in the computation of earnings per share available to the Company's common stockholders.

Further, as a result of the CCT Agreement, during the term of its put option rights, the noncontrolling shareholder interest in CCT has redemption features that are not within the control of the Company. Accordingly, the noncontrolling shareholder interest in CCT is recorded outside of total equity. If the Transaction Date Assessment and Options Assessment result in a noncontrolling shareholder interest that is less than 35 percent of the minimum Option Price, ASC 480, "Distinguishing Liabilities from Equity", requires that the noncontrolling shareholder interest be adjusted to 35 percent of the minimum Option Price.

The Company's Transaction Date Assessment, in accordance with the appropriate accounting guidance, resulted in an adjustment to the redeemable noncontrolling shareholder interest of $28,285, increasing the total noncontrolling shareholder interest to $152,250. The Options Assessment did not result in any further adjustment to the redeemable noncontrolling shareholder interest. The redeemable noncontrolling shareholder interest was classified outside of permanent equity on the Company's Condensed Consolidated Balance Sheets, in accordance with the authoritative accounting guidance.

On August 24, 2014, the CCT valuation was completed by an internationally recognized valuation firm. The CCT valuation amount was approximately $437,700. As contemplated by the CCT Agreement, the CCT Valuation amount is to be used as the Option Price, as it is greater than $435,000. Subsequent to the Transaction Date Assessment, in accordance with ASC 480, the carrying value of the redeemable noncontrolling shareholder interest was evaluated to determine if the redemption value as of the reporting date exceeds the carrying value. At September 30, 2014, no adjustment to the redeemable noncontrolling shareholder interest was required as the carrying value of $168,435 is greater than the redemption value of $153,206, which is 35 percent of the CCT valuation amount of $437,700.

The Company has determined that the recurring fair value measurements related to CCT rely primarily on Company-specific inputs and the Company's assumptions about the use of the assets and settlements of liabilities, as observable inputs are not available and, as such, reside within Level 3 of the fair value hierarchy as defined in Footnote 5. The Company utilized third parties to assist in the determination of the fair value of CCT based upon internal and external inputs considering various relevant market transactions, discounted cash flow valuation methods and probability weighting, among other factors.

In October 2014, the Company received the required documentation from the noncontrolling shareholder interest owner indicating its intent to exercise its call option under the CCT Agreement. After reviewing such documentation and working with the noncontrolling shareholder interest owner to confirm necessary steps to move forward, the Company and noncontrolling shareholder interest owner are proceeding with the proposed sale of the Company's interest in CCT to the noncontrolling shareholder interest owner in accordance with the procedures set out in the Option Agreement, including seeking the required governmental approvals. Should the noncontrolling shareholder interest owner purchase Cooper's stake in the joint venture, Cooper will continue to have offtake rights, with CCT agreeing to produce Cooper branded products until mid-2018. Based on the timeline of events and information known, the Company evaluated its accounting for CCT in accordance with U.S. GAAP and concluded that no change in the accounting for CCT is required as of September 30, 2014.

3. Share Repurchase Program

On August 6, 2014, the Company entered into a $200 million accelerated share repurchase program (the "ASR program") with a major financial institution (the "ASR Counterparty") to repurchase shares of the Company's common stock. Under the ASR program, the Company paid $200 million to the ASR Counterparty and received 5,567,154 shares of its common stock from the ASR Counterparty, which represents approximately 80 percent of the shares expected to be purchased pursuant to the ASR program, based on the closing price on August 6, 2014. The total number of shares to be repurchased under the ASR program will be based generally on the volume-weighted average price of the Company's common stock, less a discount, during the repurchase period, subject to provisions that set a minimum and maximum number of shares. The total number of shares to be repurchased will be determined on final settlement, which the Company expects to occur no later than the final repurchase date in February 2015, although settlement may be accelerated or delayed under certain circumstances. The ASR program is accounted for as treasury stock repurchase transactions, reducing the weighted average number of basic and diluted common shares outstanding by the 5,567,154 shares initially repurchased, and as a forward contract indexed to the Company's own common stock for the future settlement provisions. The forward contract is accounted for as an equity instrument.

4. Earnings Per Share

Net income per share is computed on the basis of the weighted average number of common shares outstanding during the period. Diluted earnings per share includes the dilutive effect of stock options and other stock units. The following table sets forth the computation of basic and diluted earnings per share:

	Three months ended September 30		Nine months ended September 30	
	2013	**2014**	2013	**2014**
Numerator				
Numerator for basic and diluted earnings per share - Net income (loss) attributable to common stockholders	$ (168)	**$ 47,699**	$ 91,398	**$ 131,315**
Denominator				
Denominator for basic earnings per share - weighted average shares outstanding	63,365	**60,606**	63,311	**62,504**
Effect of dilutive securities - stock options and other stock units	—	**1,023**	967	**969**
Denominator for diluted earnings per share - adjusted weighted average shares outstanding	63,365	**61,629**	64,278	**63,473**
Basic earnings (loss) per share:				
Net income (loss) attributable to Cooper Tire & Rubber Company common stockholders	$ (0.00)	**$ 0.79**	$ 1.44	**$ 2.10**
Diluted earnings (loss) per share:				
Net income (loss) attributable to Cooper Tire & Rubber Company common stockholders	$ (0.00)	**$ 0.77**	$ 1.42	**$ 2.07**

All options to purchase share of the Company's common stock were included in the computation of diluted earnings per share as the options' exercise prices were less than the average market price of the common shares at both September 30, 2013 and 2014.

The weighted-average number of shares outstanding used in the computation of basic and diluted earnings per share reflects the Company's initial receipt of 5,567,154 shares pursuant to the ASR program during the quarter ended September 30, 2014. The weighted-average number of shares outstanding used in the computation of basic and diluted earnings per share does not include additional shares, if any, the Company may receive upon final settlement of the ASR program. The effect of these potential additional shares was not included in the computation of diluted earnings per share for the three and nine months ended September 30, 2014 because the inclusion of these potential additional shares would have been anti-dilutive.

5. Fair Value Measurements

Derivative financial instruments are utilized by the Company to reduce foreign currency exchange risks. The Company has established policies and procedures for risk assessment and the approval, reporting and monitoring of derivative financial instrument activities. The Company does not enter into financial instruments for trading or speculative purposes. The derivative financial instruments include fair value and cash flow hedges of foreign currency exposures. The change in values of the fair value foreign currency hedges offset exchange rate fluctuations on the foreign currency-denominated intercompany loans and obligations. The Company presently hedges exposures in the Euro, Canadian dollar, British pound sterling, Swiss franc, Swedish krona, Norwegian krone, 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, 2013 and September 30, 2014 was $148,036 and $190,559, respectively. The counterparties to each of these agreements are major commercial banks.

The Company uses foreign currency forward contracts as hedges of the fair value of certain non-U.S. dollar denominated asset and liability positions, primarily accounts receivable and debt. Gains and losses resulting from the impact of currency exchange rate movements on these forward contracts are recognized in the accompanying Condensed Consolidated Statements of Operations 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 such forward contracts (approximately $398 and $2,332 as of December 31, 2013 and September 30, 2014, respectively) are recorded as a separate component of stockholders' equity in the accompanying Condensed Consolidated Balance Sheets and reclassified into earnings as the hedged transactions occur.

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

The derivative instruments are subject to master netting arrangements with the counterparties to the contracts. The following table presents the location and amounts of derivative instrument fair values in the Condensed Consolidated Balance Sheets:

	December 31, 2013		**September 30, 2014**	
Assets/(Liabilities)				
Designated as hedging instruments:				
Gross amounts recognized		$ 2,702		**$3,138**
Gross amounts offset		(2,232)		**(689)**
Net amounts		470		**2,449**
Not designated as hedging instruments:				
Gross amounts recognized		(121)		**149**
Gross amounts offset		—		**—**
Net amounts		(121)		**149**
Net amounts presented	Other current assets	$ 349	**Other current assets**	**$2,598**

The following table presents the location and amount of gains and losses on derivative instruments in the Condensed Consolidated Statements of Income:

Derivatives Designated as Cash Flow Hedges	Amount of Gain (Loss) Recognized in Other Comprehensive Income on Derivatives (Effective Portion)	Amount of Gain (Loss) Reclassified from Cumulative Other Comprehensive Loss into Income (Effective Portion)	Amount of Gain (Loss) Recognized in Income on Derivatives (Ineffective Portion)
Three Months Ended September 30, 2013	$ (2,316)	$ 889	$ 126
Three Months Ended September 30, 2014	**$ 5,808**	**$ 885**	**$ 218**
Nine Months Ended September 30, 2013	$ 2,926	$ 1,338	$ (84)
Nine Months Ended September 30, 2014	**$ 4,119**	**$ 2,185**	**$ 45**

Derivatives not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivatives	Amount of Gain (Loss) Recognized In Income on Derivatives — Three Months Ended September 30, 2013	**2014**	Nine Months Ended September 30, 2013	**2014**
Foreign exchange contracts	Other income	$ 274	**$ 314**	$ (359)	**$ 270**

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 Condensed Consolidated Balance Sheets 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 valuation of foreign exchange forward contracts was determined using widely accepted valuation techniques. This analysis reflected the contractual terms of the derivatives, including the period to maturity, and used observable market-based inputs, including forward points. The Company incorporated credit valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. Although the Company determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as current credit ratings, to evaluate the likelihood of default by itself and its counterparties. However, as of December 31, 2013 and September 30, 2014, the Company assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and determined that the credit valuation adjustments were not significant to the overall valuation of its derivatives. As a result, the Company determined that its derivative valuations in their entirety were classified in Level 2 of the fair value hierarchy.

The valuation of stock-based liabilities was determined using the Company's stock price, and as a result, these liabilities are classified in Level 1 of the fair value hierarchy.

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, 2013 and September 30, 2014:

	December 31, 2013			
	Total Assets (Liabilities)	Quoted Prices in Active Markets for Identical Assets Level (1)	Significant Other Observable Inputs Level (2)	Significant Unobservable Inputs Level (3)
Foreign Exchange Contracts	$ 349	$ —	$ 349	$ —
Stock-based Liabilities	$ (12,462)	$ (12,462)	$ —	$ —

	September 30, 2014			
	Total Assets (Liabilities)	**Quoted Prices in Active Markets for Identical Assets Level (1)**	**Significant Other Observable Inputs Level (2)**	**Significant Unobservable Inputs Level (3)**
Foreign Exchange Contracts	**$ 2,598**	**$ —**	**$ 2,598**	**$ —**
Stock-based Liabilities	**$ (15,820)**	**$ (15,820)**	**$ —**	**$ —**
Redeemable noncontrolling shareholder interest ***(see Footnote 2 - CCT Agreement)***	**$(153,206)**	**$ —**	**$ —**	**$ (153,206)**

The following table presents the movement in the Level 3 fair value measurements for both the three- and nine-month periods ended September 30, 2014.

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Redeemable noncontrolling shareholder interest	
	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2014
Beginning Balance	$ (152,250)	$ —
Transfer into Level 3 - Redeemable noncontrolling shareholder interest	—	(152,250)
Adjustment for CCT valuation amount	(956)	(956)
Ending Balance	$ (153,206)	$ (153,206)

The Redeemable noncontrolling shareholder interest is recorded in the Condensed Consolidated Balance Sheets at its carrying value of $168,435. Since the carrying value is greater than the 35 percent of the CCT valuation agreement, no adjustment for the increase in fair value is required.

The following tables present the carrying amounts and fair values for the Company's financial instruments carried at cost on the Condensed Consolidated Balance Sheets. The fair value of the Company's debt is based upon the market price of the Company's publicly-traded debt. The carrying amounts and fair values of the Company's financial instruments are as follows:

	December 31, 2013			
		Fair Value Measurements Using		
	Carrying Amount	Quoted Prices in Active Markets for Identical Instruments Level (1)	Significant Other Observable Inputs Level (2)	Significant Unobservable Inputs Level (3)
Cash and cash equivalents	$ 397,731	$ 397,731	$ —	$ —
Notes receivable	86,965	86,965	—	—
Restricted cash	2,759	2,759	—	—
Notes payable	(22,105)	(22,105)	—	—
Current portion of long-term debt	(17,868)	(17,868)	—	—
Long-term debt	(320,959)	(334,759)	—	—

	September 30, 2014			
		Fair Value Measurements Using		
	Carrying Amount	**Quoted Prices in Active Markets for Identical Instruments Level (1)**	**Significant Other Observable Inputs Level (2)**	**Significant Unobservable Inputs Level (3)**
Cash and cash equivalents	**$ 335,778**	**$ 335,778**	**$ —**	**$ —**
Notes receivable	**90,098**	**90,098**	**—**	**—**
Restricted cash	**640**	**640**	**—**	**—**
Notes payable	**(184,553)**	**(184,553)**	**—**	**—**
Current portion of long-term debt	**(15,559)**	**(15,559)**	**—**	**—**
Long-term debt	**(325,538)**	**(353,338)**	**—**	**—**

6 . Business Segments

The following table details information on the Company’s operating segments. The North American Tire segment has been renamed the Americas Tire segment to better reflect the Company’s expanding presence in Central and South America. This change did not impact the financial results previously reported by the segment.

	Three months ended September 30		Nine months ended September 30	
	2013	**2014**	2013	**2014**
Revenues:				
Americas Tire				
External customers	$ 618,840	**$ 677,444**	$ 1,812,791	**$ 1,846,403**
Intercompany	14,205	**16,494**	45,713	**50,263**
	633,045	**693,938**	1,858,504	**1,896,666**
International Tire				
External customers	213,579	**242,638**	765,435	**758,822**
Intercompany	50,871	**70,777**	193,316	**191,359**
	264,450	**313,415**	958,751	**950,181**
Eliminations	(65,076)	**(87,271)**	(239,029)	**(241,622)**
Net sales	$ 832,419	**$ 920,082**	$ 2,578,226	**$ 2,605,225**
Segment profit (loss):				
Americas Tire	$ 38,762	**$ 75,618**	$ 169,381	**$ 209,080**
International Tire	3,083	**22,787**	62,322	**72,394**
Eliminations	1,736	**(1,118)**	2,900	**(2,376)**
Unallocated corporate charges	(15,673)	**(7,912)**	(40,865)	**(32,223)**
Operating profit	27,908	**89,375**	193,738	**246,875**
Interest expense	(6,684)	**(7,050)**	(21,016)	**(20,960)**
Interest income	270	**305**	707	**1,088**
Other - income (expense)	(348)	**(1,253)**	(587)	**(787)**
Income before income taxes	$ 21,146	**$ 81,377**	$ 172,842	**$ 226,216**

7. Inventories

Inventory costs are determined using the last-in, first-out (“LIFO”) method for substantially all U.S. inventories. The current cost of this inventory under the first-in, first-out (“FIFO”) method was $432,906 and $468,418 at December 31, 2013 and September 30, 2014, respectively. These FIFO values have been reduced by approximately $161,436 and $106,972 at December 31, 2013 and September 30, 2014, respectively, to arrive at the LIFO value reported on the Condensed Consolidated Balance Sheets. The remaining inventories have been valued under the FIFO or average cost method. All inventories are stated at the lower of cost or market.

8. Stock-Based Compensation

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

The following table discloses the amount of stock-based compensation expense for the three- and nine-month periods ended September 30, 2013 and 2014.

	Three months ended September 30		Nine months ended September 30	
	2013	**2014**	2013	**2014**
Stock options	$ 989	**$ 1,058**	$ 2,962	**$ 3,147**
Restricted stock units	280	**749**	839	**1,058**
Performance stock units	740	**426**	2,669	**1,640**
Total stock based compensation	$ 2,009	**$ 2,233**	$ 6,470	**$ 5,845**

Stock Options

In February 2012, executives participating in the 2012-2014 Long-Term Incentive Plan were granted 589,934 stock options which will vest one-third each year through February 2015. In February 2013, executives participating in the 2013-2015 Long-Term Incentive Plan were granted 330,639 stock options which will vest one-third each year through February 2016. In February 2014, executives participating in the 2014-2016 Long-Term Incentive Plan were granted 380,064 stock options which will vest one-third each year through February 2017. The fair value of these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions:

	2013	**2014**
Risk-free interest rate	1.17%	**2.00%**
Dividend yield	1.7%	**1.8%**
Expected volatility of the Company's common stock	0.646	**0.640**
Expected life in years	6.0	**6.0**

The weighted average fair value of options granted in 2013 and 2014 was $12.97 and $12.26, respectively.

The following table provides details of the stock option activity for the nine months ended September 30, 2014:

	Number of Shares
Outstanding at January 1, 2014	1,710,244
Granted	380,064
Exercised	(195,631)
Expired	(53,000)
Cancelled	(24,641)
Outstanding at September 30, 2014	1,817,036
Exercisable	1,043,873

Restricted Stock Units (RSUs)

The following table provides details of the nonvested RSU activity for the nine months ended September 30, 2014:

	Number of Restricted Units
Nonvested at January 1, 2014	60,686
Granted	166,500
Vested	(29,028)
Accrued dividend equivalents	1,132
Nonvested at September 30, 2014	199,290

Performance Stock Units (PSUs)

Executives participating in the Company's Long-Term Incentive Plan for the plan year 2012-2014 earn PSUs and cash. Any units and cash earned during 2012, 2013 and 2014 will vest at December 31, 2014.

Executives participating in the Company's Long-Term Incentive Plan for the plan year 2013-2015 earn PSUs and cash. Any units and cash earned during 2013 and 2014 will vest at December 31, 2015.

Executives participating in the Company's Long-Term Incentive Plan for the plan year 2014-2016 earn PSUs and cash. Any units and cash earned during 2014 will vest at December 31, 2016.

The following table provides details of the nonvested PSUs under the Company's Long-Term Incentive Plans:

Performance stock units outstanding at January 1, 2014	156,772
Cancelled	(3,128)
Accrued dividend equivalents	1,952
Performance stock units outstanding at September 30, 2014	155,596

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

9. Pensions and Postretirement Benefits Other than Pensions

The following tables disclose the amount of net periodic benefit costs for the Company's defined benefit plans and other postretirement benefits relating to continuing operations:

	Pension Benefits - Domestic			
	Three months ended September 30		Nine months ended September 30	
	2013	**2014**	2013	**2014**
Components of net periodic benefit cost:				
Service cost	$ 2,970	**$ 2,440**	$ 8,909	**$ 7,320**
Interest cost	9,657	**10,711**	28,972	**32,132**
Expected return on plan assets	(11,889)	**(13,136)**	(35,666)	**(39,407)**
Amortization of actuarial loss	11,086	**7,005**	33,257	**21,016**
Net periodic benefit cost	$ 11,824	**$ 7,020**	$ 35,472	**$ 21,061**

	Pension Benefits - International			
	Three months ended September 30		Nine months ended September 30	
	2013	**2014**	2013	**2014**
Components of net periodic benefit cost:				
Service cost	$ 3	**$ 3**	$ 9	**$ 9**
Interest cost	3,884	**4,972**	11,611	**14,907**
Expected return on plan assets	(3,716)	**(5,063)**	(11,108)	**(15,178)**
Amortization of actuarial loss	1,627	**2,142**	4,865	**6,422**
Net periodic benefit cost	$ 1,798	**$ 2,054**	$ 5,377	**$ 6,160**

	Other Postretirement Benefits			
	Three months ended September 30		Nine months ended September 30	
	2013	**2014**	2013	**2014**
Components of net periodic benefit cost:				
Service cost	$ 953	**$ 601**	$ 2,860	**$ 1,803**
Interest cost	2,698	**2,827**	8,094	**8,479**
Amortization of prior service cost	(142)	**(141)**	(425)	**(424)**
Amortization of actuarial loss	478	**—**	1,436	**—**
Net periodic benefit cost	$ 3,987	**$ 3,287**	$ 11,965	**$ 9,858**

10. Stockholders' Equity

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

	Redeemable Noncontrolling Shareholder Interest	Total Equity: Total Parent Stockholders' Equity	Total Equity: Noncontrolling Shareholder Interest in Consolidated Subsidiary	Total Equity: Total Stockholders' Equity
Balance at December 31, 2013	$ —	$ 990,866	$ 166,759	$1,157,625
Reclassification of redeemable noncontrolling shareholder interest	152,250	(28,285)	(123,965)	(152,250)
Net income	17,173	131,315	2,635	133,950
Other comprehensive income	(988)	10,342	(1,066)	9,276
Accelerated stock repurchase program		(200,000)		(200,000)
Dividends payable to noncontrolling shareholders	—	—	(2,570)	(2,570)
Stock compensation plans, including tax benefit of $234	—	8,724	—	8,724
Cash dividends—$.315 per share	—	(19,432)	—	(19,432)
Balance at September 30, 2014	$ 168,435	$ 893,530	$ 41,793	$ 935,323

11. Changes in Cumulative Other Comprehensive Loss by Component

The following tables present the changes in Cumulative Other Comprehensive Loss by Component for the three- and nine-month periods ended September 30, 2014. All amounts are presented net of tax. Amounts in parentheses indicate debits.

	Three Months Ended September 30, 2014			
	Cumulative Currency Translation Adjustment	**Changes in the Fair Value of Derivatives**	**Unrecognized Postretirement Benefit Plans**	**Total**
July 1, 2014	$ 61,440	$ (288)	$ (462,721)	$(401,569)
Other comprehensive income (loss) before reclassifications	(12,456)	3,632(a)	5,435(c)	(3,389)
Amount reclassifed from accumulated other comprehensive loss	—	(651)(b)	5,931(d)	5,280
Net current-period other comprehensive income	(12,456)	2,981	11,366	1,891
September 30, 2014	$ 48,984	$ 2,693	$ (451,355)	$(399,678)

(a) This amount represents $5,808 of unrealized gains on cash flow hedges, net of tax of $2,176, that were recognized in Other Comprehensive Loss (see Footnote 5 - Fair Value of Financial Instruments for additional details).

(b) This amount represents $885 of gains on cash flow hedges, net of tax of $234, that were reclassified out of Cumulative Other Comprehensive Loss and are included in Other income on the Condensed Consolidated Statements of Income (see Footnote 5 - Fair Value of Financial Instruments for additional details).

(c) This amount represents $6,880 of Other Comprehensive Income, net of $1,445, that was recognized in Other Compenhensive Loss.

(d) This amount represents amortization of prior service credit of $141 and amortization of actuarial losses of ($9,147), net of tax of $3,075, that were reclassified out of Cumulative Other Comprehensive Loss and are included in the computation of net periodic benefit cost (see Footnote 9 - Pension and Postretirement Benefits Other than Pensions for additional details).

	Nine Months Ended September 30, 2014			
	Cumulative Currency Translation Adjustment	**Changes in the Fair Value of Derivatives**	**Unrecognized Postretirement Benefit Plans**	**Total**
December 31, 2013	$ 59,660	$ 1,615	$ (471,295)	$(410,020)
Other comprehensive income (loss) before reclassifications	(10,676)	2,591(a)	2,193(c)	(5,892)
Amount reclassifed from accumulated other comprehensive loss	—	(1,513)(b)	17,747(d)	16,234
Net current-period other comprehensive income (loss)	(10,676)	1,078	19,940	10,342
September 30, 2014	$ 48,984	$ 2,693	$ (451,355)	$(399,678)

(a) This amount represents $4,119 of unrealized gains on cash flow hedges, net of tax of $1,528, that were recognized in Other Comprehensive Loss (see Footnote 5 - Fair Value of Financial Instruments for additional details).

(b) This amount represents $2,185 of gains on cash flow hedges, net of tax of $672, that were reclassified out of Cumulative Other Comprehensive Loss and are included in Other income on the Condensed Consolidated Statements of Income (see Footnote 5 - Fair Value of Financial Instruments for additional details).

(c) This amount represents $2,760 of Other Comprehensive Income, net of $567, that was recognized in Other Compenhensive Loss.

(d) This amount represents amortization of prior service credit of $424 and amortization of actuarial losses of ($27,438), net of tax of $9,267, that were reclassified out of Cumulative Other Comprehensive Loss and are included in the computation of net periodic benefit cost (see Footnote 9 - Pensions and Postretirement Benefits Other than Pensions for additional details).

12. Comprehensive Income Attributable to Noncontrolling Shareholders' Interests

The following table provides the details of the comprehensive income attributable to noncontrolling shareholders' interests:

	Three months ended September 30,		Nine months ended September 30,	
	2013	**2014**	2013	**2014**
Net income attributable to noncontrolling shareholders' interests	$ 3,469	**$ 6,938**	$ 16,340	**$ 19,808**
Other comprehensive income:				
Currency translation adjustments	327	**(1,081)**	2,078	**(2,054)**
Comprehensive income attributable to noncontrolling shareholders' interests	$ 3,796	**$ 5,857**	$ 18,418	**$ 17,754**

13. Product Warranty Liabilities

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:

	2013	**2014**
Reserve at January 1	$ 30,139	**$ 30,853**
Additions	15,032	**13,983**
Payments	(13,350)	**(14,886)**
Reserve at September 30	$ 31,821	**$ 29,950**

14. Contingent Liabilities

Products Liability Claims

The Company is a defendant in various products liability claims brought in numerous jurisdictions in which individuals seek damages resulting from motor vehicle 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 30 to 35 million passenger, light truck, SUV, radial medium truck and motorcycle tires per year in North America. The Company estimates that approximately 300 million Company-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 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 losses because an average cost would not be meaningful since the products liability claims faced by the Company are unique and widely variable, and accordingly, the resolutions of those claims have an enormous amount of variability. The costs have ranged from zero dollars to $33 million in one case with no "average" that is meaningful. No specific accrual is made for individual unasserted claims or for premature claims, asserted claims where the minimum information needed to evaluate the probability of a liability is not yet known. However, an accrual for such claims based, in part, on management's expectations for future litigation activity and the settled claims history is maintained. Because of the speculative nature of litigation in the U.S., the Company does not believe a meaningful aggregate range of potential loss for asserted and unasserted claims can be determined. The Company's experience has demonstrated that its estimates have been reasonably accurate and, on average, cases are settled at amounts close to the reserves established. However, it is possible an individual claim from time to time may result in an aberration from the norm and could have a material impact.

The Company determines its reserves using the number of incidents expected during a year. During the third quarter of 2014, the Company increased its products liability reserve by $14,037. The addition of another year of self-insured incidents accounted for $12,331 of this increase. Settlements and changes in the amount of reserves for cases where sufficient information is known to estimate a liability increased by $1,706.

During the first nine months of 2014, the Company increased its products liability reserve by $40,499. The addition of another year of self-insured incidents accounted for $36,993 of this increase. The Company revised its estimates of future settlements for unasserted and premature claims. These revisions decreased the reserve by $600. Finally, settlements and changes in the amount of reserves for cases where sufficient information is known to estimate a liability increased by $4,106.

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

The Company paid $5,701 during the third quarter of 2014 to resolve cases and claims and has paid $38,960 through the first nine months of 2014. The Company's products liability reserve balance at December 31, 2013 totaled $189,513 (the current portion of $70,472 is included in Accrued liabilities and the long-term portion is included in Other long-term liabilities on the Condensed Consolidated Balance Sheets). The products liability reserve balance at September 30, 2014 totaled $191,052 (current portion of $70,314).

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.

For the three-month periods ended September 30, 2013 and 2014, products liability expenses totaled $25,722 and $21,227, respectively. For the nine-month periods ended September 30, 2013 and 2014, products liability expenses totaled $67,924 and $62,039, respectively. Products liability expenses are included in cost of goods sold in the Condensed Consolidated Statements of Income.

Certain Litigation Related to the Apollo Merger

Following the announcement of the proposed acquisition of the Company by wholly owned subsidiaries of Apollo Tyres Ltd. (the "Apollo entities") in June 2013, alleged stockholders of the Company filed putative class action lawsuits in state courts in Delaware and Ohio. These lawsuits, captioned *In re Cooper Tire & Rubber Co. Stockholders Litigation,* No. 9658 VCL and *Auld v. Cooper Tire & Rubber Co., et al.,* No. 2013 CV 293, alleged that the directors of the Company breached their fiduciary duties to the Company's stockholders by agreeing to enter into the proposed transaction for an allegedly unfair price and as the result of an allegedly unfair process. The lawsuits sought, among other things, declaratory and injunctive relief. As discussed below, on December 30, 2013, the Company terminated the merger agreement with the Apollo entities. Following the termination of the merger agreement, the plaintiffs voluntarily dismissed the Delaware and Ohio lawsuits in April 2014.

On October 4, 2013, the Company filed a complaint in the Court of Chancery of the State of Delaware, captioned *Cooper Tire Co. v. Apollo (Mauritius) Holdings Pvt. Ltd., et al.,* No. 8980- VCG, asking that the Apollo entities be required to use their reasonable efforts to close the then pending merger transaction as expeditiously as possible and also seeking, among other things, declaratory relief and damages. On October 14, 2013, the Apollo entities filed counterclaims against the Company seeking declaratory and injunctive relief.

On November 8, 2013, after expedited proceedings, the court found that the Apollo entities had not materially breached the merger agreement. On December 19, 2013, the Apollo entities moved for an entry of declaratory judgment seeking a declaration that the conditions to closing the then pending transaction were not satisfied before the November 2013 trial. On December 30, 2013, the Company terminated the merger agreement with the Apollo entities, and requested payment of the reverse termination fee, which the Apollo entities have refused to do. On October 31, 2014, the court granted Apollo's motion for declaratory judgment.

The Company regularly reviews the probable outcome of such legal proceedings, the expenses expected to be incurred, the availability and limits of the insurance coverage, and accrues for such legal proceedings at the time a loss is probable and the amount of the loss can be estimated.

An estimate of any such loss cannot be made at this time, as no claims for damages against the Company have been asserted and the outcome of these pending proceedings cannot be predicted with certainty. The Company believes that based upon information currently available, any liabilities that may result from these proceedings are not reasonably likely to have a material adverse effect on the Company's liquidity, financial condition or results of operations.

Federal Securities Litigation

On January 17, 2014, alleged stockholders of the Company filed a putative class-action lawsuit against the Company and certain of its officers in the United States District Court for the District of Delaware relating to the terminated Apollo transaction. That lawsuit, captioned *OFI Risk Arbitrages, et al. v. Cooper Tire & Rubber Co., et al.,* No. 1:14-cv-00068-LPS, generally alleges that the Company and certain officers violated the federal securities laws by issuing allegedly misleading disclosures in connection with the terminated transaction and seeks, among other things, damages. The Company and its officers believe that the allegations against them lack merit and intend to defend the lawsuit vigorously.

The Company regularly reviews the probable outcome of such legal proceedings, the expenses expected to be incurred, the availability and limits of the insurance coverage, and accrues for these proceedings at the time a loss is probable and the amount of the loss can be estimated.

This case has recently been filed and is at an early stage. As a result, the outcome of these pending proceedings cannot be predicted with certainty and an estimate of any such loss cannot be made at this time. The Company believes that based upon information currently available, any liabilities that may result from these proceedings are not reasonably likely to have a material adverse effect on the Company's liquidity, financial condition or results of operations.

Stockholder Derivative Litigation

On February 24, March 6, and April 17, 2014, purported stockholders of the Company filed derivative actions on behalf of the Company in the U.S. District Court for the Northern District of Ohio and the U.S. District Court for the District of Delaware against certain current officers and employees and the then current members of the Company's board of directors; the Ohio lawsuits were later consolidated into a single proceeding and were subsequently transferred to the U.S. District Court for the District of Delaware. The Company is named as a nominal defendant in the lawsuits, and the lawsuits seek recovery for the benefit of the Company. The lawsuits, captioned *Bui, et al. v. Armes, et al.* , No.1:14-cv-1272 (D. Del.) and *Fitzgerald v. Armes, et al.,* No. 1:14-cv-479 (D. Del.), allege that the defendants breached their fiduciary duties to the Company by issuing allegedly misleading disclosures in connection with the terminated merger transaction. The lawsuits also allege that the defendants violated Section 14(a) of the Securities Exchange Act of 1934 by means of the same allegedly misleading disclosures. The complaints also variously assert claims for waste of corporate assets, unjust enrichment, "gross mismanagement" and "abuse of control." The complaints seek, among other things, unspecified money damages from the defendants, injunctive relief and an award of attorney's fees. A purported shareholder of the Company has also submitted a demand to the Company's board of directors that it cause the Company to bring claims against certain of the Company's officers and directors for the matters alleged in the shareholder derivative lawsuits.

The Company regularly reviews the probable outcome of such legal proceedings, the expenses expected to be incurred, the availability and limits of the insurance coverage, and accrues for such legal proceedings at the time a loss is probable and the amount of the loss can be estimated.

These cases have recently been filed and are at an early stage and they do not assert claims against the Company. The outcome of these pending proceedings cannot be predicted with certainty and an estimate of any loss cannot be made at this time. The Company believes that based upon information currently available, any liabilities that may result from these proceedings are not reasonably likely to have a material adverse effect on the Company's liquidity, financial condition or results of operations.

Other Litigation

In addition to the proceedings described above, the Company is involved in various other legal proceedings arising in the ordinary course of business. The Company regularly reviews the probable outcome of these proceedings, the expenses expected to be incurred, the availability and limits of the insurance coverage, and accrues for these proceedings at the time a loss is probable and the amount of the loss can be estimated. Although the outcome of these pending proceedings cannot be predicted with certainty and an estimate of any such loss cannot be made, the Company believes that any liabilities that may result from these proceedings are not reasonably likely to have a material adverse effect on the Company's liquidity, financial condition or results of operations.

15. Income Taxes

For the quarter ended September 30, 2014, the Company recorded income tax expense of $26,740 (effective rate of 32.5 percent excluding discrete items) compared with $17,845 (effective rate of 44.7 percent excluding discrete items) for the comparable period in 2013. For the nine-month period ended September 30, 2014, the Company recorded income tax expense of $75,093 (effective rate of 33.0 percent excluding discrete items) compared with $65,104 (effective rate of 32.9 percent excluding discrete items) for the comparable period in 2013. The 2014 quarter and nine-month period income tax expense is calculated using the forecasted multi-jurisdictional annual effective tax rates to determine a blended annual effective tax rate. This rate differs from the U.S. federal statutory rate of 35 percent primarily because of the projected mix of earnings in international jurisdictions with lower tax rates, partially offset by losses in jurisdictions with no tax benefit due to valuation allowances. Income tax expense for the quarter and nine-month period is higher due primarily to increased earnings in both the U.S. and non-U.S. jurisdictions compared with the same periods of the prior year.

Tax expense for the quarter and nine-month periods ended September 30, 2014 included discrete tax expense of $298 and $400, respectively. This primarily includes amounts recorded for U.S. return to provision differences and additional expense for uncertain tax positions. For the quarter and nine-month periods ended September 30, 2013, income tax expense included a discrete tax expense of $8,389 and $8,292, respectively. This primarily includes amounts recorded for U.S. return to provision differences, the expiration of unused state tax credits, the unfavorable impact on deferred tax assets from a U.K. statutory tax rate reduction and additional expense for uncertain tax positions.

The Company continues to maintain a valuation allowance pursuant to ASC 740, “Accounting for Income Taxes,” against a portion of its U.S. and non-U.S. deferred tax asset position, as it cannot assure the utilization of these assets before they expire. In the U.S., the Company has offset a portion of its deferred tax asset relating primarily to a capital loss carryforward by a valuation allowance of $22,072. In addition, the Company has recorded valuation allowances of $9,907 relating to non-U.S. net operating losses for a total valuation allowance of $31,979. In conjunction with the Company’s ongoing review of its actual results and anticipated future earnings, the Company will continue to reassess the possibility of releasing all or part of the valuation allowances currently in place when they are deemed to be realizable.

The Company maintains an ASC 740-10, “Accounting for Uncertainty in Income Taxes,” liability for unrecognized tax benefits for permanent and temporary book/tax differences. At September 30, 2014, the Company’s liability, exclusive of interest, totals approximately $6,764. The Company accrued an immaterial amount of interest expense related to these unrecognized tax benefits during the quarter.

The Company and its subsidiaries are subject to income tax examination 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 income and franchise tax authorities for years prior to 2007.

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

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") presents information related to the consolidated results of the operations of the Company, a discussion of past results for both of the Company's segments, future outlook for the Company and information concerning the liquidity and capital resources of the Company. The Company's future results may differ materially from those indicated herein, for reasons including those indicated under the forward-looking statements heading below.

Consolidated Results of Operations

(Dollar amounts in millions except per share amounts)	Three months ended September 30			Nine months ended September 30		
	2013	Change	**2014**	2013	Change	**2014**
Revenues:						
Americas Tire						
External customers	$ 618.8	9.5%	**$ 677.4**	$1,812.8	1.9%	**$1,846.4**
Intercompany	14.2	16.2%	**16.5**	45.7	10.1%	**50.3**
	633.0	9.6%	**693.9**	1,858.5	2.1%	**1,896.7**
International Tire						
External customers	213.6	13.6%	**242.6**	765.4	-0.9%	**758.8**
Intercompany	50.9	39.1%	**70.8**	193.3	-1.0%	**191.3**
	264.5	18.5%	**313.4**	958.7	-0.9%	**950.1**
Eliminations	(65.1)	33.9%	**(87.2)**	(239.0)	1.1%	**(241.6)**
Net sales	$ 832.4	10.5%	**$ 920.1**	$2,578.2	1.0%	**$2,605.2**
Segment profit (loss)						
Americas Tire	$ 38.8	94.8%	**$ 75.6**	$ 169.4	23.4%	**$ 209.1**
International Tire	3.1	635.5%	**22.8**	62.3	16.2%	**72.4**
Eliminations	1.7	-164.7%	**(1.1)**	2.9	-182.8%	**(2.4)**
Unallocated corporate charges	(15.7)	-49.7%	**(7.9)**	(40.9)	-21.3%	**(32.2)**
Operating profit	27.9	220.4%	**89.4**	193.7	27.5%	**246.9**
Interest expense	(6.7)	6.0%	**(7.1)**	(21.0)	0.0%	**(21.0)**
Interest income	0.3	0.0%	**0.3**	0.7	57.1%	**1.1**
Other income (expense)	(0.3)	333.3%	**(1.3)**	(0.6)	33.3%	**(0.8)**
Income before income taxes	21.2	283.5%	**81.3**	172.8	30.9%	**226.2**
Income tax expense	17.8	50.0%	**26.7**	65.1	15.4%	**75.1**
Net Income	3.4	1505.9%	**54.6**	107.7	40.3%	**151.1**
Noncontrolling shareholders' interests	(3.5)	97.1%	**(6.9)**	(16.3)	21.5%	**(19.8)**
Net income (loss) attributable to Cooper Tire & Rubber Company	$ (0.1)	n/m	**$ 47.7**	$ 91.4	43.7%	**$ 131.3**
Basic earnings per share	$ —		**$ 0.79**	$ 1.44		**$ 2.10**
Diluted earnings per share	$ —		**$ 0.77**	$ 1.42		**$ 2.07**

Consolidated net sales for the three-month period ended September 30, 2014 were $920 million, an increase of $88 million from the comparable period one year ago. The increase in net sales for the third quarter of 2014 compared with the third quarter of 2013 was primarily the result of increased unit volumes ($133 million), partially offset by less favorable pricing and mix ($49 million). The third quarter of 2013 included $122 million in reduced unit volumes across both segments associated with the labor issues at CCT. The International Tire Operations segment experienced favorable exchange rates in the third quarter of 2014 ($4 million).

The Company recorded operating profit in the third quarter of 2014 of $89 million, an increase of $61 million compared with the third quarter of 2013. Lower raw material costs ($86 million) were partially offset by unfavorable pricing and mix ($57 million). Unit volumes increased ($25 million) in the third quarter of 2014 compared with the third quarter of 2013, which included $22 million of reduced volume in 2013 as a result of the labor issues at CCT. Products liability charges ($5 million) and selling, general and administrative costs ($3 million) decreased compared with the same period in 2013. In the third quarter of 2013, the Company incurred $5 million of selling, general and administrative costs associated with the then-pending merger agreement which did not recur in 2014. Other operating costs were unfavorable ($3 million) compared with the same period in 2013.

Manufacturing costs were $2 million favorable when compared with the third quarter of 2013. The third quarter of 2013 included $13 million of costs associated with production curtailments in the Americas Tire Operations segment and $7 million in manufacturing inefficiencies in the International Tire Operations segment related to the CCT labor issues. The Americas Tire Operations segment incurred manufacturing inefficiencies in the third quarter of 2014 as it is in the process of reconfiguring its manufacturing plants to increase production of higher value, higher margin tires while reducing the volume of lower value, lower margin tires in response to accelerated demand for the higher value tires. It is expected to take until mid-2015 to better match production mix to demand. Until that is achieved, certain plants in North America will run at a sub-optimal capacity which will affect cost efficiency as it did in the third quarter.

Consolidated net sales for the nine-month period ended September 30, 2014 were $2,605 million, an increase of $27 million from the comparable period one year ago. The increase in net sales for the first nine months of 2014 compared with the first nine months of 2013 was primarily the result of increased unit volumes ($234 million), partially offset by less favorable pricing and mix ($228 million). The third quarter of 2013 included $122 million in reduced unit volumes across both segments associated with the labor issues at CCT. The International Tire Operations segment experienced favorable exchange rates in the first nine months of 2014 ($21 million).

The Company recorded operating profit in the first nine months of 2014 of $247 million, an increase of $53 million compared with the first nine months of 2013. Lower raw material costs ($220 million) were offset by unfavorable pricing and mix ($236 million). Unit volumes increased ($46 million) in the first nine months of 2014 compared with the first nine months of 2013, which included $22 million of reduced volume in 2013 as a result of the labor issues at CCT. Products liability charges ($6 million) and selling, general and administrative costs ($7 million) decreased compared with the same period in 2013. In the first nine months of 2013, the Company incurred $9 million of selling, general and administrative costs associated with the then-pending merger agreement which did not recur in 2014. Other operating costs, including increased distribution costs, were unfavorable ($10 million) compared with the same period in 2013.

Manufacturing costs were $20 million favorable when compared with the first nine months of 2013. The first nine months of 2013 included $23 million of costs associated with production curtailments in the Americas Tire Operations segment and $7 million in manufacturing inefficiencies in the International Tire Operations segment related to the CCT labor issues. The Americas Tire Operations segment incurred manufacturing inefficiencies through the first nine months of 2014 for the reason cited above.

The Company experienced decreases in the costs of certain of its principal raw materials during the first nine months of 2014 compared with the comparable period of 2013. The principal raw materials for the Company include natural rubber, synthetic rubber, carbon black, chemicals and steel reinforcement components. Approximately 65 percent of the Company's raw materials are petroleum-based. Substantially all U.S. inventories have been valued using the LIFO method of inventory costing which accelerates the impact to cost of goods sold from changes to raw material prices.

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

Products liability expenses totaled $21 million and $26 million in the third quarter of 2014 and 2013, respectively. Products liability expenses totaled $62 million and $68 million in the first nine months of 2014 and 2013, respectively. The change in the liability results from claim settlements and adjustments to existing reserves based on the Company's quarterly comprehensive review of outstanding claims. Additional information related to the Company's accounting for products liability costs appears in the Notes to the Condensed Consolidated Financial Statements.

Selling, general, and administrative expenses were $68 million in the third quarter of 2014 (7.4 percent of net sales) and $69 million in the third quarter of 2013 (8.3 percent of net sales). For the nine-month period ended September 30, 2014, selling, general and administrative expenses were $206 million (7.9 percent of net sales) compared to $212 million (8.2 percent of net sales) for the comparable period of 2013. The Company's continued investment in Cooper brands globally was offset by the absence of expenses relating to the then-pending merger agreement with a wholly-owned subsidiary of Apollo in the third quarter of 2013. The year-to-date decrease in selling, general and administrative expenses is primarily attributable to the absence of Apollo transaction-related costs, partially offset by the Company's continued investment in Cooper brands globally.

Interest expense, interest income and other income remained consistent for both the three-month and nine-month periods of 2014 and 2013.

For the quarter ended September 30, 2014, the Company recorded income tax expense of $27 million (effective rate of 32.5 percent excluding discrete items) compared with $18 million (effective rate of 44.7 percent excluding discrete items) for the comparable period in 2013. For the nine-month period ended September 30, 2014, the Company recorded income tax expense of $75 million (effective rate of 33.0 percent excluding discrete items) compared with $65 million (effective rate of 32.9 percent excluding discrete items) for the comparable period in 2013. The 2014 quarter and nine-month period income tax expense is calculated using the forecasted multi-jurisdictional annual effective tax rates to determine a blended annual effective tax rate. This rate differs from the U.S. federal statutory rate of 35 percent primarily because of the projected mix of earnings in international jurisdictions with lower tax rates, partially offset by losses in jurisdictions with no tax benefit due to valuation allowances. Income tax expense for the quarter and nine-month period is higher due primarily to increased earnings in both the U.S. and non-U.S. jurisdictions compared with the same periods of the prior year.

Tax expense for the quarter and nine-month periods ended September 30, 2014 included discrete tax expense of $0.3 million and $0.4 million, respectively. This primarily includes amounts recorded for U.S. return to provision differences and additional expense for uncertain tax positions. Tax expense for both the quarter and nine-month periods ended September 30, 2013 included discrete tax expense of $8 million. This primarily includes amounts recorded for U.S. return to provision differences, the expiration of unused state tax credits, the unfavorable impact on deferred tax assets from a U.K. statutory tax rate reduction and additional expense for uncertain tax positions.

The Company continues to maintain a valuation allowance pursuant to ASC 740, "Accounting for Income Taxes," against a portion of its U.S. and non-U.S. deferred tax asset position, as it cannot assure the utilization of these assets before they expire. In the U.S., the Company has offset a portion of its deferred tax asset relating primarily to a capital loss carryforward by a valuation allowance of $22 million. In addition, the Company has recorded valuation allowances of $10 million relating to non-U.S. net operating losses for a total valuation allowance of $32 million. In conjunction with the Company's ongoing review of its actual results and anticipated future earnings, the Company will continue to reassess the possibility of releasing all or part of the valuation allowances currently in place when they are deemed to be realizable.

Americas Tire Operations Segment

(Dollar amounts in millions)	Three months ended September 30 2013	Change	2014	Nine months ended Septmber 30 2013	Change	2014
Net sales	$633.0	9.6%	$693.9	$1,858.5	2.1%	$1,896.7
Operating profit	$ 38.8	94.8%	$ 75.6	$ 169.4	23.4%	$ 209.1
Operating margin	6.1%	4.8 points	10.9%	9.1%	1.9 points	11.0%
United States unit shipments changes:						
Passenger tires						
Segment		10.5%			6.0%	
RMA members		0.2%			1.3%	
Total Industry		3.1%			4.5%	
Light truck tires						
Segment		10.9%			16.8%	
RMA members		1.1%			4.2%	
Total Industry		0.0%			3.6%	
Total light vehicle tires						
Segment		10.6%			8.1%	
RMA members		0.3%			1.6%	
Total Industry		2.7%			4.4%	
Total segment unit sales change		11.1%			8.7%	

The source of this information is the Rubber Manufacturers Association (“RMA”) and internal sources.

Overview

The North American Tire segment has been renamed the Americas Tire Operations segment to better reflect the Company’s expanding presence in Central and South America. The Americas Tire Operations segment manufactures and markets passenger car and light truck tires, primarily for sale in the U.S. replacement market. The segment has a joint venture manufacturing operation in Mexico, Corporacion de Occidente SA de CV (“COOCSA”) which supplies passenger car tires to the U.S., Central American and South American markets. The segment also distributes tires for racing, medium truck and motorcycles that are manufactured by the Company’s International Tire Operations segment. 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 currently sell its products directly to end users, except through three Company-owned retail stores. The segment sells a limited number of tires to original equipment manufacturers.

Sales

Net sales of the Americas Tire Operations segment for the third quarter of 2014 increased $61 million, or 9.6 percent, from the third quarter of 2013. The increase in sales was a result of higher unit volumes ($82 million), partially offset by unfavorable pricing and mix ($21 million). The third quarter of 2013 included $29 million in reduced unit volumes associated with the labor issues at CCT. Unit shipments for the segment increased 11.1 percent compared with the third quarter of 2013. In the U.S., the segment's unit shipments of total light vehicle tires increased 10.6 percent in the third quarter of 2014 compared with the third quarter of 2013. This increase compares with a 0.3 percent increase in total light vehicle shipments experienced by the members of the Rubber Manufacturers Association ("RMA"), and a 2.7 percent increase in total light vehicle shipments experienced for the total industry (which includes an estimate for non-RMA members).

Net sales of the Americas Tire Operations segment for the first nine months of 2014 increased $38 million, or 2.1 percent, from the first nine months of 2013. The increase in sales was a result of higher unit volumes ($173 million), partially offset by unfavorable pricing and mix ($135 million). The first nine months of 2013 included $29 million in reduced unit volumes associated with the labor issues at CCT. Unit shipments for the segment increased 8.7 percent compared with the nine-month period ended September 30, 2013. In the U.S., the segment's unit shipments of total light vehicle tires increased 8.1 percent in the first nine months of 2014 compared with the comparable period of 2013. This increase compares with a 1.6 percent increase in total light vehicle shipments experienced by the members of the RMA, and a 4.4 percent increase in total light vehicle shipments experienced for the total industry.

Operating Profit

Operating profit for the segment increased $37 million to $76 million in the third quarter of 2014 compared with the third quarter of 2013. Lower raw material costs ($55 million) were partially offset by unfavorable pricing and mix ($27 million). Unit volumes increased ($14 million) in the third quarter of 2014 compared with the third quarter of 2013, which included $6 million of reduced volume as a result of the labor issues at CCT. Products liability charges were lower ($5 million) compared with the same period in 2013. Selling, general and administrative costs increased ($6 million) compared with the third quarter of 2013, primarily as a result of increased investment in the Cooper brand. Other operating costs, including increased distribution costs, were unfavorable ($4 million) compared with the same period in 2013.

Manufacturing costs were comparable to the third quarter of 2013. The third quarter of 2013 included $13 million of costs associated with production curtailments. The segment incurred manufacturing inefficiencies in the third quarter of 2014 related to the ongoing reconfiguration of its plants as discussed above.

The segment recorded operating profit in the first nine months of 2014 of $209 million, an increase of $40 million compared with the first nine months of 2013. Lower raw material costs ($140 million) were offset by unfavorable pricing and mix ($139 million). Unit volumes increased ($33 million) in the first nine months of 2014 compared with the first nine months of 2013, which included $6 million of reduced volume as a result of the labor issues at CCT. Products liability charges were lower ($6 million) compared with the same period in 2013. Selling, general and administrative costs increased ($6 million) compared with the first nine months of 2013, primarily as a result of increased investment in the Cooper brand. Other operating costs, including increased distribution costs, were unfavorable ($11 million) compared with the same period in 2013.

Manufacturing costs were $17 million favorable when compared with the first nine months of 2013. The first nine months of 2013 included $23 million of costs associated with production curtailments. The segment incurred manufacturing inefficiencies through the first nine months of 2014 related to the ongoing reconfiguration of its plants as discussed above.

The segment's internally calculated raw material index of 194 during the quarter was a decrease of 7.7 percent from the same period of 2013. The raw material index decreased 2.4 percent from the quarter ended June 30, 2014.

International Tire Operations Segment

(Dollar amounts in millions)	Three months ended September 30			Nine months ended September 30		
	2013	**Change**	**2014**	**2013**	**Change**	**2014**
Net sales	$264.5	18.5%	$313.4	$958.8	-0.9%	$950.2
Operating profit	$ 3.1	635.5%	$ 22.8	$ 62.3	16.2%	$ 72.4
Operating margin	1.2%	6.1 points	7.3%	6.5%	3.0 points	9.5%
Unit sales change		28.3%			9.2%	

Overview

The International Tire Operations segment has affiliated operations in the U.K., the PRC and Serbia. The U.K. entity manufactures and markets passenger car, light truck, motorcycle and racing tires and tire retread material for domestic and global markets. In the PRC, CCT manufactures and markets radial and bias medium truck tires as well as passenger and light truck tires for domestic and global markets. Cooper Kunshan Tire manufactures light vehicle tires and, under an agreement with the government of the PRC, these tires were exported to markets outside of the PRC through 2012. Beginning in 2013, tires produced at the facility have also been sold in the domestic market. The Serbian entity manufactures light vehicle tires primarily for the European markets. The majority of the tires manufactured by the segment are sold in the replacement market, with a relatively small percentage currently sold to OEMs.

Sales

Net sales of the International Tire Operations segment for the third quarter of 2014 increased $49 million, or 18.5 percent from the third quarter of 2013. The increase in sales was a result of higher unit volumes ($90 million), partially offset by unfavorable pricing and mix ($45 million). The segment experienced favorable exchange rates in the third quarter of 2014 ($4 million). The third quarter of 2013 included $116 million in reduced unit volumes associated with the labor issues at CCT.

Net sales of the International Tire Operations segment for the first nine months of 2014 decreased $9 million, or 1.0 percent from the first nine months of 2013. The decrease in sales was a result of unfavorable pricing and mix ($131 million), partially offset by higher unit volumes ($101 million). The segment experienced favorable exchange rates in the first nine months of 2014 ($21 million). The first nine months of 2013 included $116 million in reduced unit volumes associated with the labor issues at CCT .

Operating Profit

Operating profit for the segment increased $20 million to $23 million in the third quarter of 2014 from the third quarter of 2013. Lower raw material costs ($39 million) were partially offset by unfavorable pricing and mix ($35 million). Unit volumes increased ($11 million) in the third quarter of 2014 compared with the third quarter of 2013, which included $15 million of reduced volume as a result of the labor issues at CCT. Manufacturing costs were favorable ($2 million) compared with the third quarter of 2013, which included $7 million in manufacturing inefficiencies related to the CCT labor issues. Selling, general and administrative costs ($1 million) and other operating costs ($2 million) decreased compared with the third quarter of 2013.

The segment recorded operating profit in the first nine months of 2014 of $72 million, an increase of $10 million compared with the first nine months of 2013. Lower raw material costs ($98 million) were offset by unfavorable pricing and mix ($111 million). Unit volumes increased ($13 million) in the first nine months of 2014 compared with the first nine months of 2013, which included $15 million of reduced volume as a result of the labor issues at CCT. Manufacturing costs were favorable ($3 million) compared with the comparable period of 2013, which included $7 million in manufacturing inefficiencies related to the CCT labor issues. Selling, general and administrative costs ($5 million) and other operating costs ($2 million) decreased compared with the first nine months of 2013.

Outlook for Company

The Company expects to determine the long-term ownership of the CCT Joint Venture pursuant to the process set out in the Option Agreement as described above. The Company will continue to pursue its strategic goals for growth, including in China, regardless of changes to the long-term ownership of CCT.

Third quarter raw material costs were down by approximately 2 percent from the second quarter of 2014. Management anticipates fourth quarter raw material costs will be down slightly compared to the third quarter. The long-term raw material outlook is for costs to generally trend higher with periods of volatility.

The Company continues to invest in the business and expects capital expenditures for 2014 to range from $175 million to $185 million.

The Company expects its effective tax rate for 2014 will most likely be between 30 percent and 35 percent.

The Company expects the global tire markets remain highly competitive, with economies in varying stages of recovery or growth. The Company remains confident that its transformed business model and continued solid execution of its strategic plan will position it to perform well in the future. The Company continues to expect to meet or exceed industry unit volume growth in its largest markets this year.

Liquidity and Capital Resources

Generation and uses of cash – Operating activities generated $98 million of cash during the first nine months of 2014 compared with a cash generation of $123 million during the first nine months of 2013. Net income adjusted for non-cash charges provided $220 million and $238 million during the first nine months of 2013 and 2014, respectively. Changes in operating assets and liabilities consumed $97 million and $140 million during the first nine months of 2013 and 2014, respectively. The labor disruptions at CCT in 2013 impacted inventory and accounts payable balances. During 2014, these balances have returned to more normal levels. The increase in accounts and notes receivable is the result of strong third quarter 2014 sales, the offering of extended terms to some customers and the change in payment pattern of one large customer.

Net cash used in investing activities during the first nine months of 2013 and 2014 reflect capital expenditures of $135 million and $112 million, respectively.

During the first nine months of 2013, the Company’s subsidiaries repaid $7 million of short-term notes and during the first nine months of 2014, the Company’s subsidiaries issued $13 million of short-term notes. During the third quarter of 2014, the Company also borrowed $150 million on its domestic credit lines to partially fund the Accelerated Share Repurchase program. In both 2013 and 2014, the Company’s subsidiaries borrowed additional funds using long-term debt and repaid $19 million and $13 million of maturing long-term debt, respectively.

Dividends paid on the Company’s common shares during the first nine months of 2013 and 2014 were $20 million and $19 million, respectively. During the first nine months of 2013 and 2014, the Company paid $10 million and $3 million in dividends to noncontrolling shareholders, respectively.

Available cash, credit facilities and contractual commitments – At September 30, 2014, the Company had cash and cash equivalents of $336 million.

Domestically, the Company has a revolving credit facility with a consortium of four banks that provides up to $200 million based on available collateral and expires in July 2016. The Company also has an accounts receivable securitization facility with a $175 million limit with a June 2015 maturity. These credit facilities have no significant financial covenants until available credit is less than specified amounts. During the third quarter, the Company borrowed $150 million on these credit lines to partially fund the Accelerated Share Repurchase program. The Company's additional borrowing capacity based on eligible collateral through use of its credit facility with its bank group and its accounts receivable securitization facility at September 30, 2014 was $131 million.

The Company's affiliated operations in Asia have renewable credit lines that provide up to $219 million of borrowings and do not contain significant financial covenants. The additional borrowing capacity on the Asian credit lines totaled $156 million at September 30, 2014.

The Company believes that its cash and cash equivalent balances along with available cash from operating cash flows and credit facilities will be adequate to fund its needs, including working capital requirements, projected capital expenditures, including its portion of capital expenditures in partially-owned subsidiaries, and dividend goals. The Company also believes it has access to additional funds from capital markets to fund potential strategic initiatives.

The Company expects capital expenditures for 2014 to be in the $175 to $185 million range.

The following table summarizes long-term debt at September 30, 2014:

Parent company	
8% unsecured notes due December 2019	$173.6
7.625% unsecured notes due March 2027	116.9
Capitalized leases and other	8.1
	298.6
Consolidated Subsidiaries	
4.269% unsecured notes due in 2014	4.9
4.274% to 4.70% unsecured notes due in 2015	8.4
4.00% to 6.15% unsecured notes due in 2016	13.3
4.40% to 6.15% unsecured notes due in 2017	12.7
5.46% and 5.63% secured notes due in 2016	3.2
	42.5
Total debt	341.1
Less current maturities	15.6
	$325.5

Contingencies

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

Pursuant to applicable accounting rules, the Company accrues the minimum liability for each known claim when the estimated outcome is a range of possible loss and no one amount within that range is more likely than another. The Company uses a range of losses because an average cost would not be meaningful since the products liability claims faced by the Company are unique and widely variable, and accordingly, the resolutions of those claims have an enormous amount of variability. The costs have ranged from zero dollars to $33 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 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 resolved for 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.

Forward-Looking Statements

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

It is possible that actual results may differ materially from those projections or expectations due to a variety of factors, including but not limited to:

- volatility in raw material and energy prices, including those of rubber, steel, petroleum based products and natural gas and the unavailability of such raw materials or energy sources;
- the failure of the Company's suppliers to timely deliver products in accordance with contract specifications;
- changes in economic and business conditions in the world;
- failure to implement information technologies or related systems, including failure by the Company to successfully implement an ERP system;
- increased competitive activity including actions by larger competitors or lower-cost producers;
- the failure to achieve expected sales levels;
- changes in the Company's customer relationships, including loss of particular business for competitive or other reasons;

- the ultimate outcome of litigation brought against the Company, including stockholders lawsuits relating to the Apollo merger as well as products liability claims, in each case which could result in commitment of significant resources and time to defend and possible material damages against the Company or other unfavorable outcomes;
- changes to tariffs or the imposition of new tariffs or trade restrictions;
- changes in pension expense and/or funding resulting from investment performance of the Company's pension plan assets and changes in discount rate, salary increase rate, and expected return on plan assets assumptions, or changes to related accounting regulations;
- government regulatory and legislative initiatives including environmental and healthcare matters;
- volatility in the capital and financial markets or changes to the credit markets and/or access to those markets;
- changes in interest or foreign exchange rates;
- an adverse change in the Company's credit ratings, which could increase borrowing costs and/or hamper access to the credit markets;
- the risks associated with doing business outside of the United States;
- the failure to develop technologies, processes or products needed to support consumer demand;
- technology advancements;
- the inability to recover the costs to develop and test new products or processes;
- a disruption in, or failure of, the Company's information technology systems, including those related to cyber security, could adversely affect the Company's business operations and financial performance;
- the impact of labor problems, including labor disruptions at the Company, its joint ventures, including CCT, or at one or more of its large customers or suppliers;
- failure to attract or retain key personnel;
- consolidation among the Company's competitors or customers;
- inaccurate assumptions used in developing the Company's strategic plan or operating plans or the inability or failure to successfully implement such plans;
- failure to successfully integrate acquisitions into operations or their related financings may impact liquidity and capital resources;
- the ability to sustain operations at CCT, including obtaining financial and other operational data of CCT;
- changes in the Company's relationship with its joint-venture partners, or changes in the ownership structure of its joint ventures, including changes resulting from the previously announced agreements between the Company and the CCT joint-venture partner, and any changes with respect to CCT's production of Cooper-branded products;
- uncertainties associated with any proposed acquisition of the Company's interest in CCT by its joint-venture partner, including uncertainties relating to the anticipated timing of filings and approvals relating to the transaction, the expected timing of completion of the transaction and the ability to complete the transaction;
- in the event the acquisition of the Company's interest in CCT by its joint-venture partner is completed, the ability to find an alternative source for products supplied by CCT;
- the inability to obtain and maintain price increases to offset higher production or material costs;
- inability to adequately protect the Company's intellectual property rights;
- inability to use deferred tax assets; and
- the ultimate outcome of legal actions brought by the Company against wholly-owned subsidiaries of Apollo Tyres Ltd.

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

Prospective investors are cautioned that any such statements are not a guarantee of future performance and actual results or developments may differ materially from those projected.

The Company makes no commitment to update any forward-looking statement included herein or to disclose any facts, events or circumstances that may affect the accuracy of any forward-looking statement.

Further information covering issues that could materially affect financial performance is contained under Risk Factors below and in the Company's other periodic filings with the U. S. Securities and Exchange Commission ("SEC").

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in market risk at September 30, 2014, from those detailed in the Company's Annual Report on Form 10-K filed with the SEC for the year ended December 31, 2013.

Item 4. CONTROLS AND PROCEDURES

The Company maintains disclosure controls and procedures designed to ensure that information required to be disclosed in the reports the Company files or submits as defined in Rule 13a-15(e) of the Securities and Exchange Act of 1934, as amended ("Exchange Act") is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms, and that such information is accumulated and communicated to the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") to allow timely decisions regarding required disclosures.

The Company, under the supervision and with the participation of management, including the CEO and CFO, evaluated the effectiveness of the design and operation of its disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 as of September 30, 2014 ("Evaluation Date"). Based on its initial evaluation, the Company's CEO and CFO concluded that its disclosure controls and procedures were effective as of the Evaluation Date.

There were no changes in the Company's internal control over financial reporting that occurred during the quarter ended September 30, 2014 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

P art II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

The Company is a defendant in various judicial proceedings arising in the ordinary course of business. A significant portion of these proceedings are products liability cases in which individuals involved in vehicle accidents seek damages resulting from allegedly defective tires manufactured by the Company. 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 September 30, 2014. In the future, such costs could have a materially greater impact on the consolidated results of operations and financial position of the Company than in the past.

Certain Litigation Related to the Apollo Merger

Following the announcement of the proposed acquisition of the Company by wholly owned subsidiaries of Apollo Tyres Ltd. (the "Apollo entities") in June 2013, alleged stockholders of the Company filed putative class action lawsuits in state courts in Delaware and Ohio. These lawsuits, captioned *In re Cooper Tire & Rubber Co. Stockholders Litigation,* No. 9658 VCL and *Auld v. Cooper Tire & Rubber Co., et al.,* No. 2013 CV 293, alleged that the directors of the Company breached their fiduciary duties to the Company's stockholders by agreeing to enter into the proposed transaction for an allegedly unfair price and as the result of an allegedly unfair process. The lawsuits sought, among other things, declaratory and injunctive relief. As discussed below, on December 30, 2013, the Company terminated the merger agreement with the Apollo entities. Following the termination of the merger agreement, the plaintiffs voluntarily dismissed the Delaware and Ohio lawsuits in April 2014.

On October 4, 2013, the Company filed a complaint in the Court of Chancery of the State of Delaware, captioned *Cooper Tire Co. v. Apollo (Mauritius) Holdings Pvt. Ltd., et al.,* No. 8980- VCG, asking that the Apollo entities be required to use their reasonable efforts to close the then pending merger transaction as expeditiously as possible and also seeking, among other things, declaratory relief and damages. On October 14, 2013, the Apollo entities filed counterclaims against the Company seeking declaratory and injunctive relief.

On November 8, 2013, after expedited proceedings, the court found that the Apollo entities had not materially breached the merger agreement. On December 19, 2013, the Apollo entities moved for an entry of declaratory judgment seeking a declaration that the conditions to closing the then pending transaction were not satisfied before the November 2013 trial. On December 30, 2013, the Company terminated the merger agreement with the Apollo entities, and requested payment of the reverse termination fee, which the Apollo entities have refused to do. On October 31, 2014, the court granted Apollo's motion for declaratory judgment.

The Company regularly reviews the probable outcome of such legal proceedings, the expenses expected to be incurred, the availability and limits of the insurance coverage, and accrues for such legal proceedings at the time a loss is probable and the amount of the loss can be estimated.

An estimate of any such loss cannot be made at this time, as no claims for damages against the Company have been asserted and the outcome of these pending proceedings cannot be predicted with certainty. The Company believes that based upon information currently available, any liabilities that may result from these proceedings are not reasonably likely to have a material adverse effect on the Company's liquidity, financial condition or results of operations.

Federal Securities Litigation

On January 17, 2014 alleged stockholders of the Company filed a putative class-action lawsuit against the Company and certain of its officers in the United States District Court for the District of Delaware relating to the terminated Apollo transaction. That lawsuit, captioned *OFI Risk Arbitrages, et al. v. Cooper Tire & Rubber Co., et al.,* No. 1:14-cv-00068-LPS, generally alleges that the Company and certain officers violated the federal securities laws by issuing allegedly misleading disclosures in connection with the terminated transaction and seeks, among other things, damages. The Company and its officers believe that the allegations against them lack merit and intend to defend the lawsuit vigorously.

The Company regularly reviews the probable outcome of such legal proceedings, the expenses expected to be incurred, the availability and limits of the insurance coverage, and accrues for these proceedings at the time a loss is probable and the amount of the loss can be estimated.

This case has recently been filed and is at an early stage. As a result, the outcome of these pending proceedings cannot be predicted with certainty and an estimate of any such loss cannot be made at this time. The Company believes that based upon information currently available, any liabilities that may result from these proceedings are not reasonably likely to have a material adverse effect on the Company's liquidity, financial condition or results of operations.

Stockholder Derivative Litigation

On February 24, March 6, and April 17, 2014, purported stockholders of the Company filed derivative actions on behalf of the Company in the U.S. District Court for the Northern District of Ohio and the U.S. District Court for the District of Delaware against certain current officers and employees and the then current members of the Company's board of directors; the Ohio lawsuits were later consolidated into a single proceeding and were subsequently transferred to the U.S. District Court for the District of Delaware. The Company is named as a nominal defendant in the lawsuits, and the lawsuits seek recovery for the benefit of the Company. The lawsuits, captioned *Bui, et al. v. Armes, et al.* , No.1:14-cv-1272 (D. Del.) and *Fitzgerald v. Armes, et al.,* No. 1:14-cv-479 (D. Del.), allege that the defendants breached their fiduciary duties to the Company by issuing allegedly misleading disclosures in connection with the terminated merger transaction. The lawsuits also allege that the defendants violated Section 14(a) of the Securities Exchange Act of 1934 by means of the same allegedly misleading disclosures. The complaints also variously assert claims for waste of corporate assets, unjust enrichment, "gross mismanagement" and "abuse of control." The complaints seek, among other things, unspecified money damages from the defendants, injunctive relief and an award of attorney's fees. A purported shareholder of the Company has also submitted a demand to the Company's board of directors that it cause the Company to bring claims against certain of the Company's officers and directors for the matters alleged in the shareholder derivative lawsuits.

The Company regularly reviews the probable outcome of such legal proceedings, the expenses expected to be incurred, the availability and limits of the insurance coverage, and accrues for such legal proceedings at the time a loss is probable and the amount of the loss can be estimated.

These cases have recently been filed and are at an early stage and they do not assert claims against the Company. The outcome of these pending proceedings cannot be predicted with certainty and an estimate of any loss cannot be made at this time. The Company believes that based upon information currently available, any liabilities that may result from these proceedings are not reasonably likely to have a material adverse effect on the Company's liquidity, financial condition or results of operations.

Item 1A. RISK FACTORS

Some of the more significant risk factors related to the Company and its subsidiaries follow:

Pricing volatility for raw materials or commodities or an inadequate supply of key raw materials could result in increased costs and may significantly affect the Company's profitability.

The pricing volatility for natural rubber, petroleum-based materials and other raw materials contributes to the difficulty in managing the costs of raw materials. Costs for certain raw materials used in the Company's operations, including natural rubber, chemicals, carbon black, steel reinforcements and synthetic rubber remain highly volatile. Increasing costs for raw material supplies will increase the Company's production costs and affect its margins if the Company is unable to pass the higher production costs on to its customers in the form of price increases. Further, if the Company is unable to obtain adequate supplies of raw materials in a timely manner for any reason, its operations could be interrupted or otherwise adversely affected.

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

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

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

The Company's competitors may also change their actions as a result of changes to the business environment, which could result in increased price competition and discounts, resulting in lower margins for the business.

The Company is facing risks related to disruptions at its CCT joint venture, changes in the Company's ownership interests in CCT and changes in its relationship with its joint venture partner.

The Company has experienced work stoppages and other labor disruptions at CCT related to concerns regarding the then-pending merger agreement between the Apollo entities and the Company, including denying access to certain representatives of the Company and withholding certain business and financial information. On December 30, 2013, the Company terminated the merger agreement with the Apollo entities. Since this date, representatives of the Company regained access to the CCT facilities, including its business and financial information, and operations have returned to normal. Were labor or other disruptions at CCT to resume, it could have a negative effect on the Company's operations, financial position and cash flows, as well as its ability to report its results on a timely basis.

In January 2014, the Company entered into an agreement (the "CCT Agreement") with Chengshan Group Company Ltd. ("Chengshan") and The Union of Cooper Chengshan (Shandong) Tire Company Co., Ltd. (the "Union") regarding CCT that provides, among other matters, that the Union and Chengshan will provide support to return CCT to normal operations. In addition, the CCT Agreement provides Chengshan a limited contractual right to either (i) purchase the Company's equity interest in CCT or (ii) sell its equity interest in CCT to the Company. Chengshan has notified the Company of its intent to exercise its call option under the CCT Agreement. There can be no assurance that this transaction will be completed. The uncertainty regarding the ultimate ownership of CCT could have an adverse impact on our business and our strategic growth plans. In addition, the sale of the Company's equity interests in CCT to Chengshan could have an adverse impact on the Company's business, strategic growth plans, financial position, cash flows and results of operations. In addition, such sale, and any changes with respect to CCT's production of Cooper-branded products, could require the Company to find an alternative source for CCT-produced tires and there can be no assurance that the Company will be able to do so in a timely manner.

The Company may fail to successfully develop or implement information technologies or related systems, resulting in a significant competitive disadvantage.

Successfully competing in the highly competitive tire industry can be impacted by the successful development of information technology. If the Company fails to successfully implement information technology systems, it may be at a disadvantage to its competitors resulting in lost sales and negative impacts on the Company's earnings.

The Company is implementing an Enterprise Resource Planning ("ERP") system that will require significant amounts of capital and human resources to deploy. These requirements may exceed the Company's initial projections. If for any reason this implementation is not successful, the Company could be required to expense rather than capitalize related amounts. Throughout implementation of the system there are also risks created to the Company's ability to successfully and efficiently operate.

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

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

The Company may be adversely affected by legal actions, including 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 legal actions, including potential liability for personal injury or death as an alleged result of the failure of or conditions in the products that it designs, manufactures and sells. 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, may result in material losses in the future and cause the Company to incur significant litigation defense costs. The Company is largely self-insured against these claims. These claims could have a negative effect on the Company's financial position, cash flows and results of operations.

From time to time, the Company is also subject to litigation or other commercial disputes and other legal proceedings relating to its business, including purported class action lawsuits, derivative lawsuits and other litigation related to the now terminated merger agreement with the Apollo entities. Due to the inherent uncertainties of any litigation, commercial disputes or other legal proceedings, the Company cannot accurately predict their ultimate outcome, including the outcome of any related appeals. An unfavorable outcome could materially adversely impact the Company's financial condition, cash flows and results of operations.

The Company's results could be impacted by changes in tariffs imposed by the U.S. or other governments on imported tires.

The Company's ability to competitively source and sell tires can be significantly impacted by changes in tariffs imposed by various governments. Other effects, including impacts on the price of tires, responsive actions from other governments and the opportunity for other competitors to establish a presence in markets where the Company participates could also have significant impacts on the Company's results **.** In September 2012, a special tariff on light vehicle tires imported from the PRC to the U.S. expired, which has resulted in an increase in imported tires from the PRC which has impacted the Company's sales, market share and profits.

Antidumping and countervailing duty investigations into certain passenger car and light truck tires imported from the PRC into the United States were initiated on July 14, 2014. It is too early to determine the outcome of these investigations and what impact, if any, they will have on the Company.

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

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

In the event of declines in the market value of the Company's pension assets or lower discount rates to measure the present value of pension and other postretirement benefit obligations, the Company could experience changes to its Consolidated Balance Sheet or significant cash requirements.

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

The Company is subject to federal, state, local and foreign laws and regulations. Compliance with those laws 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.

Several countries have or may implement labeling requirements for tires. This legislation could cause the Company's products to be at a disadvantage in the marketplace resulting in a loss of market share or could otherwise impact the Company's ability to distribute and sell its tires.

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

The Company is also subject to legislation governing labor occupational safety and health both in the U.S. and other countries. The related legislation can change over time making it more expensive for the Company to produce its products. The Company could also, despite its best efforts to comply with these laws, be found liable and be subject to additional costs because of this legislation.

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

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

The Company's operations in the PRC 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.

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

The Company has affiliate, subsidiary and joint venture operations worldwide, including in the U.S., the U.K., Europe, Mexico and the PRC. The Company has two manufacturing entities, the Cooper Chengshan joint venture and Cooper Kunshan, in the PRC and has continued to expand operations in that country. The Company also is the majority owner of COOCSA, a manufacturing entity in Mexico, and has established an operation in Serbia. There are a number of risks in doing business abroad, including political and economic uncertainty, social unrest, sudden changes in laws and regulations, 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 different regions and otherwise achieve its objectives relating to its foreign operations, including utilizing these locations as suppliers to other markets. In addition, compliance with multiple and potentially conflicting foreign laws and regulations, import and export limitations and exchange controls is burdensome and expensive. The Company's foreign operations also subject it to the risks of international terrorism and hostilities and to foreign currency risks, including exchange rate fluctuations and limits on the repatriation of funds.

If the Company fails to develop technologies, processes or products needed to support consumer demand it may lose significant market share or be unable to recover associated costs.

The Company's ability to sell tires may be significantly impacted if it does not develop or have available technologies, processes, or products that competitors may be developing and consumers demanding. This includes but is not limited to changes in the design of and materials used to manufacture tires.

Technologies may also be developed by competitors that better distribute tires to consumers, which could affect the Company's customers.

Additionally, 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. If the Company cannot successfully use new production or equipment methodologies it invests in, it may also not be able to recover those costs.

A disruption in, or failure of, the Company's information technology systems, including those related to cybersecurity, could adversely affect the Company's business operations and financial performance.

The Company relies on the accuracy, capacity and security of its information technology systems across all of its major business functions, including its research and development, manufacturing, sales, financial and administrative functions. Despite the security measures that the Company has implemented, including those related to cybersecurity, its systems could be breached or damaged by computer viruses, natural or man-made incidents or disasters or unauthorized physical or electronic access. A system failure, accident or security breach could result in business disruption, theft of its intellectual property, trade secrets or customer information and unauthorized access to personnel information. To the extent that any system failure, accident or security breach results in disruptions to its operations or the theft, loss or disclosure of, or damage to, its data or confidential information, the Company's reputation, business, results of operations, cash flows and financial condition could be materially adversely affected. In addition, the Company may be required to incur significant costs to protect against and, if required, remediate the damage caused by such disruptions or system failures in the future.

Any interruption in the Company's skilled workforce, including labor disruptions, 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 or professional workers, work disruptions, or other events could interrupt the Company's operations and affect its operating results. Further, a significant number of the Company's employees are currently represented by unions. If the Company is unable to resolve labor disputes or if there are work stoppages or other work disruptions, the Company's business and operating results could suffer. See also related comments under "The Company is facing risks related to disruptions at its CCT joint venture, changes in the Company's ownership interests in CCT and changes in its relationship with its joint venture partner."

If the Company is unable to attract and retain key personnel, its business could be materially adversely affected.

The Company's business depends on the continued service of key members of its management. The loss of the services of a significant number of members of its management team could have a material adverse effect on its business. The Company's future success will also depend on its ability to attract, retain and develop highly skilled personnel, such as engineering, marketing and senior management professionals. Competition for these employees is intense, especially in the PRC, and the Company could experience difficulty from time to time in hiring and retaining the personnel necessary to support its business. If the Company does not succeed in retaining its current employees and attracting new high-quality employees, its business could be materially adversely affected.

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

If the assumptions used in developing the Company's strategic plan vary significantly from actual conditions, the Company's sales, margins and profitability could be harmed. If the Company is unsuccessful in implementing the tactics necessary to execute its strategic plan it can also be negatively impacted.

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

The Company routinely evaluates potential acquisitions and may pursue acquisition opportunities, some of which could be material to its business. The Company cannot provide assurance whether it will be successful in pursuing any acquisition opportunities or what the consequences of any acquisition would be. The Company may encounter various risks in any acquisitions, including:

- the possible inability to integrate an acquired business into its operations;
- diversion of management's attention;
- loss of key management personnel;
- unanticipated problems or liabilities; and
- increased labor and regulatory compliance costs of acquired businesses.

Some or all of those risks could impair the Company's results of operations and impact its financial condition. The Company may finance any future acquisitions from internally generated funds, bank borrowings, public offerings or private placements of equity or debt securities, or a combination of the foregoing. Acquisitions may involve the expenditure of significant funds and management time.

Acquisitions may also require the Company to increase its borrowings under its bank credit facilities or other debt instruments, or to seek new sources of liquidity. Increased borrowings would correspondingly increase the Company's financial leverage, and could result in lower credit ratings and increased future borrowing costs. These risks could also reduce the Company's flexibility to respond to changes in its industry or in general economic conditions.

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

The Company's strategy includes 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. In addition, there are specific risks applicable to these subsidiaries and these risks, in turn, add potential risks to the Company. Such risks include greater risk of joint venture partners or other investors failing to meet their obligations under related shareholders' agreements; conflicts with joint venture partners; the possibility of a joint venture partner taking valuable knowledge from the Company; 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. For further discussion of access to the capital markets, see also related comments under "The Company has a risk due to volatility of the capital and financial markets."

If the price of energy sources increases, the Company's operating expenses could increase significantly or the demand for the Company's products could be affected.

The Company's manufacturing facilities rely principally on natural gas, as well as electrical power and other energy sources. High demand and limited availability of natural gas and other energy sources can result in significant increases in energy costs increasing the Company's operating expenses and transportation costs. Higher energy costs would increase the Company's production costs and adversely affect its margins and results of operations. If the Company is unable to obtain adequate sources of energy, its operations could be interrupted.

In addition, if the price of gasoline increases significantly for consumers, it can affect driving and purchasing habits and impact demand for tires.

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

The Company's manufacturing facilities are subject to numerous federal, state, local and foreign 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. In addition, the Company has contractual indemnification obligations for environmental remediation costs and liabilities that may arise relating to certain divested operations. Material future expenditures may be necessary if compliance standards change, if material unknown conditions that require remediation are discovered, or if required remediation of known conditions becomes more extensive than expected. 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.

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 U.S. Further, while we believe that we have rights to use all intellectual property in the Company's use, if the Company is found to infringe on the rights of others it could be adversely impacted.

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

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

The impact of proposed new accounting standards may have a negative impact on the Company's financial statements.

The Financial Accounting Standards Board is considering several projects which may result in the modification of accounting standards affecting the Company, including standards relating to revenue recognition, financial instruments, leasing, and others. Any such changes could have a negative impact on the Company's financial statements.

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

The Company has significant net deferred tax assets recorded on the balance sheet and determines at each reporting period whether or not a valuation allowance is necessary based upon the expected realizability of such deferred tax assets. In the U.S., the Company has recorded deferred tax assets, the largest of which relate to products liability, pension and other postretirement benefit obligations, partially offset by deferred tax liabilities, the most significant of which relates to accelerated depreciation. The Company's non-U.S. deferred tax assets relate to pension, accrued expenses and net operating losses, and are partially offset by deferred tax liabilities related to accelerated depreciation. Based upon the Company's assessment of the realizability of its net deferred tax assets, the Company maintains a small valuation allowance for the portion of its U.S. deferred tax assets primarily associated with a capital loss carryforward. In addition, the Company has recorded valuation allowances for deferred tax assets primarily associated with non-U.S. net operating losses. The Company's assessment of the realizability of deferred tax assets is based on certain assumptions regarding future profitability, and potentially adverse business conditions that could have a negative impact on the realizability and therefore impact the Company's operating results or financial position.

ITEM 2 – UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table sets forth a summary of the Company's purchases during the quarter ended September 30, 2014 of equity securities registered by the Company pursuant to Section 12 of the Securities Exchange Act of 1934, as amended:

Period	Total Number of Shares Purchased	Average Price Paid per Share (1)	Total Number of Shares Purchased as Part of Public Announced Plans or Programs (2)	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (2)(3)
July 1, 2014 through July 31, 2014	—	$ —	—	$ —
August 1, 2014 through August 31, 2014	5,567,154	$ —	5,567,154	$ 40,000,000
September 1, 2014 through September 30, 2014	—	$ —	—	$ 40,000,000
Total	5,567,154		5,567,154	

(1) The average purchase price of common stock purchases pursuant to the ASR program described below will not be determinable until the conclusion of the ASR program.

(2) Refer to Note 3 of Notes to Condensed Consolidated Financial Statements for information regarding the ASR.

(3) On August 6, 2014, the Board of Directors authorized the repurchase of up to $200 million of the Company's outstanding common stock pursuant to an accelerated share repurchase program. In August 2014, the Company paid $200 million under the ASR Agreement and received an initial delivery of 5,567,154 shares of its common stock, representing approximately 80 percent of the shares expected to be repurchased in connection with the transaction. The repurchases under the ASR Agreement are expected to be completed no later than February 13, 2015. Shares purchased pursuant to the ASR Agreement are presented in the above table in the periods in which they were received. The original $200 million was reduced by $160 million representing the approximately 80 percent of the shares to be repurchased that have been delivered to the Company.

Item 6. EXHIBITS

(a) Exhibits

(10.1)	Option Agreement dated August 14, 2014, by and among Cooper Tire Investment Holding (Barbados) Ltd., Chengshan Group Company Ltd., the Company and Prairie Investment Limited.
(31.1)	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
(31.2)	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
(32)	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(101.INS)	XBRL Instance Document
(101.SCH)	XBRL Taxonomy Extension Schema Document
(101.DEF)	XBRL Taxonomy Extension Definition Linkbase Document
(101.CAL)	XBRL Taxonomy Extension Calculation Linkbase Document
(101.LAB)	XBRL Taxonomy Extension Label Linkbase Document
(101.PRE)	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

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

COOPER TIRE & RUBBER COMPANY

/s/ B. E. Hughes
B. E. Hughes
Senior Vice President And Chief Financial Officer
(Principal Financial Officer)

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

November 7, 2014
(Date)

Exhibit (10.1)

Option Agreement

THIS OPTION AGREEMENT (the “ **Agreement** ”) is made this 14 day of August, 2014, by and among:

(1) Cooper Tire Investment Holding (Barbados) Ltd, a company incorporated under the laws of Barbados with its legal address at Chancery House, High Street, Bridgetown, Barbados (“ **Cooper** ”);

(2) Chengshan Group Company Ltd., a company incorporated under the laws of People’s Republic of China (“ **PRC** ” or “ **China** ”) with its legal address at No. 98, Nanshan Road North, Rongcheng City, Shandong Province, PRC (“ **Chengshan** ”);

(3) Cooper Tire & Rubber Company, a company incorporated under the laws of the State of Delaware with its address at 701 Lima Avenue, Findlay, Ohio 45840 (“ **CTB** ”); and

(4) Prairie Investment Limited, a company duly registered and incorporated under the laws of Hong Kong with its registered office at Room 503, Hip Kwan Commercial Building, 38 Pitt Street, Yau Ma Tei,, Kowloon, Hong Kong (“ **Prairie** ”)

Cooper, Chengshan, CTB and Prairie, individually being referred to as a “ **Party** ”; and collectively being referred to as “ **Parties** ”. Chengshan and Prairie, collectively being referred to as “ **Chengshan Group** ”; and Cooper and CTB, collectively being referred to as “ **Cooper Group** ”.

RECITALS

Cooper is the registered and beneficial owner of the 65% equity interest in Cooper Chengshan (Shangdong) Tire Company Limited (“ **CCT** ”), and Chengshan is the registered and beneficial owner of the 35% equity interest in CCT.

In accordance with the Agreement dated January 29, 2014 and entered into by Cooper, Chengshan, CTB and the labor union of CCT (the “ **Settlement Agreement** ”) as attached hereto as Exhibit A , (i) Cooper and Chengshan have agreed to engage a valuation firm (the “ **Valuation Firm** ”) to complete a valuation of CCT, (ii) the Valuation Firm is to determine the fair market valuation of CCT, which, if greater than US$435 million, will be the “Option Price” and, if less than or equal to US$435 million, then the “Option Price” will be US$435 million (i.e., such greater amount will be the “ **Option Price** ”), and (iii) each of Cooper and Chengshan was granted certain rights to either purchase or sell its respective equity interest in CCT as set forth in this Agreement.

Upon completion of the fair market valuation of CCT by the Valuation Firm, the Valuation Firm will deliver to Cooper and Chengshan a final fair market valuation report (the date of such valuation report, the “ **Option Commencement Date** ”, provided, however, that if the Option Commencement Date shall not have occurred on or before the Option Commencement Deadline, then the Option Commencement Date shall never occur and this Agreement will be terminated in accordance with the Article 6). For the purposes of this Agreement, “ **Option Commencement Deadline** ” shall mean August 24, 2014, or such later date as may be (i) determined by Cooper in its sole discretion, or (ii) mutually agreed by Cooper and Chengshan in writing. If Cooper elects to extend the Option Commencement Deadline at its sole discretion, Cooper shall promptly notify Chengshan and the Escrow Agent (as defined below) that it has elected to extend such date and of the date that the Option Commencement Deadline has been extended

to. If Cooper and Chengshan mutually agree to extend the Option Commencement Deadline, Cooper and Chengshan shall jointly notify the Escrow Agent that they have elected to extend the Option Commencement Deadline and of the date that the Option Commencement Deadline has been extended to.

Upon Cooper and Chengshan receiving the final fair market valuation report from the Valuation Firm, Cooper and Chengshan shall as soon as possible, but in no event later than 5 business days (which shall not be subject to the Cure Period (as defined below)) after the Option Commencement Date, issue a joint notice, in the form attached hereto as Exhibit B (the " **Joint Notice to Escrow Agent** "), to the Escrow Agent notifying the Escrow Agent that (1) the final fair market valuation report has been received by Cooper and Chengshan, (2) the date that is the Option Commencement Date, and (3) the Option Price (which shall be determined as set forth above). The timing of delivery of the Joint Notice to Escrow Agent shall not impact the commencement of Chengshan's Exercise Period (as defined below). Cooper and Chengshan further agree and acknowledge that Chengshan has irrevocably assigned its rights (but not its obligations) to purchase Cooper's equity interest in CCT, should the Chengshan Call Option (as defined below) be exercised, under the Settlement Agreement and this Agreement to Prairie, a wholly-owned subsidiary of Chengshan.

The capitalized terms used herein without definition shall have the same meanings ascribed to such terms in the Settlement Agreement.

NOW, THEREFORE , in consideration of mutual promises and other valuable consideration, the Parties hereto agree as follows:

1. RIGHTS AND OPTIONS OF CHENGSHAN

1.1 Chengshan's Option

Upon the occurrence of the Option Commencement Date, Chengshan shall have the right, but not the obligation, to (a) cause Prairie to purchase from Cooper (and require Cooper to sell), all, but not less than all, of Cooper's ownership interest in CCT at 65% of the Option Price (" **Chengshan's Call Option** "), or (b) sell to Cooper (and require Cooper to purchase) all, but not less than all, of Chengshan's 35% ownership interest in CCT at 35% of the Option Price (" **Chengshan's Put Option** ") ((a) or (b) being " **Chengshan's Option** ") at its election. Chengshan shall exercise Chengshan's Option within 45 calendar days (which shall not be subject to the Cure Period) after the Option Commencement Date (" **Chengshan's Exercise Period** ") in accordance with Article 1.2 of this Agreement.

1.2 Exercise of Chengshan's Option

1.2.1 Chengshan shall, within Chengshan's Exercise Period, deliver a written notice, in the forms attached hereto as Exhibit 1.2.1 (" **Chengshan's Exercise Notice** "), to Cooper and the Escrow Agent to notify Cooper and the Escrow Agent of its election with respect to Chengshan's Option. Chengshan's Exercise Notice shall indicate whether Chengshan elects to exercise Chengshan's Call Option, Chengshan's Put Option or neither. Chengshan's Exercise Notice shall be effective and binding upon delivery, and may not be withdrawn or altered without Cooper's consent.

1.2.2 In the event Chengshan exercises Chengshan's Call Option, then simultaneously with the delivery of Chengshan's Exercise Notice, Chengshan shall provide to Cooper a, or a combination of, bank commitment letter(s) and/or confirmation letter(s) showing that Chengshan and Prairie have sufficient bank committed funding and/or segregated cash on deposit to ensure that Prairie shall be able to pay the Purchase Price (as defined in the Chengshan Equity Transfer Agreement). In the event that such bank commitment letter and/or bank confirmation letter(s) are issued to Chengshan, Chengshan hereby undertakes that it shall pay to Prairie any funds received from such bank(s) upon receipt. Such bank commitment letter(s) and/or bank confirmation letter(s) shall be issued by a nationally or internationally recognized bank(s) with standard commercial terms and conditions reasonably acceptable to Cooper and Chengshan.

1.2.3 After the exercise of Chengshan's Option, the Parties agree to use their reasonable best efforts to complete the transactions contemplated by this Option Agreement, including, but not limited to, all the transactions contemplated by the applicable documents attached as Exhibits to this Option Agreement, in an expeditious manner.

1.2.4 In the event that Chengshan fails to properly exercise Chengshan's Option (or elects to not exercise Chengshan's Option) within 45 calendar days (which shall not be subject to the Cure Period) after the Option Commencement Date, or Chengshan has stated in Chengshan's Exercise Notice that it does not wish to exercise Chengshan's Option, Chengshan's Option shall lapse and Chengshan and Prairie will have no further rights thereto. Thereafter, Cooper shall have the right (but not the obligation) to exercise Cooper's Option (as defined below) in accordance with this Agreement.

2. RIGHTS AND OPTION OF COOPER

2.1 Cooper's Option.

Upon (a) the occurrence of the Option Commencement Date and (b) the occurrence of any of the following:

(i) Chengshan's indication that it will not exercise Chengshan's Option;

(ii) Chengshan has failed to exercise Chengshan's Option within 45 calendar days (which shall not be subject to the Cure Period) after the Option Commencement Date;

(iii) Chengshan has exercised Chengshan's Call Option but Chengshan or Prairie has committed a Breach (as defined below), and such Breach is not curable or, if curable, is not cured within the Cure Period;

(iv) Chengshan has exercised Chengshan's Call Option but the MOC has issued a rejection or denial for the approval of the equity transfer;

(v) Chengshan has exercised Chengshan's Call Option but Prairie has failed to obtain MOC approval within 180 calendar days (or such extended period as may be agreed to by Cooper in writing pursuant to Article 5.3 below) (which shall only be subject to the Cure Period in the event that Cooper has committed a Breach that caused Prairie's inability to obtain MOC approval) after the filing with the MOC pursuant to Article 3.1 below; or

(vi) Chengshan has exercised Chengshan's Call Option and Prairie has obtained MOC approval for the equity transfer, and Cooper has issued a Cooper Unwinding Notice pursuant to Article 5.5 below;

Cooper shall have the right, but not the obligation, to purchase from Chengshan (and require Chengshan to sell), all, but not less than all, of Chengshan's ownership interest in CCT at 35% of the Option Price (the " **Cooper's Option** ") (Chengshan's Option and Cooper's Option may collectively be referred to as the " **Options** " or each individually as an " **Option** "). Cooper shall be entitled to exercise Cooper's Option within the following exercise periods (" **Cooper's Exercise Period** "): (a) should subsections (i) or (ii) above occur, for 90 calendar days (which shall not be subject to the Cure Period) after the Option Commencement Date; (b) should subsection (iii) above occur, the later of the following: (1) until 45 calendar days (which shall not be subject to the Cure Period) after the date of delivery by Cooper of written notice of such Breach to Chengshan or Prairie if such Breach is not curable, or, if such Breach is curable, until 45 calendar days (which shall not be subject to the Cure Period) after the expiration of the Cure Period if the Breach has not been cured by such time, or (2) if Cooper has issued a Cooper Withdraw Notice (as defined below) or a Cooper Unwinding Notice (as defined below), until 45 calendar days (which shall not be subject to the Cure Period) after the date that the MOC confirms the withdrawal of the equity transfer application under Chengshan's Call Option or the MOC approval of the equity transfer under Chengshan's Call Option is unwound, as the case may be; (c) should subsection (iv) above occur, up to 45 calendar days (which shall not be subject to the Cure Period) after the date that Chengshan or Prairie notifies Cooper that the MOC issued the rejection or denial notice for the equity transfer under Chengshan's Call Option; (d) should subsection (v) above occur, until 45 calendar days (which shall not be subject to the Cure Period) after the date that the MOC confirms the withdrawal of the equity transfer application under Chengshan's Call Option; or (e) should subsection (vi) above occur, until 45 calendar days (which shall not be subject to the Cure Period) after the date the MOC approves the unwinding of the equity transfer under Chengshan's Call Option. The exercise of Cooper's Option shall be in accordance with Article 2.2 of this Agreement.

For the purposes of this Agreement:

(a) " **Breach** " shall mean the failure by a Party to observe or perform any covenant, condition or agreement contained in this Agreement, the applicable Equity Transfer Agreement or the Settlement Agreement. For the avoidance of doubt, (i) a Breach by Prairie shall also be deemed a Breach by Chengshan, and a Breach by Chengshan shall also be deemed a Breach by Prairie, and (ii) a Breach by Cooper shall also be deemed a Breach by CTB, and a Breach by CTB shall also be deemed a Breach by Cooper;

(b) " **Breaching Party** " shall mean a Party who has committed a Breach;

(c) " **Non-Breaching Parties** " shall mean the other Parties who are not in Breach, and " **Non-Breaching Party** " shall mean either one of them; and

(d) “ **Cure Period** ” shall mean the period ending on the date which is 30 calendar days following the date of delivery by a Non-Breaching Party of written notice of such Breach to a Breaching Party, provided, however, that there shall be no Cure Period (i) if such Breach is not curable, (ii) for any provision which has a specific time period for performance specified in this Agreement or the other applicable agreements, or (iii) where it is specifically provided that such time period or obligation shall not be subject to the Cure Period.

2.2 Exercise of Cooper’s Option.

2.2.1 Cooper shall, within Cooper’s Exercise Period, deliver a written notice, in the form attached hereto as Exhibit 2.2.1 (“ **Cooper’s Exercise Notice** ”), to Chengshan and the Escrow Agent to notify Chengshan and the Escrow Agent of its election with respect to Cooper’s Option. Cooper’s Exercise Notice shall be effective and binding upon delivery, and may not be withdrawn or altered without Chengshan’s consent.

2.2.2 In the event Cooper exercises Cooper’s Option, then simultaneously with the delivery of Cooper’s Exercise Notice, Cooper shall provide to Chengshan a, or a combination of, bank commitment letter(s) and/or confirmation letter(s) showing that Cooper has sufficient bank committed funding and/or segregated cash on deposit to pay the Purchase Price (as defined in the Cooper Equity Transfer Agreement). Such bank commitment letter(s) and/or bank confirmation letter(s) shall be issued by a nationally or internationally recognized bank(s) with standard commercial terms and conditions reasonably acceptable to Chengshan and Cooper.

2.2.3 After the exercise of Cooper’s Option, the Parties agree to use their reasonable best efforts to complete the transactions contemplated by this Option Agreement, including, but not limited to, all transactions contemplated by the applicable documents attached as Exhibits to this Option Agreement, in an expeditious manner.

2.2.4 In the event that Cooper fails to properly exercise Cooper’s Option (or elects to not exercise Cooper’s Option) within Cooper’s Exercise Period, Cooper’s Option shall lapse and Cooper shall have no further rights thereto.

3. COMPLETION OF EQUITY TRANSFERS

3.1 In the event that Chengshan elects to exercise Chengshan’s Call Option, Prairie shall, and Chengshan shall cause Prairie to (and shall use its best efforts to ensure that Prairie does), initiate the application process to obtain all required approvals of the equity transfer transaction and all the relevant corporate changes arising from the exercise of Chengshan’s Call Option, including but not limited to the following: (i) within 10 business days (which shall not be subject to the Cure Period) after the release/delivery of the Transaction Documents for Chengshan Group’s Purchase (as defined below) by the Escrow Agent in accordance with Article 4.3.1, Chengshan shall, and shall cause Prairie to (and shall use its best efforts to ensure that Prairie does), file the Chengshan Equity Transfer Agreement (as defined below) for purchasing Cooper’s entire equity interest in CCT, along with any other requisite documents as may be required by the competent local branch of the Ministry of Commerce (the “ **MOC** ”) for approval, and (ii) within 10

business days (which shall not be subject to the Cure Period) after the payment of the Purchase Price (as defined in Chengshan Equity Transfer Agreement) to Cooper in accordance with Article 3.7 herein and the receipt of such Purchase Price by Cooper, Prairie shall, and Chengshan shall cause Prairie to (and shall use its best efforts to ensure that Prairie does), file all the requisite documents as may be required by the local branch of the State Administration of Industry and Commerce (the " **SAIC** ", and along with the MOC, the " **Approval Authorities** ") for the registration of corporate changes of CCT. In case the Approval Authorities may require additional supporting documents for their review, the Parties shall use their reasonable best efforts to assist and cooperate with each other for the prompt preparation, execution and filing of such documents, if necessary. Within 3 business days (which shall not be subject to the Cure Period) after the Chengshan Group has made the requisite filing with the MOC pursuant to (i) above, Chengshan shall deliver a written notice to Cooper, with a copy to the Escrow Agent, informing Cooper and the Escrow Agent that Prairie has made the requisite MOC filing and the date that such filing was made. Chengshan and Prairie shall also provide a copy of each filing receipt from the Approval Authorities to Cooper for its record.

3.2 In the event that Cooper elects to exercise Cooper's Option, or Chengshan elects to exercise Chengshan's Put Option, Cooper shall initiate the application process to obtain all required approvals of the equity transfer transaction and the relevant corporate changes arising from the exercise of Cooper's Option or Chengshan's Put Option, including but not limited to the following: (i) within 10 business days (which shall not be subject to the Cure Period) after the release/delivery of the Transaction Documents for Cooper's Purchase (as defined below) by the Escrow Agent in accordance with Article 4.3.2, Cooper shall file the Cooper Equity Transfer Agreement (as defined below), along with any other requisite documents as may be required by the MOC for approval, and (ii) within 10 business days (which shall not be subject to the Cure Period) after the payment of the Purchase Price (as defined in Cooper Equity Transfer Agreement) by Cooper in accordance with Article 3.6 herein and the receipt of such Purchase Price by Chengshan, Cooper shall file all the requisite documents as may be required by the SAIC for the registration of corporate changes of CCT. In case the Approval Authorities may require additional supporting documents for their review, the Parties shall use their reasonable best efforts to assist and cooperate with each other for the prompt preparation, execution and filing of such documents, if necessary. Within 3 business days (which shall not be subject to the Cure Period) after Cooper made the requisite filing with the MOC pursuant to (i) above, Cooper shall deliver a written notice to Chengshan, with a copy to the Escrow Agent, informing Chengshan and the Escrow Agent that it has made the requisite MOC filing and the date that such filing was made. Cooper shall also provide a copy of each filing receipt from the Approval Authorities to Chengshan for its record.

3.3 During the review period of the Approval Authorities, Cooper and Chengshan Group will provide all necessary information and documents upon the request of such Approval Authorities and use their reasonable best efforts to obtain all necessary and appropriate approvals for the equity transfer arising from the exercise of Chengshan's Option or Cooper's Option, as applicable, in an expeditious manner.

3.4 Completion of the equity transfer arising from the exercise of Chengshan's Option or Cooper's Option, as applicable, shall take place after all necessary approvals and registrations are completed, and in accordance with the terms of the Chengshan Equity Transfer Agreement or the Cooper Equity Transfer Agreement, as applicable.

3.5 Within 3 business days (which shall not be subject to the Cure Period) after receiving notification from the MOC of the approval for the equity transfer transaction arising from the exercise of Chengshan's Call Option, Chengshan shall deliver a written notice to Cooper, with a copy to the Escrow Agent, informing Cooper that the MOC has approved the equity transfer, and the date that such approval was issued. Within 3 business days (which shall not be subject to the Cure Period) after receiving notification from the MOC of the approval for the equity transfer transaction arising from the exercise of either Chengshan's Put Option or Cooper's Option, Cooper shall deliver a written notice to Chengshan, with a copy to the Escrow Agent, informing Chengshan that the MOC has approved the equity transfer, and the date that such approval was issued.

3.6 For the purpose of this Option Agreement, a " **business day** " means a day which is not a Saturday or Sunday or a public holiday in China, Hong Kong, Barbados or the United States.

3.7 After the approval from the MOC of the equity transfer transaction arising from the exercise of either Chengshan's Call Option, Chengshan's Put Option or Cooper's Option, as applicable, the Party purchasing the other Party's equity interest in CCT shall complete the payment of the Purchase Price (as defined in the applicable Equity Transfer Agreement), including but not limited to obtaining the approval from the foreign exchange authority for the purpose of making such payment, if needed. The payment of the Purchase Price (as defined in the applicable Equity Transfer Agreement) should be made in accordance with the following:

3.7.1 As soon as reasonably possible, but in any event within 60 calendar days (which shall not be subject to the Cure Period) from the date that the equity transfer was approved by the MOC (the " **Payment Period** "), the Party purchasing the other Party's equity interest in CCT shall pay an amount in cash equal to the Purchase Price (as defined in the applicable Equity Transfer Agreement), by way of electronic transfer (the selling Party and the buying Party shall bear their respective bank charges) of immediate available funds to the account designated by the selling Party (in the case that Chengshan is the selling Party, the account designated shall be located in China; and in the case that Cooper is the selling Party, the account designated shall be located outside of China) free and clear of any set-off, counterclaim or deduction whatsoever, except as may be specifically set forth in the applicable Equity Transfer Agreement. For the purposes of this Article 3.7.1, the term " **China** " shall exclude Hong Kong, Macau and Taiwan. For the avoidance of doubt, Chengshan shall be jointly and severally liable for any payment obligations of Prairie, including the payment obligations of Prairie under this Agreement and the Chengshan Equity Transfer Agreement.

3.7.2 On the 50 th calendar day during the Payment Period, if payment of the Purchase Price (as defined in the applicable Equity Transfer Agreement) has not been made by the Party purchasing the other Party's equity interest in CCT, the Parties shall immediately discuss if a 30-day extension for the payment should be granted to the Party purchasing the other Party's equity interest in CCT, provided, however, if the Parties are not able to reach an agreement on the extension before the expiry of the Payment Period, the Payment Period shall remain unchanged.

3.7.3 If payment of the Purchase Price (as defined in the applicable Equity Transfer Agreement) has not been made by the Party purchasing the other Party's equity interest in CCT, and received by the Party selling its equity interest in CCT, prior to the expiry of the Payment Period or any mutually agreed upon extension thereof, the Party selling its equity interest in CCT shall be entitled to require an unwinding of the MOC approval pursuant to Articles 5.5 or 5.6 below, as the case may be, unless Article 3.7.4 below applies.

3.7.4 If payment of the Purchase Price (as defined in the applicable Equity Transfer Agreement) has been made by the Party purchasing the other Party's equity interest in CCT (and in which case the Party purchasing the other Party's equity interest in CCT shall deliver a payment certificate and other reasonable evidence showing that the payment has been made to the Party selling its equity interest in CCT), but not received by the Party selling its equity interest in CCT, prior to the expiry of the Payment Period or any mutually agreed upon extension thereof, due to (i) a restriction or other action of a governmental authority, or (ii) an error in the banking or wire transfer system which is not caused by or attributable to the Party purchasing the other Party's equity interest in CCT (or by Chengshan, if Prairie is the Party purchasing the equity interest in CCT) or the bank selected or used by the Party purchasing the other Party's equity interest in CCT to process the wire transfer of the Purchase Price (as defined in the applicable Equity Transfer Agreement) to the Party selling its equity interest in CCT, then (a) the Party purchasing the other Party's equity interest in CCT shall use its best efforts to ensure that the Party selling its equity interest in CCT receives the Purchase Price (as defined in the applicable Equity Transfer Agreement) as soon as possible, but in any event no later than 30 calendar days (which shall not be subject to the Cure Period) after the Payment Period or any mutually agreed upon extension thereof, and (b) in the event that the Party selling its equity interest in CCT does not receive the Purchase Price (as defined in the applicable Equity Transfer Agreement) within 30 calendar days (which shall not be subject to the Cure Period) after the Payment Period or any mutually agreed upon extension thereof, the Party selling its equity interest in CCT shall be entitled to require an unwinding of the MOC approval pursuant to Articles 5.5 or 5.6 below, as the case may be.

4. ESCROW

4.1 For the purpose of the transactions contemplated in this Agreement, the Parties agree to appoint JunZeJun Law Offices, as third party escrow agent (the " **Escrow Agent** ") and an Escrow Services Agreement will be signed simultaneously with the execution of this Agreement in a form and substance as set forth in Exhibit 4.1 . The Escrow Services Agreement shall include a provision stating that (i) in the event Chengshan exercises the Chengshan Call Option, the Escrow Agent shall insert a number that is equal to 65% of the Option Price into the blank space in the definition of the Purchase Price under Section 1.2 of the Chengshan Equity Transfer Agreement as the Purchase Price, and shall fill in the dates of the Chengshan Equity Transfer Agreement, and the executed board resolutions and shareholder resolutions included in the Transaction Documents for Chengshan Group's Purchase, and (ii) in the event Chengshan exercises the Chengshan Put Option or Cooper exercises the Cooper Option, then the Escrow Agent shall insert a number that is equal to 35% of the Option Price into the blank space in the definition of

the Purchase Price under Section 1.2 of the Cooper Equity Transfer Agreement as the Purchase Price and shall fill in the dates of the Cooper Equity Transfer Agreement, and the executed board resolutions and shareholder resolutions included in the Transaction Documents for Cooper's Purchase.

4.2 Simultaneously with the signing of this Agreement, Chengshan and Cooper shall deliver executed copies of undated Transaction Documents for Chengshan Group's Purchase, Transaction Documents for Cooper's Purchase, Withdraw Documents for Chengshan Group's Purchase, Withdraw Documents for Cooper's Purchase, Unwinding Documents for Chengshan Group's Purchase, and Unwinding Documents for Cooper's Purchase (each as defined below), in each case executed by all the parties thereto, to the Escrow Agent, to be held in escrow.

4.2.1 The following documents (collectively, the " **Transaction Documents for Chengshan Group's Purchase** ") will be placed into escrow and released in accordance with Article 4.3.1 below:

(a) an agreement, in form and substance as the "Agreement for The Transfer of Equity Interest in Cooper Chengshan (Shandong) Tire Company Limited" attached hereto as Exhibit 4.2.1(a) (the " **Chengshan Equity Transfer Agreement** ") in connection with the purchase of Cooper's interest in CCT by Prairie;

(b) a TBR Offtake Agreement between CCT and CTB in the form and substance as set forth in Exhibit 4.2.1(b) ;

(c) a PCR Offtake Agreement between CCT and CTB in the form and substance as set forth in Exhibit 4.2.1(c) ;

(d) a termination agreement between CCT and CTB for the Trademark License Agreement dated October 27, 2005 by and among CCT and CTB in the form and substance as set forth in Exhibit 4.2.1(d);

(e) a termination agreement between CCT and CTB for the Technical Assistance and Technology License Agreement dated October 27, 2005 by and among CCT and CTB in the form and substance as set forth in Exhibit 4.2.1(e);

(f) a termination notice from CTBX Company to CCT for the Secondment Agreement dated February 4, 2006 by and among CTBX Company and CCT in the form and substance as set forth in Exhibit 4.2.1(f) ;

(g) a patent and domain name assignment agreement between CCT and CTB in the form and substance as set forth in Exhibit 4.2.1(g) ;

(h) a transition service agreement in the form and substance as set forth in Exhibit 4.2.1(h) ;

(i) the board resolutions by Prairie and the board resolutions by Cooper approving the execution of Chengshan Equity Transfer Agreement; and

(j) a board resolution of CCT approving the transactions contemplating under the Chengshan Equity Transfer Agreement.

4.2.2 The following documents (collectively, the " **Transaction Documents for Cooper's Purchase** ") will be placed into escrow and released in accordance with Article 4.3.2 below:

(a) an agreement, in form and substance as the "Agreement for The Transfer of Equity Interest in Cooper Chengshan (Shangdong) Tire Company Limited" attached hereto as Exhibit 4.2.2(a) (the " **Cooper Equity Transfer Agreement** ", and, together with the Chengshan Equity Transfer Agreement, the " **Equity Transfer Agreement** ") in connection with the purchase of Chengshan's interest in CCT by Cooper,

(b) a transition services agreement in the form and substance as set forth in Exhibit 4.2.2(b);

(c) a patent assignment agreement between CCT and Chengshan in the form and substance as set forth in Exhibit 4.2.2(c);

(d) a termination agreement in the form and substance as set forth in Exhibit 4.2.2(d) ;

(e) the shareholders' meeting resolutions by Chengshan and the board resolutions by Cooper approving the execution of Cooper Equity Transfer Agreement; and

(f) a board resolution of CCT approving the transactions contemplating under the Cooper Equity Transfer Agreement.

4.2.3 The following documents (the " **Withdraw Documents for Chengshan Group's Purchase** ") will be placed into escrow and released in accordance with Article 4.4:

(a) a Petition for Withdrawing the Application in the form and substance as set forth in Exhibit 4.2.3(a).

4.2.4 The following documents (the " **Withdraw Documents for Cooper's Purchase** ") will be placed into escrow and released in accordance with this Article 4.5:

(a) a Petition for Withdrawing the Application in the form and substance as set forth in Exhibit 4.2.4(a).

4.2.5 The following documents (the " **Unwinding Documents for Chengshan Group's Purchase** ") will be placed into escrow and released in accordance with Article 4.6:

(a) an Application for Unwinding of the Approval in the form and substance as set forth in Exhibit 4.2.5(a).

4.2.6 The following documents (the " **Unwinding Documents for Cooper's Purchase** ") will be placed into escrow and released in accordance with Article 4.7:

(a) an Application for Unwinding of the Approval in the form and substance as set forth in Exhibit 4.2.6(a).

4.3 Upon the receipt by the Escrow Agent of either Chengshan's Exercise Notice or Cooper's Exercise Notice, the Escrow Agent shall immediately release to the Parties original copies of the following documents:

4.3.1 if Chengshan exercises Chengshan's Call Option, the Chengshan Equity Transfer Agreement (i.e., Article 4.2.1(a)) and the executed board resolutions included in the Transaction Documents for Chengshan Group's Purchase (i.e., Article 4.2.1(i) and 4.2.1(j)); or

4.3.2 if Chengshan exercises Chengshan's Put Option or Cooper exercises Cooper's Option, the Cooper Equity Transfer Agreement (i.e., Article 4.2.2(a)) and the executed board resolutions and shareholder resolutions included in the Transaction Documents for Cooper's Purchase (i.e., Article 4.2.2 (e) and 4.2.2 (f)).

4.4 Upon the receipt by the Escrow Agent of the Cooper Withdraw Notice (as defined below), the Escrow Agent shall immediately release to Cooper original copies of the Withdraw Documents for Chengshan Group's Purchase set out in Article 4.2.3.

4.5 Upon receipt by the Escrow Agent of the Chengshan Group Withdraw Notice (as defined below), the Escrow Agent shall immediately release to Chengshan original copies of the Withdraw Documents for Cooper's Purchase set forth in Section 4.2.4.

4.6 Upon receipt by the Escrow Agent of the Cooper Unwinding Notice (as defined below), the Escrow Agent shall immediately release to Cooper original copies of the Unwinding Documents for Chengshan Group's Purchase set forth in Section 4.2.5.

4.7 Upon receipt by the Escrow Agent of the Chengshan Group Unwinding Notice(as defined below), the Escrow Agent shall immediately release to Chengshan original copies of the Unwinding Documents for Cooper's Purchase set forth in Section 4.2.6.

4.8 The Party that is purchasing the other Party's equity interest in CCT shall provide such other Party and the Escrow Agent written notice indicating that the conditions for Closing (as defined in the applicable Equity Transfer Agreement) set forth in Article 2 of the applicable Equity Transfer Agreement have been satisfied (other than those conditions that by their nature are to be satisfied at the Closing (as defined in the applicable Equity Transfer Agreement), but subject to the fulfillment or waiver of those conditions), within 5 business days (which shall not be subject to the Cure Period) of the satisfaction of such conditions. Such notice shall include a copy of CCT's newly issued business license reflecting the transfer of equity. Upon the receipt of such written notice, the Escrow Agent shall release simultaneously with the closing of the equity transfer transaction contemplated in the applicable Equity Transfer Agreement the original copies of all the remaining documents from either the Transaction Documents for Chengshan Group's Purchase, in the event that Prairie is the purchaser, or the Transaction Documents for Cooper's Purchase, in the event that Cooper is the purchaser, to Chengshan and Cooper.

4.9 Upon the earliest of (a) both Chengshan and Cooper failing to properly exercise Chengshan's Option or Cooper's Option, as applicable, before all such Options expire pursuant to the terms of this Agreement, (b) written notice from Cooper or Chengshan if the Option Commencement Date has not occurred on or before the Option Commencement Deadline, (c) written instructions from Cooper and Chengshan, (d) 10 calendar days after release by the Escrow Agent of the documents in Article 4.8, or (e) the termination of this Option Agreement in accordance with Article 6, the Escrow Agent shall destroy all other remaining Transaction Documents for Chengshan Group's Purchase, Transaction Documents for Cooper's Purchase, Withdraw Documents for Chengshan Group's Purchase, Withdraw Documents for Cooper's Purchase, Unwinding Documents for Chengshan Group's Purchase, and Unwinding Documents for Cooper's Purchase which have not been previously released.

4.10 For the purpose of this Article 4, the release of the documents by the Escrow Agent to Cooper or Chengshan shall be delivered to the following addresses, or to such other address as may be hereafter designated in writing on seven (7) days' notice by the relevant Party:

CHENGSHAN

Address: No. 98, Nanshan Road North, Rongcheng City, Shandong Province, PRC
Tel: 0631-7523079
Fax: 0631-7523079
Attn: Shuhong Liu

COOPER

Address: c/o Jones Day 32 nd Floor, China World Office 1, No.1, Jianguomenwai Avenue, Beijing, 100004, China.
Tel: 8610-58661211
Fax: 8610-58661122
Attn: Partner-in-Charge

5. FAILURE TO COMPLETE EQUITY TRANSFER

5.1 Should Chengshan or Cooper exercise Chengshan's Option or Cooper's Option, as applicable, but the equity transfer contemplated thereby (the " **Equity Transfer** ") fails to be consummated in accordance with the terms and conditions of this Agreement and the applicable Equity Transfer Agreement due to a Breach by a Breaching Party, and such Breach is either not curable or, if curable, is not cured by the expiry of the Cure Period, the Non-Breaching Parties shall be entitled to, collectively, at their election, (a) a penalty of US$15 million against the Breaching Party whose breach was the primary cause of the failure of the Equity Transfer to be consummated, and/or (b) seek specific performance against the Breaching Party as permissible under applicable laws. In addition, should a Breaching Party be the party exercising the Option, then the Option exercised by the Breaching Party shall immediately terminate and be of no further force and effect at the election of the Non-Breaching Parties (the Non-Breaching Parties can make such election regardless of whether it also seeks specific performance pursuant to the above).

5.2 In the event that Chengshan exercised Chengshan's Call Option but the MOC has issued a rejection or denial for the approval of the equity transfer between Cooper and Prairie, Chengshan's Call Option shall terminate and be of no further force and effect, and the Chengshan Equity Transfer Agreement shall terminate immediately (and the Parties shall take all such actions and steps necessary or advisable to ensure and confirm that the Chengshan Equity Transfer Agreement shall be terminated, including, but not limited to, executing, giving and/or filing any notices or forms which are necessary or advisable to effect or confirm such termination), and for the avoidance of doubt, Chengshan's Put Option shall also lapse and be of no further force and effect. Within 3 business days (which shall not be subject to the Cure Period) after receiving notification from the MOC of the rejection or denial for the approval of the equity transfer between Cooper and Prairie arising from the exercise of Chengshan's Call Option, Chengshan shall deliver a written notice to Cooper, with a copy to the Escrow Agent, informing Cooper that the MOC has rejected or denied the approval of the equity transfer. Upon the MOC rejecting or denying the equity transfer from Cooper to Chengshan, Cooper shall have until the 45th calendar day (which shall not be subject to the Cure Period) after receiving the above written notice from Chengshan to exercise Cooper's Option by following the procedure set forth in Article 2.

5.3 In the event that Chengshan exercised Chengshan's Call Option and (i) the MOC has not approved Prairie's purchase of Cooper's ownership interest in CCT within 180 calendar days (which shall only be subject to the Cure Period to the extent that Cooper has committed a Breach that caused Prairie's inability to obtain MOC approval) after the filing with the MOC pursuant to Article 3.1 above by Chengshan Group, and unless Cooper agrees to the extension of such 180-day period in writing (which extension, if any, shall only be subject to the Cure Period to the extent that Cooper has committed a Breach that caused Prairie's inability to obtain MOC approval), or (ii) Chengshan or Prairie has committed a Breach prior to the MOC approving Prairie's purchase of Cooper's ownership interest in CCT, and Cooper has delivered written notice of such Breach to Chengshan or Prairie, and such Breach is not curable or, if curable, is not cured by the expiry of the Cure Period, Chengshan's Call Option shall terminate and be of no further force and effect, and the Chengshan Equity Transfer Agreement shall terminate immediately (and the Parties shall take all such actions and steps necessary or advisable to ensure and confirm that the Chengshan Equity Transfer Agreement shall be terminated, including, but not limited to, executing, giving and/or filing any notices or forms which are necessary or advisable to effect or confirm such termination), and for the avoidance of doubt, Chengshan's Put Option shall also lapse and be of no further force and effect. Upon Chengshan's Call Option terminating pursuant to the above, Cooper may promptly deliver a written notice to Chengshan and the Escrow Agent simultaneously (the " **Cooper Withdraw Notice** ") specifying its requirement to withdraw the approval application at MOC. Upon release by the Escrow Agent to Cooper of the Withdraw Documents for Chengshan Group's Purchase set forth in Article 4.2.3, Cooper shall submit such documents to the MOC to notify the MOC that Prairie and Cooper wish to withdraw the application for MOC approval. The Parties agree to use their reasonable best efforts to make all filings and take all such actions and steps to complete the withdrawal of the approval application at MOC as expeditiously as possible. At any time after Cooper issues the Cooper Withdraw Notice and until 45 calendar days (which shall not be subject to the Cure Period) after the date that the MOC confirms the withdrawal of the equity transfer application under Chengshan's Call Option, Cooper shall have the right but not the obligation to exercise Cooper's Option by following the procedure set forth in Article 2.

5.4 In the event that Chengshan exercised Chengshan's Put Option, or Cooper exercised Cooper's Option, and (i) the MOC has not approved Cooper's purchase of Chengshan's ownership interest in CCT within 180 calendar days (which shall only be subject to the Cure Period to the extent that Chengshan Group has committed a Breach that caused Cooper's inability to obtain MOC approval) after the filing with the MOC pursuant to Article 3.2 above, unless Chengshan agrees to the extension of such 180-day period in writing (which extension, if any, shall only be subject to the Cure Period to the extent that Chengshan or Prairie has committed a Breach that caused Cooper's inability to obtain MOC approval), or (ii) Cooper has committed a Breach prior to the MOC approving Cooper's purchase of Chengshan's ownership interest in CCT, and Chengshan has delivered written notice of such Breach to Cooper, and such Breach is not curable or, if curable, is not cured by the expiry of the Cure Period, Cooper's Option or Chengshan's Put Option, as the case may be, shall terminate and be of no further force and effect, and the Cooper Equity Transfer Agreement shall terminate immediately (and the Parties shall take all such actions and steps necessary or advisable to ensure and confirm that the Cooper Equity Transfer Agreement shall be terminated, including, but not limited to, executing, giving and/or filing any notices or forms which are necessary or advisable to effect or confirm such termination). Upon Cooper's Option or Chengshan's Put Option terminating pursuant to the above, Chengshan may promptly deliver a written notice to Cooper and the Escrow Agent simultaneously (the " **Chengshan Withdraw Notice** ") specifying its requirement to withdraw the approval application at MOC. Upon release by the Escrow Agent to Chengshan of the Withdraw Documents for Cooper's Purchase set forth in Section 4.2.4, Chengshan shall submit such documents to the MOC to notify the MOC that Cooper and Chengshan wish to withdraw the application for MOC approval. The Parties agree to use their reasonable best efforts to make all filings and take all such action and steps to complete the withdrawal of the approval application at MOC as expeditiously as possible.

5.5 In the event that Chengshan exercised Chengshan's Call Option, and (i) the MOC has issued its approval for Prairie's purchase of Cooper's ownership interest in CCT, but payment of the Purchase Price (as defined in the Chengshan Equity Transfer Agreement) has not been made by Prairie, or has been made by Prairie but not received by Cooper (except as provided in subsection (ii) below), prior to the expiry of the Payment Period or any mutually agreed upon extension thereof, (ii) the MOC has issued its approval for Prairie's purchase of Cooper's ownership interest in CCT, and payment of the Purchase Price (as defined in the applicable Equity Transfer Agreement) has been made by Prairie, but not received by Cooper, prior to the expiry of the Payment Period or any mutually agreed upon extension thereof, due to (a) a restriction or other action of a governmental authority, or (b) an error in the banking or wire transfer system which is not caused by or attributable to Chengshan or Prairie or the bank selected or used by Chengshan or Prairie to process the wire transfer of the Purchase Price (as defined in the Chengshan Equity Transfer Agreement) to Cooper, and despite Chengshan and Prairie's best efforts, Cooper still has not received the Purchase Price (as defined in the applicable Equity Transfer Agreement) within 30 calendar days (which shall not be subject to the Cure Period) after the Payment Period or any mutually agreed upon extension thereof, or (iii) Chengshan or Prairie has committed a Breach after the MOC has issued its approval for Prairie's purchase of Cooper's ownership interest in CCT, but before payment of the Purchase

Price (as defined in the Chengshan Equity Transfer Agreement) has been made, and such Breach is not curable or, if curable, is not cured by the expiry of the Cure Period, Cooper shall have the right (but not the obligation) to require that the MOC approval be unwound by delivering a written notice to Chengshan and the Escrow Agent simultaneously (the " **Cooper Unwinding Notice** ") specifying its requirement that the MOC approval be unwound. Once Cooper issues the Cooper Unwinding Notice, Chengshan's Call Option shall terminate and be of no further force and effect, and the Chengshan Equity Transfer Agreement shall terminate immediately (and the Parties shall take all such actions and steps necessary or advisable to ensure and confirm that the Chengshan Equity Transfer Agreement shall be terminated, including, but not limited to, executing, giving and/or filing any notices or forms which are necessary or advisable to effect or confirm such termination), and for the avoidance of doubt, Chengshan's Put Option shall also lapse and be of no further force and effect. Upon release by the Escrow Agent to Cooper of the Unwinding Documents for Chengshan Group's Purchase set forth in Section 4.2.5, Cooper shall submit such documents to the MOC and apply to the MOC for the unwinding of its approval. The Parties shall use their reasonable best efforts to make all filings and take all such action and steps to complete the unwinding of the MOC approval in a timely manner so that CCT is restored to its original position and condition before Chengshan exercised Chengshan's Call Option. Once Cooper issues the Cooper Unwinding Notice, Cooper shall then have until 45 calendar days (which shall not be subject to the Cure Period) after the date that the MOC approves such unwinding to exercise Cooper's Option by following the procedure set forth in Article 2.

5.6 In the event that Chengshan exercised Chengshan's Put Option, or Cooper exercised Cooper's Option, and (i) the MOC has issued its approval for Cooper's purchase of Chengshan's ownership interest in CCT, but payment of the Purchase Price (as defined in the Cooper Equity Transfer Agreement) has not been made by Cooper, or has been made by Cooper but not received by Chengshan (except as provided in subsection (ii) below), prior to the expiry of the Payment Period or any mutually agreed upon extension thereof, (ii) the MOC has issued its approval for Cooper's purchase of Chengshan's ownership interest in CCT, and payment of the Purchase Price (as defined in the Cooper Equity Transfer Agreement) has been made by Cooper, but not received by Chengshan, prior to the expiry of the Payment Period or any mutually agreed upon extension thereof, due to (a) a restriction or other action of a governmental authority, or (b) an error in the banking or wire transfer system which is not caused by or attributable to Cooper or the bank selected or used by Cooper to process the wire transfer of the Purchase Price to Chengshan, and despite Cooper's best efforts, Chengshan still has not received the Purchase Price (as defined in the applicable Equity Transfer Agreement) within 30 calendar days (which shall not be subject to the Cure Period) after the Payment Period or any mutually agreed upon extension thereof, or (iii) Cooper has committed a Breach after the MOC has issued its approval for Cooper's purchase of Chengshan's ownership interest in CCT, but before payment of the Purchase Price (as defined in the Cooper Equity Transfer Agreement) has been made, and such Breach is not curable or, if curable, is not cured by the expiry of the Cure Period, Chengshan shall have the right (but not the obligation) to require that the MOC approval be unwound by delivering a written notice to Cooper and the Escrow Agent simultaneously (the " **Chengshan Unwinding Notice** ") specifying its requirement that the MOC approval be unwound. Once Chengshan issues the Chengshan Unwinding Notice, Chengshan's Put Option or Cooper's Option, as the case may be, shall terminate and be of no further force and effect, and the Cooper Equity Transfer Agreement shall terminate immediately (and the Parties shall take all such

actions and steps necessary or advisable to ensure and confirm that the Cooper Equity Transfer Agreement shall be terminated, including, but not limited to, executing, giving and/or filing any notices or forms which are necessary or advisable to effect or confirm such termination). Upon receipt of the Chengshan Unwinding Notice, the Escrow Agent shall release the Unwinding Documents for Cooper's Purchase set forth in Section 4.2.6 to Chengshan, and Chengshan shall submit such documents to the MOC and apply to the MOC for the unwinding of its approval. The Parties shall use their reasonable best efforts to make all filings and take all such action and steps to complete the unwinding of the MOC approval in a timely manner so that CCT is restored to its original position and condition before Chengshan exercised Chengshan's Put Option, or Cooper exercised Cooper's Option, as the case may be.

Notwithstanding the remedies set forth herein, the Non-Breaching Parties shall also be entitled to seek damages and all other remedies available to them under applicable laws.

CTB shall be jointly and severally liable for any and all obligations and liabilities of Cooper under this Agreement, and for any and all obligations and liabilities of Cooper and its affiliates (to the extent applicable) under the following documents:

(i) the Chengshan Equity Transfer Agreement;

(ii) the Cooper Equity Transfer Agreement;

(iii) the Termination Notice for the Secondment Agreement as set forth in Exhibit 4.2.1(f);

(iv) the Patent Assignment and Domain Name Agreement as set forth in Exhibit 4.2.1(g);

(v) the transition services agreement as set forth in Exhibit 4.2.2(b);

(vi) the patent assignment agreement as set forth in Exhibit 4.2.2(c); and

(vii) the termination agreement as set forth in Exhibit 4.2.2(d).

Chengshan shall be jointly and severally liable (as both a joint obligor and guarantor) for any and all obligations and liabilities of Prairie under this Agreement and the Chengshan Equity Transfer Agreement. Prairie shall be jointly and severally liable (as both a joint obligor and guarantor) for any and all obligations and liabilities of Chengshan under this Agreement and the Escrow Agreement. Chengshan further undertakes that Prairie shall remain throughout the term of this Agreement a wholly-owned subsidiary of Chengshan and under the full control of Chengshan.

Chengshan shall promptly file this Agreement with the local competent branch of the State Administration of Foreign Exchange (" **SAFE** ") and complete the registration of its undertaking as the guarantor of Prairie's obligations pursuant to the terms of this Agreement within 5 calendar days (which shall not be subject to the Cure Period) after signing of this Agreement, but in any event prior to the Option Commencement Date. Upon the completion of the registration of this Agreement with SAFE, Chengshan shall provide an official receipt issued by SAFE for the completion of such registration to Cooper for its records.

6. TERMINATION

The rights granted under this Agreement shall terminate in the following manner: (a) upon the mutual written agreement of Cooper and Chengshan, (b) automatically upon the non-occurrence of the Option Commencement Date on or before the Option Commencement Deadline, (c) automatically once all of the Options granted to Chengshan and Cooper have lapsed or expired pursuant to the terms of this Agreement, (d) at the election of a Non-Breaching Party upon the termination of the Settlement Agreement in accordance with its terms, or (e) at the election of a Non-Breaching Party upon the Breach or failure to perform by a Breaching Party, if such Breach or failure to perform or comply prohibits or materially impairs the consummation of the transactions contemplated by this Agreement and the applicable Equity Transfer Agreement, and is either not curable or, if curable, is not cured by the expiry of the Cure Period, provided that the Non-Breaching Party has used reasonable efforts to assist in the cure of such Breach or failure. The termination of this Agreement shall not affect the Parties' rights, obligations or liabilities with respect to any Breach that may have occurred. Upon the termination of this Agreement, any of the Chengshan Equity Transfer Agreement or the Cooper Equity Transfer Agreement that may then be in effect shall be automatically terminated, and the Parties shall take all such actions and steps necessary or advisable to ensure and confirm that the Chengshan Equity Transfer Agreement or the Cooper Equity Transfer Agreement that may then be in effect shall be terminated, including, but not limited to, executing, giving and/or filing any notices or forms which are necessary or advisable to effect or confirm such termination. In addition, in the event that either of Chengshan's Option or Cooper's Option is terminated due to whatever reason, the Chengshan Equity Transfer Agreement or Cooper Equity Transfer Agreement that may then be in effect shall be automatically terminated, and the Parties shall take all such actions and steps necessary or advisable to ensure and confirm that the Chengshan Equity Transfer Agreement or the Cooper Equity Transfer Agreement that may then be in effect shall be terminated, including, but not limited to, executing, giving and/or filing any notices or forms which are necessary or advisable to effect or confirm such termination. In the event that this Agreement is terminated, each Party will promptly engage in good faith discussions with the other Party with respect to the new ownership structure for CCT, provided that neither party is obligated to agree to any changes in the ownership structure except as expressly provided herein or in another written agreement between the Parties.

7. CONFIDENTIALITY

The Parties will hold, and will use their best efforts to cause its affiliates, and their respective representatives to hold all confidential information of the other Party in strict confidence from any person (other than any such affiliate or representatives on need-to-know basis), unless (i) compelled to disclose by judicial or administrative process or by other requirements of applicable law or listing requirements (provided that the disclosing Party shall give the other parties prompt notice and the opportunity to avoid such disclosure and shall cooperate in such efforts to keep such information confidential) or (ii) disclosed in an action or proceeding brought by a Party hereto in pursuit of its rights or in the exercise of its remedies hereunder. For purposes of this Agreement, "confidential information" means all documents and information concerning the other Party first furnished to it by the other Party or such other Party's representatives, or otherwise first learned by it, in connection with this Agreement or the transactions contemplated hereby, except to the extent that such documents or information can be shown to have been (a) previously known by the Party hereto receiving such documents or information without any obligation of confidentiality, (b) in the public domain (either prior to or after the furnishing of such documents or information hereunder) through no fault of such receiving Party, (c) later acquired by the receiving Party without any obligation of confidentiality from another source if the receiving Party is not aware that such source is under an obligation to another Party hereto to keep such documents and information confidential, or (d) independently received or developed by the receiving Party who is not in breach of any obligations under this Agreement or any other agreement to which it is a party.

8. NO INTERFERENCE

The rights and obligations of the Parties under this Agreement shall not interfere with or eliminate the rights that Chengshan or Cooper may be entitled to under the amended and restated Sino-foreign equity joint venture contract dated January 5, 2010 by and between Chengshan and Cooper (the " **JV Contract** ") (subject, however, to the provisions in the Settlement Agreement and its appendix).

9. GOVERNING LAW

This Agreement will be construed and interpreted in accordance with and governed by the laws of the PRC.

10. DISPUTE RESOLUTION

(a) Consultations and Arbitration. The Parties shall attempt to settle any and all disputes, controversies or claims (the " **Dispute** ") arising out of or relating to the formation, validity, interpretation, implementation or termination of this Agreement, or the breach hereof or relationships created hereby through friendly consultations. If a Dispute is not resolved through friendly consultations within thirty (30) days from the date a Party gives the other Parties written notice of a Dispute, then it shall be resolved exclusively and finally by arbitration in Hong Kong at the Hong Kong International Arbitration Center (" **HKIAC** ") in accordance with the arbitration rules then in effect of the HKIAC.

(b) Arbitration Proceedings and Award. Any arbitration shall be heard before a tribunal consisting of a sole arbitrator jointly appointed by the Parties (the " **Sole Arbitrator** "). In case the Parties cannot reach an agreement on the nomination of the Sole Arbitrator, the HKIAC shall appoint such Sole Arbitrator for the Parties. The language of the arbitration shall be English and Chinese. The arbitration shall be final and binding on the Parties, and may be enforced by any court of competent jurisdiction. The prevailing Party or Parties in the arbitration shall be entitled to receive reimbursement of their reasonable expenses (including attorney's fees and translation fees) incurred in connection therewith. Notwithstanding the foregoing, the Parties to the arbitration shall have the right to bring judicial proceedings to obtain preliminary injunctive relief at any time during the pendency of arbitration proceedings for any alleged Breach of Article 7 or Article 12 herein; provided that such preliminary injunctive relief shall be subject to final arbitral decisions.

11. NOTICE

Except where specifically provided otherwise, all notices and other communications authorized hereunder shall be given in writing to the person listed below either by personal delivery to said person, by registered or certified mail, return receipt requested, or by courier. Notices sent via facsimile must be confirmed through personal delivery of the original by means of at least one of the methods outlined herein. Any changes to the contact information of a Party below shall be effective upon a written notice to the other Parties.

CHENGSHAN

Address: No. 98, Nanshan Road North, Rongcheng City, Shandong Province, PRC
Tel: 0631-7523079
Fax: 0631-7523888
Attn: Shuhong Liu

COOPER

Address: 701 Lima Avenue, Findlay, Ohio
Tel: 419.424.4333
Fax: 419.831.6893
Attn: Jay McCracken, Director

CTB

Address: 701 Lima Avenue, Findlay, Ohio
Tel: 419.420.6059
Fax: 419.831.6940
Attn: Steve Zamansky, General Counsel

PRAIRIE

Address: No. 98, Nanshan Road North, Rongcheng City, Shandong Province, PRC
Tel: 0631-7523079
Fax: 0631-7523888
Attn: Shuhong Liu

12. NON-COMPETE

12.1 Should Cooper purchase Chengshan's ownership interest in CCT, for 4 years after the Closing Date (as defined in Cooper Equity Transfer Agreement), Chengshan shall not, either directly or indirectly (through affiliates or otherwise), engage in a Competitive Business Activity (as defined below) anywhere in the world. For the purposes hereof, the term "Competitive Business Activity" shall mean: (i) engaging in, or managing or directing any person or business that is engaged in, any business that manufactures, designs or develops, or licenses the manufacturing, design or development, of tires; (ii) acquiring or having an ownership interest in any person or business that manufactures, designs or develops, or licenses the manufacturing, design or development, of tires (except for passive ownership of 3 percent or less of any entity whose securities are listed on any major national or international stock exchange); or (iii) participating in any capacity (whether as consultant, advisor, independent contractor, proprietor, partner, joint venturer or otherwise) in the financing, operation, management or control of any person or business that manufactures, designs or develops, or licenses the manufacture, design or development, of tires; *provided, however* , that Chengshan shall be allowed to purchase, sell and market tires so long as such activities do not conflict with the non-compete restrictions set forth above. Notwithstanding the above, should Cooper purchase Chengshan's ownership interest in CCT, and Chengshan and CCT enter into an offtake agreement whereby CCT supplies tires to Chengshan, then both Cooper and CTB shall either allow CCT to design the tires for Chengshan or grant a waiver to allow Chengshan to design the tires to be manufactured and supplied by CCT.

12.2 It is expressly understood and agreed that although the Parties consider the restrictions contained in Article 12.1 above to be reasonable, if a final determination is made by an arbitration tribunal of competent jurisdiction that the time or territory or any other restriction contained in Article 12.1 above is an unenforceable restriction against Chengshan, the provisions of Article 12.1 above shall not be rendered void but shall be deemed amended to apply as to such maximum time and territory and to such maximum extent as such tribunal may determine or indicate to be enforceable.

13. MISCELLANEOUS

13.1 Dividends Payment: As soon as practicable after the Option Commencement Date, and in no event later than the Payment Date (as defined in the applicable Equity Transfer Agreement), Cooper and Chengshan shall cause a meeting of the Board of Directors of CCT to be convened, and at such meeting, Cooper and Chengshan shall respectively cause the directors it appointed to the Board of Directors of CCT to adopt a resolution to declare and distribute as soon as possible a dividend to Cooper and Chengshan in accordance with their respective shareholdings in CCT with respect to CCT's net income (after enterprise income tax) as reported in the audited annual financial statements for fiscal year of 2013 of CCT (the " **Dividend Distribution** "), in an amount equivalent to US$14,984,851.05 in the aggregate. In the event that Chengshan exercised Chengshan's Call Option, the gross amount of Dividend Distribution paid to Cooper shall be deducted from the Purchase Price (as defined in the Chengshan Equity Transfer Agreement), and in the event that Chengshan exercised Chengshan's Put Option, or Cooper exercised Cooper's Option, the gross amount of Dividend Distribution paid to Chengshan shall be deducted from the Purchase Price (as defined in the Cooper Equity Transfer Agreement).

13.2 Information Access. In the event Chengshan exercises the Chengshan Call Option and the Parties complete Prairie's purchase of Cooper's equity in CCT, Chengshan and Prairie hereby undertake that they shall jointly cause CCT, for 5 calendar years (including the year when the Closing (as defined in the Chengshan Equity Transfer Agreement) occurs) from and after the Closing (as defined in the Chengshan Equity Transfer Agreement), in accordance with legitimate legal, tax, accounting and financial reporting requirements, and upon reasonable prior notice provided by Cooper, to provide Cooper and its authorized representatives with reasonable access (on-site or otherwise) during normal business hours, to all the information and materials (in whatever form) regarding the financial, tax, business and legal aspects of CCT for the period of the 5 calendar years (including the year when the Closing (as defined in the Chengshan Equity Transfer Agreement) occurs) prior to and including the year of the Closing (as defined in the Chengshan Equity Transfer Agreement) (the " **Company Information** ") as may be reasonably needed for tax, accounting, financial reporting and legal purposes. Chengshan and Prairie shall also jointly cause CCT to maintain the Company Information after the Closing Date (as defined in the Chengshan Equity Transfer Agreement), as it historically has done in the ordinary course of business. Cooper shall ensure that such requests for Company Information shall not unreasonably interfere with the normal operation of the business of CCT.

13.3 The Undertakings of Chengshan

13.3.1 Chengshan shall use its reasonable best efforts to take, or cause to be taken, all actions, and to do, or cause to be done, all things necessary, proper or advisable under applicable laws to consummate and make effective in the most expeditious manner possible the transactions contemplated under this Agreement and the Chengshan Equity Transfer Agreement.

13.3.2 Prior to and after the Closing (as defined in the Chengshan Equity Transfer Agreement), Chengshan will do and perform, or cause to be done and performed (including, without limitation, causing Prairie to do and perform), all such further acts and things, and shall execute and deliver or cause Prairie to execute and deliver, all such other agreements, certificates, instruments and documents, as Cooper and CTB may reasonably request in order to carry out the intent and accomplish the purposes of this Agreement, the Chengshan Equity Transfer Agreement and the consummation of the transactions contemplated thereby.

13.3.3 Upon Chengshan Group's Purchase of Cooper's interest in CCT, Chengshan shall cause CCT to settle any pending true-up (the " **Unsettled Payment** ") incurred from the existing tire supply transactions between Cooper's affiliate and CCT as of the end of the month in which the Closing (as defined in the Chengshan Equity Transfer Agreement) occurs, by offsetting such Unsettled Payment from the first payment (and the next payment(s) until all the Unsettled Payment is fully offset) owed by Cooper's affiliate to CCT under the TBR Offftake Agreement and PRC Offtake Agreement executed between CTB and CCT dated August 14, 2014.

13.4 The Undertakings of CTB

13.4.1 CTB shall use its reasonable best efforts to take, or cause to be taken, all actions, and to do, or cause to be done, all things necessary, proper or advisable under applicable laws to consummate and make effective in the most expeditious manner possible the transactions contemplated under this Agreement and the Cooper Equity Transfer Agreement.

13.4.2 Prior to and after the Closing (as defined in the Cooper Equity Transfer Agreement), CTB will do and perform, or cause to be done and performed (including, without limitation, causing Cooper to do and perform), all such further acts and things, and shall execute and deliver or cause Cooper to execute and deliver, all such other agreements, certificates, instruments and documents, as Chengshan may reasonably request in order to carry out the intent and accomplish the purposes of this Agreement, the Cooper Equity Transfer Agreement and the consummation of the transactions contemplated thereby.

14. BINDING EFFECT

This Agreement shall be binding on the Parties hereto and their heirs, executors, administrators, personal representatives, successors, assigns or transferees, provided that neither party shall be entitled to transfer its rights or obligations hereunder without the written consent of the other party, Nothing contained herein or in any of the agreements referred to herein shall be construed or interpreted to prevent or prohibit any party under this Agreement (except for Prairie) or its affiliate from undertaking a transfer of its equity, merger or change of control transaction.

15. SEVERABILITY

If any provision of this Agreement should be or become fully or partially invalid, illegal or unenforceable in any respect for any reason whatsoever, the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby.

16. AMENDMENT

This Agreement may not be amended, modified or waived except by a written agreement executed by the Parties hereto.

17. ENTIRE AGREEMENT

This Agreement and the agreements referred to herein constitute the entire agreement and understanding between the Parties hereto with respect to the subject matter hereof and thereof and are intended to supersede any and all prior agreements, oral or written, among the Parties with respect to the subject matter contemplated under these agreements.

18. ORIGINALS

This Agreement is being executed both in English and Chinese, and both versions shall have equal effect in law. Each of the Parties should hold 1 original copy in Chinese, and 1 original copy in English.

IN WITNESS WHEREOF , the Parties have executed this Agreement on the date first above written.

CHENGSHAN GROUP COMPANY LIMITED

/s/ Hongzhi Che

By: Hongzhi Che
Position: Chairman

PRAIRIE INVESTMENT LIMITED

/s/ Hongzhi Che

By: Hongzhi Che
Position: Authorized Representative

COOPER TIRE INVESTMENT HOLDING (BARBADOS) LTD.

/s/ Hal Miller

By: Hal Miller
Position: Director

COOPER TIRE & RUBBER COMPANY

/s/ Bradley Hughes

By: Bradley Hughes
Position: Senior Vice President

Exhibit (31.1)

CERTIFICATIONS

I, Roy V. Armes, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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: November 7, 2014

/s/ Roy V. Armes

Roy V. Armes, Chairman of the Board,
President and Chief Executive Officer

Exhibit (31.2)

CERTIFICATIONS

I, Bradley E. Hughes, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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: November 7, 2014

/s/ Bradley E. Hughes

Bradley E. Hughes, Senior Vice President and
Chief Financial Officer

Exhibit (32)

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 Quarterly Report of Cooper Tire & Rubber Company (the "Company") on Form 10-Q for the period ended September 30, 2014, 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: November 7, 2014

/s/ Roy V. Armes
Name: Roy V. Armes
Title: Chief Executive Officer

/s/ Bradley E. Hughes
Name: Bradley E. Hughes
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.