

COOPER TIRE & RUBBER CO
Form 11-K
June 18, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 11-K

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 2012

Commission File No. 1-4329

Cooper Tire & Rubber Company

Pre-Tax Savings Plan (Texarkana)

COOPER TIRE & RUBBER COMPANY

(Exact name of registrant as specified in its charter)

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34-4297750

DELAWARE
(State or other jurisdiction of
incorporation or organization)

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

Lima and Western Avenues, Findlay, Ohio 45840

(Address of principal executive offices)

(Zip code)

(419) 423-1321

(Registrant's telephone number, including area code)

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Cooper Tire & Rubber Company

Pre-Tax Savings Plan (Texarkana)

ITEM 1. Not applicable.

ITEM 2. Not applicable.

ITEM 3. Not applicable.

ITEM 4. FINANCIAL STATEMENTS OF THE PLAN

The Financial Statements of the Cooper Tire & Rubber Company Pre-Tax Savings Plan (Texarkana) for the fiscal year ended December 31, 2012, together with the report of Ernst & Young LLP, Independent Registered Public Accounting Firm, are attached to this Annual Report on Form 11-K. The Financial Statements and the notes thereto are presented in lieu of the financial statements required by items 1, 2 and 3 of Form 11-K and were prepared in accordance with the financial reporting requirements of the Employee Retirement Income Security Act of 1974.

EXHIBITS:

(23) Consent of Independent Registered Public Accounting Firm

(99) Certification Pursuant To 18 U.S.C. § 1350

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Plan Administrator has duly caused this Annual Report to be signed by the undersigned, thereunto duly authorized.

COOPER TIRE & RUBBER COMPANY

/s/ Stephen O. Schroeder
STEPHEN O. SCHROEDER
Vice President and Treasurer

Plan Administrator

Date: June 18, 2013

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FINANCIAL STATEMENTS AND

SUPPLEMENTAL SCHEDULE

Cooper Tire & Rubber Company

Pre-Tax Savings Plan (Texarkana)

December 31, 2012 and 2011, and

Year Ended December 31, 2012

With Report of Independent Registered Public

Accounting Firm

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Cooper Tire & Rubber Company

Pre-Tax Savings Plan (Texarkana)

Financial Statements and Supplemental Schedule

December 31, 2012 and 2011, and

Year Ended December 31, 2012

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Report of Independent Registered Public Accounting Firm

The Defined Contribution Plan Committee

Cooper Tire & Rubber Company

Pre-Tax Savings Plan (Texarkana)

We have audited the accompanying statements of net assets available for benefits of the Cooper Tire & Rubber Company Pre-Tax Savings Plan (Texarkana) (the Plan) as of December 31, 2012 and 2011, and the related statement of changes in net assets available for benefits for the year ended December 31, 2012. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Plan's internal control over financial reporting. Our audits included consideration of internal control over financial reporting, as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan at December 31, 2012 and 2011, and the changes in its net assets available for benefits for the year ended December 31, 2012, in conformity with U.S. generally accepted accounting principles.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedule of assets (held at end of year) as of December 31, 2012, is presented for purposes of additional analysis and is not a required part of the financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. Such information is the responsibility of the Plan's management. The information has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

/s/ Ernst & Young LLP

Ernst & Young LLP

Toledo, Ohio

June 18, 2013

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Cooper Tire & Rubber Company

Pre-Tax Savings Plan (Texarkana)

Statements of Net Assets Available for Benefits

	December 31	
	2012	2011
Investments, at fair value:		
Common/collective trust fund	\$ 28,738,296	\$ 20,517,968
Pooled separate accounts	19,260,177	14,183,635
Common stock	12,565,554	12,526,313
	60,564,027	47,227,916
Receivables:		
Employer contributions		1,619,766
Notes receivable from participants	2,900,147	2,569,129
	2,900,147	4,188,895
Net assets available for benefits, at fair value	63,464,174	51,416,811
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	(659,954)	(476,127)
Net assets available for benefits	\$ 62,804,220	\$ 50,940,684

See accompanying notes.

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Cooper Tire & Rubber Company
 Pre-Tax Savings Plan (Texarkana)
 Statement of Changes in Net Assets Available for Benefits
 Year Ended December 31, 2012

Additions	
Contributions:	
Participant	\$ 3,732,099
Employer	81,008
Participant rollover	32,295
Total contributions	3,845,402
Investment interest income and dividends	302,983
Net appreciation in fair value of investments	10,727,899
Interest income on notes receivable from participants	89,610
Total additions	14,965,894
Deductions	
Participant withdrawals	3,236,614
Total deductions	3,236,614
Net increase	11,729,280
Net assets available for benefits:	
Beginning of year	50,940,684
Transfers from other plan	134,256
End of year	\$ 62,804,220

See accompanying notes.

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Cooper Tire & Rubber Company

Pre-Tax Savings Plan (Texarkana)

Notes to Financial Statements

December 31, 2012

1. Description of Plan

The following description of the Cooper Tire & Rubber Company Pre-Tax Savings Plan (Texarkana) (the "Plan") provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

General

The Plan, as restated and amended on January 1, 2010, is a defined contribution plan covering all hourly employees who have completed 30 days of continuous credited service and are covered by the collective bargaining agreement between the United Steelworkers of America Local #752 and Cooper Tire & Rubber Company (the "Company" and "Plan Administrator"). The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA").

The Plan automatically enrolls newly eligible participants; however, participants can elect to opt out of automatic enrollment.

The Plan has established a trust agreement with Principal Financial Group (the "Trustee") to act as trustee and recordkeeper of the Plan's assets. The Trustee administers and invests the Plan's assets and income for the benefit of the Plan's participants.

Contributions

Each year, participants may contribute up to 75% of their pretax compensation. Participants may direct their contributions to any of the Plan's investment fund options.

Through December 31, 2011, the Company contributed to the Plan on behalf of each participant an amount equal to the lesser of: i) the aggregate of 75% of all participant elective deferral contributions which represent up to 4% of each participant's compensation during the year, or ii) an amount equal to 15% of the Company's current earnings for the year in excess of 10% of the stockholder's equity at the beginning of the year. Participants may direct employer contributions immediately upon receipt. The Company made a contribution in March 2012 in the amount of \$1,619,766 for the year ended December 31, 2011. The Company has suspended the above match for the year ended December 31, 2012.

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Cooper Tire & Rubber Company

Pre-Tax Savings Plan (Texarkana)

Notes to Financial Statements (continued)

1. Description of Plan (continued)

Contributions (continued)

Beginning July 1, 2012, the Company amended the plan to make Restricted Access Company Contributions, for employees hired on and after February 1, 2012, in an amount equal to 3% of compensation for the payroll period for each person who is an active participant on the last day of that period. The Company made Restricted Access Company Contributions of \$81,008 for the period from July through December 31, 2012.

Vesting

The participants are immediately vested in their contributions plus actual earnings thereon. Participants are 100% vested in the Company's contributions plus actual earnings thereon after three years of service.

Participants are 100% vested in the Restricted Access Company Contributions as soon as the Company makes the contribution.

Participant Accounts

Individual accounts are maintained for each participant in the Plan. Each participant's account is credited with the participant's contributions, their allocation of the Company's contributions and plan earnings. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

Forfeitures

At December 31, 2012 and 2011 forfeited nonvested accounts held in the plan totaled \$42,369 and \$12,445, respectively. Future employer contributions can be reduced by future amounts forfeited by participants.

Participant Loans

Under the Plan, participants may borrow the lesser of 50% of the vested value of their entire account or \$50,000. The interest rate is established based on the prime rate. Interest rates as of December 31, 2012, range from 3.25% to 8.25%. The loan repayment schedule can be no longer than 60 months. Principal and interest is paid ratably through payroll deductions.

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Cooper Tire & Rubber Company
Pre-Tax Savings Plan (Texarkana)
Notes to Financial Statements (continued)

1. Description of Plan (continued)

Participant Withdrawals

In the event of retirement, death, termination, permanent disability, or other separation from service, participants are entitled to receive an amount equal to the value of the vested interest in their accounts. Payments of benefits are taken in a lump-sum distribution. Under the Plan, the participants who are entitled to a benefit for the reasons outlined above will have their vested balance automatically distributed if their vested balance is less than \$1,000 and rolled over to an IRA account administered by the Trustee if their vested balance is greater than \$1,000 but less than \$5,000.

In the event of hardship, as defined by the plan, participants may make a partial or full distribution of their accounts, subject to certain tax withholdings.

Termination of the Plan

Although it has not expressed any intent to do so, the Company has the right, under the Plan to discontinue contributions any time, and to terminate the Plan subject to the provisions of ERISA. In the event of plan termination, participants will become 100% vested in their accounts.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting.

Notes Receivable from Participants

Notes receivable from participants represent participant loans that are recorded at their unpaid principal balance plus any accrued but unpaid interest. Interest income on notes receivable from participants is recorded when it is earned. No allowance for credit losses has been recorded as of December 31, 2012 or 2011. If a participant ceases to make loan repayments and the Plan Administrator deems the participant loan to be a distribution, the participant loan balance is reduced and a benefit payment is recorded.

Payment of Benefits

Benefits are recorded when paid.

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Cooper Tire & Rubber Company

Pre-Tax Savings Plan (Texarkana)

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Investment Valuation and Income Recognition

Investments held by the Plan are stated at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). See Note 3 for further discussion and disclosures related to fair value measurement.

The Plan has an investment in the Principal Stable Value Fund that invested in fully benefit-responsive guaranteed investment contracts (GICs) and synthetic investment contracts (synthetic GICs). The fair value of the GICs is calculated by discounting the related cash flows based on current yields of similar instruments with comparable durations. The underlying investments of the synthetic GICs are valued at quoted redemption values on the last business day of the Plan s year-end. The fair value of the wrap contracts for synthetic GICs is determined using the market approach discounting methodology that incorporates the difference between current market level rates for contract level wrap fees and the wrap fee being charged. The difference is calculated as a dollar value and discounted by the prevailing interpolated swap rate as of period-end. These funds are recorded at fair value (see Note 5); however, since these contracts are fully benefit-responsive, an adjustment is reflected in the statements of net assets available for benefits to present these investments at contract value. Contract value is the relevant measurement attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. The contract value of the fully benefit-responsive investment contracts represents contributions plus earnings, less participant withdrawals and administrative expenses.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation or depreciation includes the Plan s gains and losses on investments bought and sold as well as held during the year.

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Cooper Tire & Rubber Company

Pre-Tax Savings Plan (Texarkana)

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Administrative Expenses

The Company pays the administrative expenses of the Plan; therefore none are reported by the Plan.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

New Accounting Pronouncement

In May 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2011-04, *Amendments to Achieve Common Fair Value Measurements and Disclosure Requirements in U.S. GAAP and IFRSs*, (ASU 2011-04). ASU 2011-04 amended FASB Accounting Standards Codification Topic 820 (ASC 820), *Fair Value Measurement*, to converge the fair value measurement guidance in US generally accepted accounting principles (GAAP) and International Financial Reporting Standards (IFRSs). Some of the amendments clarify the application of existing fair value measurement requirements, while other amendments change a particular principle in ASC 820. In addition, ASU 2011-04 requires additional fair value disclosures, although certain of these new disclosures are not required for nonpublic entities as defined in ASC 820. The amendments are to be applied prospectively and are effective for annual periods beginning after December 15, 2011. Adoption of ASU 2011-04 did not have an effect on the Plan's net assets available for benefits or its changes in net assets available for benefits.

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Cooper Tire & Rubber Company

Pre-Tax Savings Plan (Texarkana)

Notes to Financial Statements (continued)

3. Fair Value of Plan Assets

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., an exit price). The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

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

- Level 2 Financial assets and liabilities whose fair 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 of other means for substantially the full term of the asset or liability.

- Level 3 Financial assets and liabilities whose fair 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 judgment about the assumptions that a market participant would use in pricing the asset or liability and are based on the best available information, some of which may be internally developed.

The level in the fair value hierarchy within which the fair value measurement is classified is based on the lowest level input that is significant to the fair value measure in its entirety.

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Cooper Tire & Rubber Company

Pre-Tax Savings Plan (Texarkana)

Notes to Financial Statements (continued)

3. Fair Value of Plan Assets (continued)

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2012.

Pooled Separate Accounts and Common/Collective Trust Fund The fair value of the investments in these categories have been estimated using the net asset value per share. The net asset value (NAV) of these accounts is based on the market value of its underlying investments. The NAV is not a publicly quoted price in an active market. There are currently no redemption restrictions on these investments.

Common Stock Valued at the closing price reported on the active market on which the individual security is traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies and assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

There were no transfers of Plan investments between Levels 1 and 2 during 2012 or 2011.

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Cooper Tire & Rubber Company

Pre-Tax Savings Plan (Texarkana)

Notes to Financial Statements (continued)

3. Fair Value of Plan Assets (continued)

The following table presents the Plan's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2012 and 2011:

Description	December 31, 2012	Fair Value Measurements at December 31, 2012 Using Quoted Prices		
		in Active Markets for Identical Assets Level (1)	Significant Other Observable Inputs Level (2)	Significant Unobservable Inputs Level (3)
Pooled separate accounts:				
Balanced/Asset Allocation	\$ 5,975,862	\$	\$ 5,975,862	\$
Fixed Income	2,405,097		2,405,097	
International Equity	1,184,682		1,184,682	
Large U.S. Equity	7,449,488		7,449,488	
Small/Mid U.S. Equity	2,245,048		2,245,048	
Common stock	12,565,554	12,565,554		
Common/collective trust fund:				
Short-Term Fixed Income	28,738,296		28,738,296	
Total investment assets at fair value	\$ 60,564,027	\$ 12,565,554	\$ 47,998,473	\$

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Cooper Tire & Rubber Company

Pre-Tax Savings Plan (Texarkana)

Notes to Financial Statements (continued)

3. Fair Value of Plan Assets (continued)

Description	December 31, 2011	Fair Value Measurements at December 31, 2011 Using Quoted Prices		
		in Active Markets for Identical Assets Level (1)	Significant Other Observable Inputs Level (2)	Significant Unobservable Inputs Level (3)
Pooled separate accounts:				
Balanced/Asset Allocation	\$ 3,292,233	\$	\$ 3,292,233	\$
Fixed Income	1,835,012		1,835,012	
International Equity	1,012,943		1,012,943	
Large U.S. Equity	6,454,706		6,454,706	
Small/Mid U.S. Equity	1,588,741		1,588,741	
Common stock	12,526,313	12,526,313		
Common/collective trust fund:				
Short-Term Fixed Income	20,517,968		20,517,968	
Total investment assets at fair value	\$ 47,227,916	\$ 12,526,313	\$ 34,701,603	\$

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Cooper Tire & Rubber Company
 Pre-Tax Savings Plan (Texarkana)
 Notes to Financial Statements (continued)

4. Investments

During 2012, the Plan's investments (including investments purchased, sold, as well as held during the year) appreciated in fair value as follows:

	Net Realized and Unrealized Appreciation in Fair Value of Investments
Common/collective trust fund	\$ 285,118
Pooled separate accounts	2,194,919
Common stock	8,247,862
	\$ 10,727,899

Investments that represent 5% or more of the Plan net assets available for benefits are as follows:

	December 31	
	2012	2011
Cooper Tire & Rubber Company Common Stock	\$ 12,565,554	\$ 12,526,313
Principal Large Cap Value III Pooled Separate Account	*	2,673,362
Principal Stable Value Fund (at contract value)**	28,078,342	20,041,841

* Investment is less than 5%.

** The fair value of the Plan's investment in the Principal Stable Value Fund was \$28,738,296 and \$20,517,968 at December 31, 2012 and 2011, respectively.