

TENNECO INC  
Form 11-K  
June 20, 2018

**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, 2017**

**OR**

**TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934  
FOR THE TRANSITION PERIOD FROM            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:

**Tenneco 401(k) Retirement Savings Plan**

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

**Tenneco Inc.**

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**500 North Field Drive**

**Lake Forest, IL 60045**

**FINANCIAL STATEMENTS AND  
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS  
TENNECO 401(K) RETIREMENT SAVINGS PLAN  
DECEMBER 31, 2017 AND 2016**

**CONTENTS**

	<b>Page</b>
<u>REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	3
<u>FINANCIAL STATEMENTS</u>	
<u>STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS AS OF DECEMBER 31, 2017 AND 2016</u>	5
<u>STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS FOR THE YEAR ENDED DECEMBER 31, 2017</u>	6
<u>NOTES TO FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017 AND 2016</u>	7
<u>SUPPLEMENTAL SCHEDULE</u>	
<u>SCHEDULE H, LINE 4i SCHEDULE OF ASSETS (HELD AT END OF YEAR) AS OF DECEMBER 31, 2017</u>	14

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Plan Administrator and Plan Participants

Tenneco 401(k) Retirement Savings Plan

Opinion on the financial statements

We have audited the accompanying statements of net assets available for benefits of Tenneco 401(k) Retirement Savings Plan (the Plan) as of December 31, 2017 and 2016, the related statement of changes in net assets available for benefits for the year ended December 31, 2017, and the related notes (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2017 and 2016, and the changes in net assets available for benefits for the year ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

Basis for opinion

These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on the Plan's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Plan in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting 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.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

#### Supplemental information

The supplemental information in the accompanying schedule of assets (held at end of year) as of December 31, 2017, has been subjected to audit procedures performed in conjunction with the audit of the Plan's financial statements. The supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements but include supplemental information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental information is the responsibility of the Plan's management. Our audit procedures included determining whether the supplemental information reconciles to the basic financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming our opinion on the supplemental information in the accompanying schedule, we evaluated whether the supplemental information, including its form and content, is presented in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. In our opinion, the supplemental information referred to above is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

/s/ GRANT THORNTON LLP

We have served as the Plan's auditor since 2008.

Chicago, Illinois

June 20, 2018

**Tenneco 401(k) Retirement Savings Plan****STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS**

As of December 31, 2017 and 2016

	2017	2016
<b>Assets</b>		
Investments, at fair value	\$ 768,363,923	\$ 667,429,515
Receivables:		
Due from broker	117,795	38,968
Notes receivable from participants	20,467,755	18,473,958
Total receivables	20,585,550	18,512,926
<b>NET ASSETS AVAILABLE FOR BENEFITS</b>	<b>\$ 788,949,473</b>	<b>\$ 685,942,441</b>

The accompanying notes are an integral part of these statements.

**Tenneco 401(k) Retirement Savings Plan****STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS****Year Ended December 31, 2017**

<b>Additions</b>	
<b>Contributions</b>	
Employer	\$ 30,250,390
Participant	33,208,245
Rollovers	5,746,115
Total contributions	69,204,750
<b>Investment income</b>	
Net appreciation in fair value of investments	74,081,577
Interest and dividends	28,330,745
Net investment income	102,412,322
Interest income on notes receivable from participants	652,843
Total additions	172,269,915
<b>Deductions</b>	
Benefits paid to participants	67,510,049
Administrative expenses	1,752,834
Total deductions	69,262,883
<b>NET INCREASE IN NET ASSETS</b>	<b>103,007,032</b>
Net assets available for benefits	
Beginning of year	685,942,441
End of year	\$ 788,949,473

The accompanying notes are an integral part of these statements.



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**Tenneco 401(k) Retirement Savings Plan**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2017 and 2016**

**A. DESCRIPTION OF THE PLAN**

The following is a description of the Tenneco 401(k) Retirement Savings Plan (the *Plan*). Participants should refer to the Plan document for more complete information.

**General** The Plan is a defined contribution plan covering substantially all U.S. salaried and hourly employees of Tenneco Automotive Operating Company Inc. (the *Company*) and certain of its affiliates. Participation by union employees is subject to provisions that may be different from those applicable to non-union hourly employees as determined pursuant to negotiations with the union and incorporated into the Plan document. The special provisions are not discussed in this summary. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (*ERISA*). A committee appointed by the Company (the *Committee*) is the plan administrator (as defined under ERISA) and has the authority for the day-to-day administration of the Plan.

**Eligibility** Employees are eligible to participate in the Plan as soon as practicable following the earlier of the Committee's receipt of an application for enrollment or after two complete calendar months of employment provided the employee has not waived automatic enrollment.

**Contributions** If he or she is not already enrolled or has not waived automatic enrollment, an eligible employee is automatically enrolled in the Plan as of the first day of the month following completion of the two month eligibility requirements at a pretax contribution rate of 4% for salaried employees and 2% for nonunion hourly employees of pretax annual compensation, as defined in the Plan document, subject to certain Internal Revenue Code (*IRC*) limitations. The Plan allows participants to make Roth elective contributions. Participants can elect to increase their pretax salary deferral contributions and/or Roth elective contributions rate, subject to certain IRC limitations up to 75%, of compensation in any whole percentage, at any time.

Participants who have attained age 50 before the end of the year are eligible to make catch-up contributions subject to IRC limitations. Participants may also contribute amounts representing distributions from other qualified defined benefit or defined contribution plans and annuity contracts or individual retirement accounts as rollover contributions.

The employer matching contribution is equal to 100% of the eligible participant's pretax and Roth contributions not exceeding 3% of the participant's compensation for that payroll period plus 50% of the participant's contributions for such payroll period that are between 3% and 5% of the participant's compensation for that payroll period. Additional amounts may also be contributed at the discretion of the Company. No such additional discretionary contributions were made for the year ended December 31, 2017.

For participants hired on or after April 1, 2005, there is an additional 2% nonelective employer contribution (*CRC* contribution) after one year of service. For those employees who ceased to accrue benefits under the Company's defined benefit plans effective January 1, 2007, CRC contributions are based upon a participant's age in accordance with an age-graded schedule.

**Participant Accounts** An individual account (with appropriate subaccounts) is maintained for each Plan participant. Each participant's account is credited with the participant's contributions, the employer matching contributions, the CRC contributions, allocations of Company discretionary



contributions, and Plan earnings, and is charged with withdrawals and an allocation of Plan losses and administrative expenses. Participants direct the investment of their contributions and the employer contributions credited to their account into various investment options offered by the Plan. Allocations are based on participant compensation or account balances, as applicable. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

**Vesting** Participants are vested immediately in their pretax and Roth contributions and the employer matching contributions plus actual earnings thereon. Participants are also vested in rollover contributions to the Plan. The CRC contributions and any additional Company contributions cliff vest after the participant has completed 3 years of service (or, if earlier, upon the participant's death, disability or attainment of age 65 while employed).

**Notes Receivable from Participants** Active participants may borrow from their accounts a minimum of \$1,000 up to a maximum of \$50,000, less their highest outstanding loan balance in the previous 12 months or 50% of their account balance, whichever is less, as long as the participants have no outstanding loans. Each participant may only have one loan outstanding at any time, with a term not to exceed 54 months. The loans are secured by the balance in the participant's account and bear interest at rates equal to the prime rate as reported in *The Wall Street Journal* at the time the loan is made; current outstanding loans are maturing at interest rates of 3.25%-4.25%. Principal and interest are paid ratably through payroll deductions.

**Termination of Participation** Upon termination of service due to disability, retirement, or other termination of employment (other than death), a participant may elect to receive a lump-sum distribution equal to the value of the participant's vested interest in his or her account or, if the participant's vested interest in the account was more than \$1,000, to continue to maintain the account under the Plan and to receive a distribution at a later date as provided in the Plan. If the participant's account does not exceed \$1,000, the participant is required to receive a lump-sum amount or roll over the amount to another qualified plan or IRA. In the event of the participant's death, his or her account will be distributed to the beneficiary in a lump sum as soon as practicable after the participant's death.

**Forfeitures** At December 31, 2017 and 2016, forfeited nonvested accounts totaled approximately \$111,000 and \$72,000, respectively. These forfeitures are used to reduce future employer contributions and/or pay Plan administrative expenses. For the year ended December 31, 2017, employer contributions were reduced by approximately \$314,000 and no expenses were paid from forfeited nonvested accounts. If a participant terminates and is rehired within five years, any forfeited balance will be reinstated.

## **B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting** The financial statements of the Plan are prepared under the accrual method of accounting.

**Use of Estimates** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

**Risks and Uncertainties** The Plan utilizes various investment instruments, including common stock, mutual funds, and a collective trust fund. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participant account balances and the amounts reported in the statements of net assets available for benefits.

**Investment Valuation and Income Recognition** The Plan's investments are presented at fair value. Fair value is 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. Quoted market prices are used to determine the fair value of the Plan's investments, when available.

See Note C for discussion of fair value measurements.

Management fees and operating expenses charged to the Plan for investments in registered investment companies are deducted from income earned on a daily basis and are not separately reflected. Consequently, these management fees and operating expenses are reflected in net appreciation (depreciation) in the fair market value of investments for such investments.

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.

**Notes Receivable from Participants** Notes receivable from participants are measured at their unpaid balance plus any accrued but unpaid interest. Delinquent loans are reclassified as benefits paid to participants based upon terms of the Plan document. No allowance for credit losses has been recorded as of December 31, 2017 and 2016.

**Net Appreciation/(Depreciation) in Fair Value of Investments** Net realized and unrealized appreciation (depreciation) is recorded in the accompanying statement of changes in net assets available for benefits as investment income.

**Administrative Expenses** Administrative expenses of the Plan are paid by the Plan as provided by the Plan document unless such expenses are paid directly by the Company.

**Payment of Benefits** Benefit payments to participants are recorded when paid.

### **C. FAIR VALUE MEASUREMENTS**

The FASB issued guidance which defines fair value, establishes a framework for measuring fair value under current accounting pronouncements that require or permit fair value measurement and enhances disclosures about fair value measurements. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

**Level 1** Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 inputs must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used to determine fair value level need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used to measure assets at fair value. There have been no changes in the methodologies used at December 31, 2017 and 2016.

Common stock Valued at the closing price reported on the active market on which the individual securities are traded.

Registered investment companies Valued at the quoted net asset value ( NAV ) of shares held by the Plan at year-end.

Collective trust Valued at NAV of the Plan's interest in the collective trust based on information reported by the investment advisor using audited financial statements of the collective trust at year-end. The NAV is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the trust, with the exception of the fully-benefit responsive investment contracts held by the trust that are valued at contract value, less its liabilities. Contract value represents contributions made to the fund, plus earnings, less participant withdrawals. The trust's NAV represents fair value since this is the amount at which the Plan transacts with the trust. Plan management believes that the value of the Mellon Stable Value Fund is reasonably stated and that no adjustment to the NAV as of December 31, 2017 and 2016 is required.

Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investment in the collective trust at contract value on a daily basis. Were the Plan to initiate a full redemption of the collective trust, the investment advisor reserves the right to temporarily delay withdrawal from the trust for up to twelve months in order to ensure that securities liquidations will be carried out in an orderly manner.

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 or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Plan's investments at fair value as of December 31, 2017 and 2016:

<i>Plan Assets at Fair Value as of December 31, 2017</i>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Assets Measurement at NAV</b>
Registered investment companies	\$ 642,415,853	\$	\$	\$
Common stock	49,794,278			
Collective trust				76,153,792
	\$ 692,210,131	\$	\$	\$ 76,153,792

<i>Plan Assets at Fair Value as of December 31, 2016</i>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Assets Measurement at NAV</b>
Registered investment companies	\$ 525,627,659	\$	\$	\$
Common stock	55,966,049			
Collective trust				85,835,807
	\$ 581,593,708	\$	\$	\$ 85,835,807

There were no significant transfers between Level 1 and Level 2 investments during the year ended December 31, 2017.

#### **D. EXEMPT PARTY-IN-INTEREST TRANSACTIONS**

At December 31, 2017 and 2016, the Plan held shares of Fidelity Low-Priced Stock Fund, which is managed by Fidelity Investments, an affiliate of the trustee of the Plan. Therefore, these transactions qualify as party-in-interest transactions. Fees paid by the Plan for investment management services were included as a reduction of the return earned on this investment.

At December 31, 2017 and 2016, the Plan held 850,545 and 895,859, respectively, shares of common stock of Tenneco Inc., the parent of the Company, the sponsoring employer.

#### **E. PLAN TERMINATION**

Although it has not expressed any intention to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions set forth in ERISA and the terms of the Plan. In the event of a Plan termination, participants would become 100% vested in employer contributions. 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 participant accounts pro rata on the basis of their respective balances.



**F. FEDERAL INCOME TAX STATUS**

The Internal Revenue Service ( IRS ) determined and informed the Company by a letter dated March 4, 2016, that the form of the Plan conforms to the applicable requirements of the IRC. The Company and the plan administrator believe that the Plan continues to be designed and operated in all material respects in compliance with the applicable requirements of the IRC and the related trust continues to be tax-exempt.

Accounting principles generally accepted in the United States of America require plan management to evaluate tax positions taken by the Plan and recognize a tax liability if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. The Company has analyzed the tax positions taken by the Plan, and has concluded that there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions.

**G. RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500**

A reconciliation of net assets available for benefits per the financial statements to Form 5500 at December 31, 2017 and 2016, is as follows:

	2017	2016
Net assets available for benefits per the financial statements	\$ 788,949,473	\$ 685,942,441
Adjustment from contract value to fair value for interest in collective trust fund related to fully benefit-responsive contracts	(536,205)	(387,005)
Net assets available for benefits per Form 5500	\$ 788,413,268	\$ 685,555,436

A reconciliation of changes in net assets available for benefits per the financial statements for the year ended December 31, 2017, to Form 5500 is as follows:

Investment income per the financial statements	\$ 102,412,322
Less adjustment from contract value to fair value for interest in collective trust fund related to fully benefit-responsive contracts for 2016	387,005
Add adjustment from contract value to fair value for interest in collective trust fund related to fully benefit-responsive contracts for 2017	(536,205)
Investment income per Form 5500	\$ 102,263,122

The Plan's collective trust investment is in the Mellon Stable Value Fund, which holds fully benefit responsive investment contracts. Consistent with the measurement principles for investment companies those investment contracts are valued at contract value when calculating the Mellon Stable Value Fund's NAV. The Plan values its investment in the Mellon Stable Value Fund at the fund's NAV as a practical expedient. The Form 5500, however, requires investments in collective trusts to be reported at fair value. Therefore, an adjustment for the difference



between valuing the underlying investment contracts at contract value and fair value is made to the collective trust's NAV to report it at fair value in the Form 5500.

**NOTE H SUBSEQUENT EVENTS**

The Company has evaluated subsequent events from December 31, 2017 through the date these financial statements were issued. Tenneco Inc. entered into a Membership Interest Purchase Agreement with Federal-Mogul LLC, American Entertainment Properties Corp. and Icahn Enterprises L.P. dated April 10, 2018 (the Purchase Agreement ) pursuant to which Tenneco Inc. will purchase all of the outstanding membership interests of Federal-Mogul LLC. The transactions contemplated by the Purchase Agreement have not closed as of the date of these financial statements and the Company does not believe that the closing of such transactions would have a material impact on these financial statements or on the disclosures set forth herein. There were no additional subsequent events that require recognition or additional disclosure in these financial statements.

**Tenneco 401(k) Retirement Savings Plan****SCHEDULE H, LINE 4i - SCHEDULE OF ASSETS (HELD AT END OF YEAR)**

As of December 31, 2017

Identity of party involved/description of asset	Cost (a)	Current value
<b>Mutual Funds</b>		
American Funds AMCAP Fund		\$ 53,504,981
American Funds EuroPacific Growth Fund		108,598,527
DWS RREEF Real Estate Securities Fund		4,754,838
* Fidelity Low-Priced Stock Fund		6,672,689
Goldman Sachs Government Income Fund		3,200,829
JPMorgan Core Bond Fund		10,331,816
Lazard Emerging Markets Equity Portfolio		6,697,725
MSIF Trust Mid Cap Growth Portfolio		10,182,250
T Rowe Price Retirement 2010 Fund		431,512
T Rowe Price Retirement 2015 Fund		2,703,437
T Rowe Price Retirement 2020 Fund		14,423,145
T Rowe Price Retirement 2025 Fund		16,610,242
T Rowe Price Retirement 2030 Fund		15,863,265
T Rowe Price Retirement 2035 Fund		15,254,097
T Rowe Price Retirement 2040 Fund		11,420,251
T Rowe Price Retirement 2045 Fund		12,709,786
T Rowe Price Retirement 2050 Fund		8,543,469
T Rowe Price Retirement Income Fund		4,320,524
Vanguard Institutional Index Fund		161,950,176
Vanguard Selected Value Fund		23,242,997
Vanguard Small Cap Index Fund		46,205,175
Vanguard Total Bond Market Index Fund		74,664,034
Vanguard Windsor II Fund		30,130,088
<b>Collective Trust Fund</b>		
Mellon Stable Value Fund		75,617,587
<b>Common Stock</b>		
* Tenneco Inc.		49,794,278
<b>*Participant Notes Receivable, 3.25% - 4.25%</b>		20,467,755
		\$ 788,295,473

\* Represents a party-in-interest.

(a) Cost information omitted as all investments are fully participant directed.

SIGNATURES

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

TENNECO 401(k) RETIREMENT SAVINGS PLAN

Date: June 20, 2018

/s/ Gregg A. Bolt  
GREGG A. BOLT  
CHAIRMAN OF TENNECO INC.

BENEFITS COMMITTEE

INDEX TO EXHIBITS

EXHIBIT

NUMBER	DESCRIPTION
23.1	Consent of Grant Thornton LLP