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TENNECO AUTOMOTIVE INC
Form 11-K
June 04, 2002

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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

[X] 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 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:

THE TENNECO AUTOMOTIVE EMPLOYEE STOCK
OWNERSHIP PLAN FOR HOURLY 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

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To the Tenneco Automotive Benefits Committee:

We have audited the accompanying statements of net assets available for plan benefits of THE TENNECO AUTOMOTIVE EMPLOYEE STOCK OWNERSHIP PLAN FOR HOURLY 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 schedules 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 schedules 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for plan benefits of The Tenneco Automotive Employee Stock Ownership Plan for Hourly 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 schedules of assets (held at end of year) as of December 31, 2001, included as Schedule I, and reportable transactions for the year ended December 31, 2001, included as Schedule II, are presented for purposes of additional analysis and are not a required part of the basic financial statements but are 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. These supplemental schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are 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 HOURLY EMPLOYEES

STATEMENTS OF NET ASSETS AVAILABLE FOR PLAN BENEFITS
AS OF DECEMBER 31, 2001 AND 2000

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	2001	2000
	-----	-----
ASSETS:		
Investments, at fair value-		
Corporate securities-		
Pactiv Corporation common stock	\$ 2,242,535	\$ 2,100,000
Tenneco Automotive Inc. common stock	5,851,856	3,850,000
	-----	-----
	8,094,391	5,950,000
	-----	-----
Collective trust funds-		
Barclays Global Investors Equity Index Fund T	9,543,888	10,950,000
Barclays Global Investors U.S. Debt Market Index Fund K	5,941,032	4,970,000
	-----	-----
	15,484,920	15,920,000
	-----	-----
Registered investment companies-		
Fidelity Growth Company Fund	8,324,859	11,340,000
Fidelity Low Priced Stock Fund	146,119	
INVESCO Total Return Fund	1,371,836	1,340,000
Putnam New Opportunities Fund	4,049,875	5,550,000
Templeton Foreign Fund	365,279	340,000
	-----	-----
	14,257,968	18,590,000
	-----	-----
Nations Cash Reserves	8,137,453	6,240,000
	-----	-----
Bankers Trust Pyramid Directed Account Cash Fund	587,316	740,000
	-----	-----
Participant loans	3,779,354	3,370,000
	-----	-----
Total investments	50,341,402	50,850,000
	-----	-----
Receivables-		
Employee contributions	125,708	140,000
Employer contributions	262,867	260,000
Accrued interest and dividends	20,536	40,000
Due from broker	--	60,000
	-----	-----
Total receivables	409,111	500,000
	-----	-----
Total assets	50,750,513	51,360,000
	-----	-----
LIABILITIES:		
Due to broker	(13,488)	(80,000)
Administration expenses payable	(286,570)	(260,000)
Due to The Tenneco Automotive Employee Stock Ownership Plan for Salaried Employees	--	(30,000)
	-----	-----
Total liabilities	(300,058)	(370,000)
	-----	-----
NET ASSETS AVAILABLE FOR PLAN BENEFITS	\$ 50,450,455	\$ 50,990,000
	=====	=====

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

THE TENNECO AUTOMOTIVE EMPLOYEE STOCK OWNERSHIP PLAN FOR HOURLY EMPLOYEES

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR PLAN BENEFITS

FOR THE YEAR ENDED DECEMBER 31, 2001

ADDITIONS:

Dividends	\$ 112,44
Interest	301,08
Repayment of loan interest	289,58
Net depreciation in fair value of investments-	
Corporate securities	(1,315,27)
Collective trust funds	(864,83)
Registered investment companies	(4,921,31)
Total net depreciation in fair value of investments	(7,101,43)
Net investment loss	(6,398,31)
Contributions-	
Employee	7,180,20
Employer	4,534,86
Rollover	168,02
Total contributions	11,883,09
Total additions	5,484,77

DEDUCTIONS:

Benefits paid to participants	(4,582,24)
Administrative expenses	(1,264,38)
Transfer to The Tenneco Automotive Employee Stock Ownership Plan for Salaried Employees	(172,59)
Total deductions	(6,019,22)

NET DECREASE 534,44

NET ASSETS AVAILABLE FOR PLAN BENEFITS:

Beginning of year	50,984,89
End of year	\$ 50,450,45

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

THE TENNECO AUTOMOTIVE EMPLOYEE STOCK
OWNERSHIP PLAN FOR HOURLY EMPLOYEES

NOTES TO FINANCIAL STATEMENTS AND SCHEDULES

DECEMBER 31, 2001 AND 2000

1. DESCRIPTION OF THE PLAN

The following description of The Tenneco Automotive Employee Stock Ownership Plan for Hourly 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 for Hourly Employees (the "Pactiv Plan") had their participant account balances transferred to the Plan.

ELIGIBILITY AND CONTRIBUTIONS

Hourly 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 2% 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 2% 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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Certain union hourly employees have adopted the Plan and are subject to different eligibility and contribution provisions, as described in the Special Appendix I of the Plan document.

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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 age 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

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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.

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EARNINGS

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	\$ 5,128,831	\$ 3,607,711
Bankers Trust Pyramid Directed Account Cash Fund		
	127,059	86,245
Employer contribution receivable	262,867	261,643
Due to broker	--	(4,214)
	-----	-----
	\$ 5,518,757	\$ 3,951,385
	=====	=====

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:

Investment income-	
Interest and dividends	\$ 5,039
Net depreciation in fair value of corporate securities	(2,175,997)
Employer contributions	4,534,869

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Net interfund transfers	(170,675)
Benefits paid to participants	(611,050)
Transfer to The Tenneco Automotive Employee Stock Ownership Plan for Salaried Employees	(14,814)

Increase in net assets	\$ 1,567,372
	=====

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4. RISKS AND UNCERTAINTIES

The Plan provides for investment in corporate securities, collective trust funds, registered investment companies and money market funds. Investment securities, in general, are 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	\$ 50,984,899
Less- Amounts allocated to withdrawing participants	(86,440)

Net assets available for Plan benefits per the Form 5500	\$ 50,898,459
	=====

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	\$ 4,582,244
Less- Amounts allocated to withdrawing participants at December 31, 2000	(86,440)

Benefits paid per the Form 5500	\$ 4,495,804
	=====

Amounts allocated to withdrawing participants are recorded on the Form 5500 for withdrawals 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. 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

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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 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 HOURLY EMPLOYEES

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

DECEMBER 31, 2001

IDENTITY OF ISSUE	DESCRIPTION OF ASSET	COS
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Pactiv Corporation	Pactiv Corporation common stock	*
Tenneco Automotive Inc.*	Tenneco Automotive Inc. common stock	\$15,37
Barclays Global Investors	Barclays Global Investors Equity Index Fund T	*
Barclays Global Investors	Barclays Global Investors U.S. Debt Market Index Fund K	*
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	58
The Tenneco Automotive Employee Stock Ownership Plan for Hourly 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.

SCHEDULE II

THE TENNECO AUTOMOTIVE EMPLOYEE STOCK OWNERSHIP PLAN FOR HOURLY EMPLOYEES

SCHEDULE H, LINE 4j--SCHEDULE OF REPORTABLE TRANSACTIONS

FOR THE YEAR ENDED DECEMBER 31, 2001

IDENTITY OF PARTY INVOLVED/ DESCRIPTION OF INVESTMENT	PURCHASE PRICE (a) (c)	EXCHANGES IN (c)	IN-KIND SELLING PRICE (b) (c)	COST OF ASSETS SOLD	IN-K EXCHA OUT
SERIES:					
Tenneco Automotive Inc.- Tenneco Automotive Inc. common stock	\$1,020,941 =====	\$4,533,645 =====	\$1,453,115 =====	\$3,556,172 =====	\$15, =====

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- (a) Purchase price equals cost of asset and includes expenses incurred in connection with transactions (i.e., commissions, transfer fees, etc.)
- (b) Selling price is net of expenses incurred in connection with transactions.
- (c) Current value of asset on transaction date is equal to the purchase/selling price and in-kind exchanges in/out.

NOTE: This schedule is a listing of series of transactions (for nonparticipant-directed investments) in the same security which exceeds 5% of the market value of the Plan as of the beginning of the year.

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 HOURLY EMPLOYEES

Date: May 31, 2002

/s/ RICHARD P. SCHNEIDER

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

INDEX TO EXHIBITS

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

