

TENNECO AUTOMOTIVE INC  
Form 11-K  
June 04, 2002

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SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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Form 11-K

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

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2001

OR

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

FOR THE TRANSITION PERIOD \_\_\_\_\_ TO \_\_\_\_\_

COMMISSION FILE NUMBER 1-12387

A. Full title of the plan and address of the plan, if different from that  
of the issuer named below:

THE TENNECO AUTOMOTIVE EMPLOYEE STOCK  
OWNERSHIP PLAN FOR SALARIED EMPLOYEES

B. Name of issuer of the securities held pursuant to the plan and the  
address of its principal executive office:

TENNECO AUTOMOTIVE INC.  
500 NORTH FIELD DRIVE  
LAKE FOREST, IL 60045

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Tenneco Automotive Inc. Benefits Committee:

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We have audited the accompanying statements of net assets available for plan benefits of THE TENNECO AUTOMOTIVE EMPLOYEE STOCK OWNERSHIP PLAN FOR SALARIED EMPLOYEES as of December 31, 2001 and 2000, and the related statement of changes in net assets available for plan benefits for the year ended December 31, 2001. These financial statements and the supplemental schedule referred to below are the responsibility of the Tenneco Automotive Inc. Benefits Committee. Our responsibility is to express an opinion on these financial statements and supplemental schedule based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for plan benefits of The Tenneco Automotive Employee Stock Ownership Plan for Salaried Employees as of December 31, 2001 and 2000, and the changes in net assets available for plan benefits for the year ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of year) as of December 31, 2001, included as Schedule I, is presented for purposes of additional analysis and is not a required part of the basic 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. This supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Chicago, Illinois  
May 31, 2002

THE TENNECO AUTOMOTIVE EMPLOYEE STOCK  
OWNERSHIP PLAN FOR SALARIED EMPLOYEES

STATEMENTS OF NET ASSETS AVAILABLE FOR PLAN BENEFITS

AS OF DECEMBER 31, 2001 AND 2000

	2001	2000
	-----	-----
ASSETS:		
Investments, at fair value-		
Corporate securities-		

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Pactiv Corporation common stock	\$ 14,591,308	\$ 13,3
Tenneco Automotive Inc. common stock	8,112,979	5,5
	-----	-----
	22,704,287	18,9
	-----	-----
Collective trust funds-		
Barclays Global Investors Equity Index Fund T	14,443,134	18,4
Barclays Global Investors U.S. Debt Market Index Fund K	2,604,856	1,9
	-----	-----
	17,047,990	20,4
	-----	-----
Registered investment companies-		
Fidelity Growth Company Fund	23,388,891	35,8
Fidelity Low Priced Stock Fund	1,045,630	
INVESCO Total Return Fund	2,930,929	3,1
Putnam New Opportunities Fund	7,682,991	12,5
Templeton Foreign Fund	2,181,764	2,4
	-----	-----
	37,230,205	53,9
	-----	-----
Nations Cash Reserves	29,642,286	33,4
	-----	-----
Bankers Trust Pyramid Directed Account Cash Fund	1,272,623	1,0
	-----	-----
Participant loans receivable	1,833,882	2,7
	-----	-----
Total investments	109,731,273	130,6
	-----	-----
Receivables-		
Employee contributions	271,390	3
Employer contributions	348,619	2
Accrued interest and dividends	59,883	1
Due from broker	--	1
Other	--	
	-----	-----
Total receivables	679,892	1,0
	-----	-----
Total assets	110,411,165	131,6
	-----	-----
LIABILITIES:		
Due to broker	(50,052)	(3
Administrative expenses	(200,208)	(
	-----	-----
Total liabilities	(250,260)	(4
	-----	-----
NET ASSETS AVAILABLE FOR PLAN BENEFITS	\$ 110,160,905	\$ 131,2
	=====	=====

The accompanying notes to financial statements  
are an integral part of these financial statements.

THE TENNECO AUTOMOTIVE EMPLOYEE STOCK

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## OWNERSHIP PLAN FOR SALARIED EMPLOYEES

### STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR PLAN BENEFITS

FOR THE YEAR ENDED DECEMBER 31, 2001

ADDITIONS:		
Dividends	\$	336,245
Interest		1,304,252
Repayment of loan interest		178,293
Net appreciation (depreciation) in fair value of investments-		
Corporate securities		1,987,058
Collective trust funds		(1,958,542)
Registered investment companies		(13,280,279)
Total net depreciation in fair value of investments		(13,251,763)
Net investment loss		(11,432,973)
Contributions-		
Employee		7,509,546
Employer		4,793,938
Rollover		159,715
Total contributions		12,463,199
Transfer from The Tenneco Automotive Employee Stock Ownership Plan for Hourly Employees		172,592
Total additions		1,202,818
DEDUCTIONS:		
Benefits paid to participants		(21,424,251)
Administrative expenses		(851,415)
Total deductions		(22,275,666)
NET DECREASE		(21,072,848)
NET ASSETS AVAILABLE FOR PLAN BENEFITS:		
Beginning of year		131,233,753
End of year	\$	110,160,905

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The accompanying notes to financial statements are an integral part of this financial statement.

## THE TENNECO AUTOMOTIVE EMPLOYEE STOCK OWNERSHIP PLAN FOR SALARIED EMPLOYEES

### NOTES TO FINANCIAL STATEMENTS AND SCHEDULE

DECEMBER 31, 2001 AND 2000

1. DESCRIPTION OF THE TENNECO AUTOMOTIVE EMPLOYEE STOCK OWNERSHIP PLAN FOR SALARIED EMPLOYEES

The following description of The Tenneco Automotive Employee Stock Ownership Plan for Salaried Employees (the "Plan") provides only general information. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

#### GENERAL

The Plan is a defined contribution plan established by Tenneco Automotive Inc. (the "Company") on February 1, 2000. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

Effective February 1, 2000, Tenneco Automotive Inc. employees who were participants in the Pactiv Corporation Thrift Plan (the "Pactiv Plan") had their participant account balances transferred to the Plan.

#### ELIGIBILITY AND CONTRIBUTIONS

Salaried employees are eligible to participate in the Plan the first day of the month following the Company's receipt of an application for enrollment or two complete calendar months of employment provided the employee has not waived automatic enrollment.

Any employee who was enrolled in the Pactiv Plan as of January 1, 2000, and who continued to be an active employee of the Company was automatically enrolled in the Plan effective February 1, 2000.

An employee is automatically enrolled in the Plan upon completion of the eligibility requirements at a pretax contribution rate of 4% of compensation, unless the employee elects to waive automatic enrollment prior to the effective date. Participants can elect to increase the pretax deferral rate from 4% up to 16%, in any whole percentage, at any time. Total pretax contributions were limited to \$10,500 for 2001 and 2000. Effective January 1, 2001, the Company's matching contribution was reduced to 75% (previously 100%) of the participant's deferral contributions not to exceed 8% of the participant's compensation. The Company may also make discretionary contributions to participants' accounts.

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Company contributions are made in the Company's common stock. The Company's contributions and the related earnings/losses must remain in the form of the Company's common stock until the participant reaches age 55 or terminates employment and requests a total distribution.

### INVESTMENT OPTIONS

Each participant has the right upon enrollment to select the funds in which the balance in the participant's account, excluding Company contributions, will be invested. During 2001, participants can invest in Company common stock, two collective trust funds, five registered investment companies and a money market fund.

Shares of Pactiv Corporation common stock, transferred from the Pactiv Plan are held in a separate fund; however, participants cannot direct contributions or fund transfers to this fund.

### VESTING

All participants are 100% vested in their entire account balance in the Plan.

### WITHDRAWALS AND PARTICIPANT LOANS

Upon retirement or other termination of employment, the participant may receive the value of his account as a lump-sum distribution. A participant who has attained the age of 55 may elect to make an in-service withdrawal of the Company's matching account. In-service withdrawals of deferral contributions may be made by participants who have attained age 59 1/2.

Active participants and certain other individuals who have not had a loan during the previous three months may obtain a loan with a term not to exceed 54 months from his account. The borrower may have only one loan outstanding at any time, and the amount of the loan may not be less than \$1,000 and shall not exceed the lesser of (a) \$50,000 or (b) one-half the borrower's account balance. The loan interest rate is equal to The Wall Street Journal prime rate. Loan principal and interest repayments are made through payroll deductions.

### ADMINISTRATION

The Plan is administered by the Tenneco Automotive Inc. Benefits Committee (the "Committee"). Bankers Trust Company served as trustee through January 1, 2002. Effective January 2, 2002, Putnam Fiduciary Trust Company serves as the trustee.

## 2. SUMMARY OF ACCOUNTING POLICIES

### BASIS OF ACCOUNTING

The financial statements of the Plan are presented on the accrual basis of accounting. The investments of the Plan are generally reported at quoted market value. Collective trust funds are valued by reference to published market data, as available, of the underlying assets. Participant loans receivable are reported at cost which approximates fair value.

### EARNINGS

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Individual participants' accounts are credited daily with investment earnings and losses. Investment earnings and losses are credited based upon the number of units held in an individual participant's account and the fair value per unit based upon the net asset value or share price of the underlying securities at the close of business each day.

### EXPENSES

Substantially all administrative expenses are paid by the Plan. These expenses include record-keeping, audit and trustee fees.

### USE OF ESTIMATES

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

### 3. NONPARTICIPANT-DIRECTED INVESTMENTS

Information about the net assets relating to the nonparticipant-directed investments (i.e., the Company's matching contributions) is as follows as of December 31, 2001 and 2000:

	2001	2000
	-----	-----
Tenneco Automotive Inc. common stock	\$ 6,013,015	\$ 4,343,812
Bankers Trust Pyramid Directed Account Cash Fund	139,792	87,313
Employer's contribution receivable	348,619	269,886
Due to broker	--	(8,119)
	-----	-----
Net assets	\$ 6,501,426	\$ 4,692,892
	=====	=====

The significant components of the change in net assets relating to the nonparticipant-directed investments for the year ended December 31, 2001, are as follows:

Interest and dividends	\$ 6,317
Net depreciation in fair value of corporate securities	(2,439,270)
Employer contributions	4,793,938
Net interfund transfers	229,685
Benefits paid to participants	(796,950)
Transfer from The Tenneco Automotive Employee Stock Ownership Plan for Hourly Employees	14,814
	-----
Increase in net assets	\$ 1,808,534
	=====

### 4. RISKS AND UNCERTAINTIES

The Plan provides for investment in corporate securities, collective trust

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funds, registered investment companies and money market funds. Investment securities, in general, are

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exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the value of investment securities will occur in the near term.

### 5. RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500

The following is a reconciliation of net assets available for Plan benefits per the financial statements to the Form 5500 as of December 31, 2000:

Net assets available for Plan benefits per the financial statements	\$ 131,233,753
Less- Amounts allocated to withdrawing participants at December 31, 2000	(176,681)
	-----
Net assets available for Plan benefits per the Form 5500	\$ 131,057,072
	=====

The following is a reconciliation of benefits paid to participants per the financial statements to the Form 5500 for the year ended December 31, 2001:

Benefits paid per the financial statements	\$ 21,424,251
Less- Amounts allocated to withdrawing participants at December 31, 2000	(176,681)
	-----
Benefits paid per the Form 5500	\$ 21,247,570
	=====

Amounts allocated to withdrawing participants are recorded on the Form 5500 for benefits paid that have been processed and approved for payment prior to December 31, but not paid as of that date.

### 6. FEDERAL INCOME TAXES

The Internal Revenue Service issued a determination letter dated April 30, 2002, stating that the Plan was designed in accordance with applicable Internal Revenue Code of 1986, as amended (the "Code"), requirements as of that date. However, the Plan administrator believes that the Plan is currently designed and is being operated in compliance with the applicable requirements of the Code. Therefore, the Plan administrator believes that the Plan was qualified and the related trust was tax-exempt as of the financial statement dates.

### 7. TERMINATION OF THE PLAN

Although the Company intends to continue the Plan indefinitely, they



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reserve the right to terminate the Plan. Any assets which are not allocated to the accounts of participants upon the complete termination of the Plan, or complete discontinuance of contributions, will be allocated among all of the participants' accounts pro rata on the basis of their respective balances.

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8. PARTY IN INTEREST

The Plan invests in shares of the Bankers Trust Pyramid Directed Account Cash Fund which is managed by Bankers Trust Company. Bankers Trust Company was the trustee during 2001 and, therefore, these transactions qualify as party-in-interest transactions.

The Plan also invests in shares of Tenneco Automotive Inc. common stock. Tenneco Automotive Inc. is the Plan's sponsor and, therefore, these transactions qualify as party-in-interest transactions.

9. SUBSEQUENT EVENT

Effective January 1, 2002, the Company's matching contribution was reduced to 50% of the participant's deferral contributions not to exceed 8% of the participant's compensation. Company contributions made on or after this date will be made in cash.

All Company contributions (and related earnings) made prior to January 1, 2002, will remain in the form of the Company's common stock until the participant reaches age 55 or terminates employment and requests a total distribution.

SCHEDULE I

THE TENNECO AUTOMOTIVE EMPLOYEE STOCK OWNERSHIP PLAN FOR SALARIED EMPLOYEES

SCHEDULE H, LINE 4i--SCHEDULE OF ASSETS (HELD AT END OF YEAR)

AS OF DECEMBER 31, 2001

IDENTITY OF ISSUE	DESCRIPTION OF ASSET	COST
Pactiv Corporation	Pactiv Corporation common stock	**
Tenneco Automotive Inc.*	Tenneco Automotive Inc. common stock	\$32,659,9
Barclays Global Investors	Barclays Global Investors Equity Index Fund T	**
Barclays Global Investors	Barclays Global Investors U.S. Debt Market Index Fund K	**

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Fidelity Investment Institutional Services Co.	Fidelity Growth Company Fund	**
Fidelity Investment Institutional Services Co.	Fidelity Low Priced Stock Fund	**
INVESCO Funds Group, Inc.	INVESCO Total Return Fund	**
Putnam Management Company	Putnam New Opportunities Fund	**
Franklin Templeton	Templeton Foreign Fund	**
Bank of America , N.A.	Nations Cash Reserves	**
Bankers Trust Company*	Bankers Trust Pyramid Directed Account Cash Fund	1,272,6
The Tenneco Automotive Employee Stock Ownership Plan for Salaried Employees*	Participant loans receivable (interest rates ranging from 4.75% to 9.50%)	**
	Total assets (held at end of year)	-----

\*Indicated party-in-interest.

\*\*Cost omitted for participant-directed investments.

The accompanying notes are an integral part of this schedule.

SIGNATURES

The Plan. Pursuant to the requirements of the Securities and Exchange Act of 1934, the Tenneco Automotive Inc. Benefits Committee has duly caused this annual report to be signed on its behalf by the undersigned hereunder duly authorized.

THE TENNECO AUTOMOTIVE EMPLOYEE  
STOCK OWNERSHIP PLAN FOR SALARIED  
EMPLOYEES

Date: May 31, 2002

/s/ RICHARD P. SCHNEIDER

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RICHARD P. SCHNEIDER  
CHAIRMAN OF TENNECO AUTOMOTIVE INC.  
BENEFITS COMMITTEE

INDEX TO EXHIBITS

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EXHIBIT NUMBER	DESCRIPTION
23.1 99.1	Consent of Independent Public Accountants Representation regarding Arthur Andersen LLP