

TENNECO INC  
Form 424B5  
November 19, 2009

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**Filed Pursuant to Rule 424(b)(5)  
Registration No. 333-159305**

**PROSPECTUS SUPPLEMENT  
(To Prospectus dated May 29, 2009)**

**12,000,000 Shares**

**Tenneco Inc.**

**Common Stock**

We are offering 12,000,000 shares of our common stock, par value \$0.01 per share.

The common stock of Tenneco Inc., which we refer to in this prospectus supplement as Tenneco, is listed on the New York Stock Exchange under the symbol TEN. The last reported sale price of the common stock on November 18, 2009 was \$16.98 per share.

	<b>Per Share</b>	<b>Total</b>
Public offering price	\$ 16.5000	\$ 198,000,000
Underwriting discount	\$ 0.8250	\$ 9,900,000
Proceeds, before expenses, to us	\$ 15.6750	\$ 188,100,000

**Investing in our common stock involves risks. See Risk Factors on page S-6 and included in the accompanying prospectus to read about factors you should consider before buying shares of the common stock. You should also consider the risk factors described in the documents incorporated by reference into this prospectus supplement and the accompanying prospectus.**

Neither the Securities and Exchange Commission (the SEC) nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

To the extent that the underwriters sell more than 12,000,000 shares of common stock, the underwriters have the option to purchase up to an additional 1,800,000 shares from us at the offering price less the underwriting discount. If the underwriters exercise this option in full, the total underwriting discounts and commissions will be \$11,385,000 and total proceeds, before expenses, to Tenneco, will be \$216,315,000.

The underwriters expect to deliver the shares against payment in New York, New York on or about November 24, 2009.

*Joint Book-Running Managers*

**J.P. Morgan**

**BofA Merrill Lynch**

**Deutsche Bank Securities**

*Co-Managers*

**Citi**

**RBS**

**BNY Mellon Capital Markets, LLC**

**KeyBanc Capital Markets  
Commerzbank Corporates &  
Markets**

**PNC Capital Markets LLC**

**Scotia Capital**

**UniCredit Capital Markets**

Prospectus Supplement dated November 18, 2009.

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**You should rely only on the information contained in or incorporated by reference in this prospectus supplement or the accompanying prospectus and any free writing prospectus we have authorized for use in connection with this offering. We have not, and the underwriters have not, authorized any other person to provide you with information that is different. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer of this common stock in any jurisdiction where the offer or sale is not permitted. You should not assume that the information contained in this prospectus supplement, the accompanying prospectus, any free writing prospectus, or the documents incorporated by reference in this prospectus supplement, the accompanying prospectus or any free writing prospectus is accurate as of any date other than their respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates.**

**Before you invest in our common stock, you should read the registration statement described in the accompanying prospectus (including the exhibits thereto) of which this prospectus supplement and the accompanying prospectus form a part, as well as this prospectus supplement, the accompanying prospectus and the documents incorporated by reference into this prospectus supplement and the accompanying prospectus. The documents incorporated by reference are described in this prospectus supplement under **Documents incorporated by reference into this prospectus supplement** and **Where you can find more information** in the accompanying prospectus.**

**If the information set forth in this prospectus supplement varies in any way from the information set forth in the accompanying prospectus, you should rely on the information contained in this prospectus supplement. If the information set forth in this prospectus supplement varies in any way from the information set forth in a document we have incorporated by reference, you should rely on the information in the more recent document.**

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**ABOUT THIS PROSPECTUS SUPPLEMENT**

This document is in two parts. The first part is this prospectus supplement, which describes certain matters relating to us and the specific terms of this offering and also adds to and updates information contained in the accompanying prospectus and documents incorporated by reference herein.

The second part, the accompanying prospectus dated May 29, 2009, gives more general information about securities we may offer from time to time, some of which may not apply to the common stock offered by this prospectus supplement and the accompanying prospectus. For information about our common stock, see [Description of Common Stock](#) in the accompanying prospectus.

**DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS**

Certain statements in this prospectus supplement or the documents incorporated by reference into this prospectus supplement constitute [forward-looking statements](#) as that term is defined under Section 21E of the Securities Exchange Act of 1934, as amended, concerning, among other things, the prospects and developments of our company and business strategies for our operations, all of which are subject to risks and uncertainties. These forward-looking statements are included in various sections of this prospectus supplement and the documents incorporated by reference herein. They are identified as [forward-looking statements](#) or by their use of terms (and variations thereof) such as [will](#), [may](#), [can](#), [anticipate](#), [intend](#), [continue](#), [estimate](#), [expect](#), [plan](#), [should](#), [outlook](#), [believe](#) and [se](#) (and variations thereof) and phrases.

Our actual results may differ materially from those anticipated in these forward-looking statements. These forward-looking statements are affected by risks, uncertainties and assumptions that we make, including among other things, the factors that are described in [Risk Factors](#) and:

general economic, business and market conditions, including without limitation the severe financial difficulties facing a number of companies in the automotive industry as a result of the current global economic crisis and the potential impact thereof on labor unrest, supply chain disruptions, weakness in demand and the collectibility of any accounts receivable due to us from such companies;

our ability to access the capital or credit markets and the costs of capital, including the recent global financial and liquidity crisis, changes in interest rates, market perceptions of the industries in which we operate or ratings of securities;

the recent volatility in the credit markets, the losses which may be sustained by our lenders due to their lending and other financial relationships and the general instability of financial institutions due to a weakened economy;

changes in consumer demand, prices and our ability to have our products included on top selling vehicles, such as the significant shift in consumer preferences from light trucks, which tend to be higher margin products for our customers and us, to other vehicles in light of higher fuel cost and the impact of the current global economic crisis, and other factors impacting the cyclicity of automotive production and sales of automobiles which include our products, and the potential negative impact on our revenues and margins from such products;

changes in automotive manufacturers' production rates and their actual and forecasted requirements for our products, such as the significant production cuts over the past year by automotive manufacturers in response to difficult economic conditions;

the overall highly competitive nature of the automotive parts industry, and any resultant inability to realize the sales represented by our awarded book of business (which is based on anticipated pricing for the applicable program over its life, and is subject to increases or decreases due to changes in customer requirements, customer and consumer preferences, and the number of vehicles actually produced by customers);

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the loss of any of our large original equipment manufacturer ( OEM ) customers (on whom we depend for a substantial portion of our revenues), or the loss of market shares by these customers if we are unable to achieve increased sales to other OEMs;

labor disruptions at our facilities or any labor or other economic disruptions at any of our significant customers or suppliers or any of our customers' other suppliers (such as the 2008 strike at American Axle, which disrupted our supply of products for significant General Motors platforms);

increases in the costs of raw materials, including our ability to successfully reduce the impact of any such cost increases through materials substitutions, cost reduction initiatives, low cost country sourcing, and price recovery efforts with aftermarket and OEM customers;

the cyclical nature of the global vehicle industry, including the performance of the global aftermarket sector and the longer product lives of automobile parts;

our continued success in cost reduction and cash management programs and our ability to execute restructuring and other cost reduction plans and to realize anticipated benefits from these plans;

costs related to product warranties;

the impact of consolidation among automotive parts suppliers and customers on our ability to compete;

operating hazards associated with our business;

changes in distribution channels or competitive conditions in the markets and countries where we operate, including the impact of changes in distribution channels for aftermarket products on our ability to increase or maintain aftermarket sales;

the negative impact of higher fuel prices and overall market weakness on discretionary purchases of aftermarket products by consumers;

the cost and outcome of existing and any future legal proceedings;

economic, exchange rate and political conditions in the foreign countries where we operate or sell our products;

customer acceptance of new products;

new technologies that reduce the demand for certain of our products or otherwise render them obsolete;

our ability to realize our business strategy of improving operating performance;

our ability to successfully integrate any acquisitions that we complete;

changes by the Financial Accounting Standards Board or the SEC of authoritative generally accepted accounting principles or policies;

changes in accounting estimates and assumptions, including changes based on additional information;



potential legislation, regulatory changes and other governmental actions, including the ability to receive regulatory approvals and the timing of such approvals;

the impact of changes in and compliance with laws and regulations, including environmental laws and regulations, environmental liabilities in excess of the amount reserved, the adoption of the current mandated timelines for worldwide emission regulation and any changes to the timing of the funding requirements for our pension and other postretirement benefit liabilities;

the potential impairment in the carrying value of our long-lived assets and goodwill or our deferred tax assets;

potential volatility in our effective tax rate;

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acts of war and/or terrorism, including, but not limited to, the current military action in Iraq and Afghanistan, and the continuing war on terrorism, as well as actions taken or to be taken by the United States and other governments as a result of further acts or threats of terrorism, and the impact of these acts on economic, financial and social conditions in the countries where we operate; and

the timing and occurrence (or non-occurrence) of other transactions, events and circumstances which may be beyond our control.

Where, in any forward-looking statement, we or our management expresses an expectation or belief as to future results, we express that expectation or belief in good faith and believe it has a reasonable basis, but we can give no assurance that the statement of expectation or belief will result or be achieved or accomplished.

You should be aware that any forward-looking statement made by us in this prospectus supplement, the accompanying prospectus or in the documents incorporated by reference into this prospectus supplement or the accompanying prospectus or elsewhere speaks only as of the date on which we make it. New risks and uncertainties come up from time to time, and it is impossible for us to predict these events or how they may affect us. Except as otherwise required to be disclosed in periodic reports required to be filed by public companies with the SEC pursuant to the SEC's rules, we have no duty to update or revise these forward-looking statements. In light of these risks and uncertainties, you should keep in mind that any scenarios or results contained in any forward-looking statement made in this prospectus supplement or the accompanying prospectus or in the documents incorporated by reference into this prospectus supplement or the accompanying prospectus or elsewhere might not occur.

**MARKET, RANKING AND OTHER DATA**

In this prospectus supplement or the accompanying prospectus and in the documents incorporated by reference herein and therein, we refer to information regarding market data obtained from internal sources, market research, publicly available information and industry publications. Estimates are inherently uncertain, involve risks and uncertainties and are subject to change based on various factors, including those discussed under the caption "Risk factors" in this prospectus supplement and the accompanying prospectus.

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**PROSPECTUS SUPPLEMENT SUMMARY**

*This summary highlights selected information contained elsewhere in this prospectus supplement. Because this is only a summary, it may not contain all of the information you should consider in making your investment decision. To understand all of the terms of this offering and for a more complete understanding of our business, you should carefully read this entire prospectus supplement, particularly the section entitled "Risk Factors" section beginning on Page S-6 of this prospectus supplement, Page 1 of the accompanying prospectus and the documents incorporated by reference in this prospectus supplement and the accompanying prospectus before making an investment decision. In this prospectus supplement, except as the context otherwise indicates, the words "we," "our," and "us" refer to Tenneco Inc. and its subsidiaries.*

**Our Company**

Tenneco Inc. is one of the world's largest producers of automotive emission control and ride control products and systems. We serve both original equipment manufacturers (OEMs) and replacement markets, also known as the aftermarket, worldwide through leading brands, including Monroe®, Rancho®, Clevite® Elastomers and Fric Rot™ ride control products and Walker®, Fonos™ and Gillet™ emission control products.

As an automotive parts supplier, we produce individual component parts for vehicles as well as groups of components that are combined as modules or systems within vehicles. These parts, modules and systems are sold globally to most leading OEMs and throughout aftermarket distribution channels. As of December 31, 2008, we operated 83 manufacturing facilities and 14 engineering and technical centers around the world, and sold and distributed our products to customers located in more than 100 countries. For fiscal year ended December 31, 2008 and the nine months ended September 30, 2009, we generated approximately 56 percent and 54 percent, respectively, of our net sales outside of North America, including in expanding markets such as China and Eastern Europe.

We manufacture and sell emission control components, such as mufflers, catalytic converter shells, fabricated manifolds, pipes, exhaust heat exchangers, diesel particulate filters and complete exhaust systems. These products play a critical role in reducing the level of pollutants in engine emissions and managing engine exhaust noise. Emission control products accounted for 67 percent and 62 percent of our net sales for fiscal year ended December 31, 2008 and the nine months ended September 30, 2009, respectively. We also manufacture and sell ride control products, such as shock absorbers, struts, vibration control components and suspension systems. These products are designed to function as safety components for vehicles, provide a comfortable ride and improve vehicle stability and handling. Ride control products accounted for 33 percent and 38 percent of our net sales for fiscal year ended December 31, 2008 and the nine months ended September 30, 2009, respectively.

In the original equipment (OE) market, we serve a global customer base of more than 37 different OEMs that includes General Motors (GM), Ford Motor Co. (Ford), Volkswagen, PSA Peugeot Citroen, Daimler, Nissan, Toyota, Chrysler LLC (Chrysler) and Honda. The OE business accounted for 81 percent and 76 percent of our net sales in fiscal year ended December 31, 2008 and the nine months ended September 30, 2009, respectively. We believe our sales across our OEM customer base are diversified for our industry, with our largest customers, GM, Ford, Volkswagen and Daimler AG accounting for 20 percent, 11 percent, 8 percent and 7 percent, respectively, of our net sales in fiscal year ended December 31, 2008.

During 2008, our aftermarket customers were comprised of full-line and specialty warehouse distributors, retailers, jobbers, installer chains and car dealers. These customers included such wholesalers and retailers as National Auto Parts Association (NAPA), Advance Auto Parts, Uni-Select and O'Reilly Automotive in North America and Temot

International, Group Auto Union, Kwik-Fit Europe and Auto Distribution International in Europe. We believe we have a balanced mix of aftermarket customers, with our aftermarket sales accounting for 19 percent and 24 percent of our net sales for fiscal year ended December 31, 2008 and the nine months ended September 30, 2009, respectively. During 2008, our top 10 aftermarket customers accounted for 41 percent of our net aftermarket sales.

### **Corporate Information**

We were incorporated in the state of Delaware in 1996. Our principal executive offices are located at 500 North Field Drive, Lake Forest, Illinois 60045. Our telephone number is (847) 482-5000 and our website can be accessed at [www.tenneco.com](http://www.tenneco.com). Information contained on our website does not constitute part of this prospectus supplement or the accompanying prospectus.

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*The following summary contains basic information about this offering. The summary is not intended to be complete. You should read the full text and more specific details contained elsewhere in this prospectus supplement and the accompanying prospectus. For a more detailed description of our common stock see the Description of Common Stock section of the accompanying prospectus.*

<b>Issuer</b>	Tenneco Inc.
<b>Common stock offered by us</b>	12,000,000 shares
<b>Common stock outstanding immediately following this offering</b>	59,361,408 shares(1)
<b>Option to purchase additional shares</b>	1,800,000 shares
<b>Use of proceeds</b>	Our net proceeds from this offering are estimated to be approximately \$187 million (or \$215 million if the underwriters' option to purchase additional shares is exercised in full) after deducting underwriting discounts and estimated offering expenses. The net proceeds from this offering are expected to be used to repay outstanding borrowings under our revolving credit facility (without reducing the commitments under the revolving credit facility) and for general corporate purposes. See Use of proceeds on page S-18.
<b>New York Stock Exchange symbol for our common stock</b>	TEN
<b>United States federal income and estate Tax consequences</b>	For a discussion of certain United States federal income and estate tax consequences of the acquisition, holding and disposition of shares of our common stock, see Certain U.S. federal income and estate tax considerations.
<b>Risk factors</b>	See Risk factors beginning on page S-6 and the other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus for a discussion of certain factors you should carefully consider before deciding to invest in shares of our common stock.
<b>Conflicts of interest</b>	Certain of the underwriters and their respective affiliates have in the past and may in the future perform various financial advisory, investment banking and other services for us, our affiliates and our officers in the ordinary course of business, for which they received and will receive customary fees and expenses. The underwriters and their affiliates may, from time to time in the future, engage in transactions with and perform services for us and our affiliates in the ordinary course of their business. In particular, affiliates of most of the underwriters are lenders and/or agents under our senior credit facility. These affiliates will receive their respective share of any repayment by us of amounts outstanding under our

senior credit facility from the proceeds of this offering. Because we intend to use the net proceeds from this offering to reduce indebtedness owed by us under our senior credit facility, each of the underwriters whose affiliates will receive at least 5% of the net proceeds is considered by the Financial Industry Regulatory Authority, or

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FINRA, to have a conflict of interest with us in regards to this offering. However, no qualified independent underwriter is needed for this offering because there is a bona fide public market for our common stock as defined in NASD Conduct Rule 2720(f)(3).

- (1) The number of shares of common stock that will be outstanding immediately following this offering, as described below, is based on the number of shares outstanding as of September 30, 2009 and excludes:

3,679,921 shares of common stock issuable upon the exercise of outstanding stock options at a weighted average exercise price of \$12.87 per share as of September 30, 2009;

2,547,098 shares of common stock available for future stock award grants as of September 30, 2009; and

1,800,000 shares of common stock issuable pursuant to the exercise of the underwriters' over-allotment option.

Unless otherwise stated, all information in this prospectus supplement assumes no exercise of the underwriters' over-allotment option.

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The following tables set forth our summary financial data. The summary financial data for and as of the nine months ended September 30, 2009 and 2008 have been derived from, and should be read together with, our unaudited condensed consolidated financial statements and the related notes contained in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2009, which is incorporated by reference in this prospectus supplement. The unaudited condensed consolidated financial statements have been prepared on the same basis as our audited consolidated financial statements and, in the opinion of our management, reflect all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of this data. The results for any interim period are not necessarily indicative of the results that may be expected for a full year or any future reporting period. The summary financial data for and as of the years ended December 31, 2008, 2007 and 2006 have been derived from, and should be read together with, our audited consolidated financial statements and the related notes contained in our Annual Report on Form 10-K for the year ended December 31, 2008, which is incorporated by reference in this prospectus supplement. The historical results presented below are not necessarily indicative of the results to be expected for any future period. You should read the following tables together with Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2008 and our Quarterly Report on Form 10-Q for the quarter ended September 30, 2009, and our historical financial statements and the related notes, which are incorporated by reference in this prospectus supplement.

	Year Ended December 31,			Nine Months Ended September 30, (unaudited)	
	2008	2007	2006	2009	2008
	(Millions except share and per share amounts)				
<b>Revenues</b>					
Net sales and operating revenues	\$ 5,916	\$ 6,184	\$ 4,682	\$ 3,327	\$ 4,708
<b>Costs and expenses</b>					
Cost of sales (exclusive of depreciation and amortization shown below)	5,063	5,210	3,836	2,783	4,007
Goodwill impairment charge	114				
Engineering, research and development	127	114	88	72	99
Selling, general and administrative	392	399	373	256	294
Depreciation and amortization of intangibles	222	205	184	162	168
	5,918	5,928	4,481	3,273	4,568
<b>Other income (expense)</b>					
Loss of sale of receivables	(10)	(10)	(9)	(6)	(7)
Other income	9	6	4	(9)	9
	(1)	(4)	(5)	(15)	2
	(3)	252	196	39	142



**Income (loss) before interest  
expense, income taxes, and  
noncontrolling interests**

Interest expense (net of interest  
capitalized of \$6 million, \$6 million,  
\$6 million, \$3 million and \$5 million  
respectively)

Interest expense (net of interest capitalized of \$6 million, \$6 million, \$6 million, \$3 million and \$5 million respectively)	113	164	136	101	88
Income tax expense	289	83	5	18	163
Net income (loss)	(405)	5	55	(80)	(109)
Less: Net income attributable to noncontrolling interests	10	10	6	10	8
Net income (loss) attributable to Tenneco	\$ (415)	\$ (5)	\$ 49	\$ (90)	\$ (117)

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	Year Ended December 31,			Nine Months Ended September 30, (unaudited)	
	2008	2007	2006	2009	2008
(Millions except share and per share amounts)					
<b>Earnings (loss) per share</b>					
Weighted average shares of common stock outstanding					
Basic	46,406,095	45,809,730	44,625,220	46,694,885	46,359,051
Diluted	46,406,095	45,809,730	46,755,573	46,694,885	46,359,051
Basic earnings (loss) per share of common stock	\$ (8.95)	\$ (0.11)	\$ 1.11	\$ (1.93)	\$ (2.53)
Diluted earnings (loss) per share of common stock	\$ (8.95)	\$ (0.11)	\$ 1.05	\$ (1.93)	\$ (2.53)
<b>Financial Position (at period end)</b>					
Total assets	\$ 2,828	\$ 3,590		\$ 2,939	
Total liabilities	3,048	3,159		3,152	
Total debt (including short-term debt and current portion of long-term debt)	1,451	1,374		1,468	
Redeemable noncontrolling interests	7	6		5	
Total equity	(227)	425		(218)	
<b>Other</b>					
Capital expenditures	221	198		71	

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**RISK FACTORS**

*Our business is subject to a number of important risks and uncertainties, some of which are described below. The risks described below, however, are not the only risks that we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also impair our business operations. Any of these risks may have a material adverse effect on our business, financial condition, results of operations and cash flows. In such a case, you may lose all or part of your investment in our common stock. You should carefully consider the risks below, together with the other information in or incorporated by reference in this prospectus supplement and the accompanying prospectus prior to investing in our common stock.*

**Risks Related to Our Business**

***The recent unprecedented deterioration in the global economy, global credit markets and the financial services industry has severely and negatively affected the automotive industry and our business, financial position and liquidity.*** The current economic crisis arising out of the subprime mortgage market collapse and the resulting worldwide financial industry turmoil has resulted in a severe and global tightening of credit and liquidity crisis. As a result, nearly every major economy in the world now faces a widespread reduction of business activity, seized-up credit markets and rising unemployment. These conditions have led to a dramatic decline in the housing markets in the United States and Western Europe and low consumer confidence, which has resulted in delayed and reduced purchases of durable consumer goods such as automobiles. As a result, our OEM customers significantly reduced their production schedules. Light vehicle production during the first nine months of 2009 decreased by 41 percent in North America and 29 percent in Europe as compared to first nine months of 2008. These unprecedented conditions have had a severe and negative impact on our business and financial position. Although we believe that fourth quarter 2009 production in North America and Europe will increase over the prior quarters, we cannot assure you of this. Further, in any event, we expect overall light vehicle production to be down throughout the world for the full year 2009 as compared to 2008. Accordingly, we remain cautious.

We face several additional or increased risks as a result of the current economic crisis and its significant impact on the automotive industry, including the following:

***Disruptions in the financial markets are adversely impacting the availability and cost of credit which could materially and negatively affect our company.*** The recent global financial crisis has materially and negatively impacted our business and our customers' businesses in the U.S. and globally. Longer term disruptions in the capital and credit markets could further adversely affect our customers' and our ability to access the liquidity that is necessary to fund operations. These disruptions are also adversely affecting the U.S. and world economy, further negatively impacting consumer spending patterns in the automotive industry. Purchases of our customers' products may be limited by their customers' inability to obtain adequate financing for such purchases. In addition, as our customers and suppliers respond to rapidly changing consumer preferences, they may require access to additional capital. If that capital is not available or its cost is prohibitively high, their businesses would be negatively impacted which could result in further restructuring or even reorganization under bankruptcy laws. Any such negative impact, in turn, could materially and negatively affect our company either through loss of sales to any of our customers so affected or through inability to meet our commitments (or inability to meet them without excess expense) because of loss of supplies from any of our suppliers so affected. There are no assurances that government responses to these disruptions will restore consumer confidence or improve the liquidity of the financial markets.

In addition, lending institutions, including the lenders under our revolving credit facility, have suffered and may continue to suffer losses due to their lending and other financial relationships, especially because of the general

weakening of the global economy and increased financial instability of many borrowers. As a result, lenders may become insolvent, which could affect the actual availability of credit under our revolving credit facility, or our ability to obtain other financing on satisfactory terms and in adequate amounts, if at all. If this were to occur, our sources of liquidity may prove to be insufficient, and our financial condition or results of operations could be materially and adversely affected.

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***Financial difficulties facing other automotive companies may have a material and adverse impact on us.*** A number of companies in the automotive industry are, and over the last several years have been, facing severe financial difficulties. GM, Ford and Chrysler have undertaken significant restructuring actions in an effort to improve profitability and remain solvent. The North American automotive manufacturers are burdened with substantial structural and embedded costs, such as facility overhead as well as pension and healthcare costs, that have caused GM and Chrysler to seek government financing and, ultimately, file for bankruptcy protection. Automakers in other markets in the world are also experiencing difficulties from a weakened economy, tightening credit markets and reduced demand for their products. The automotive supply base in turn has also been faced with severe cash flow problems as a result of the significantly lower production levels of light vehicles, increases in certain raw material, commodity and energy costs and restricted access to additional liquidity through the credit markets. Several suppliers have filed for bankruptcy protection or ceased operations.

Severe financial difficulties, including bankruptcy, of any automotive manufacturer or significant automotive supplier could have a significant disruptive effect on the entire automotive industry, leading to supply chain disruptions and labor unrest, among other things. For example, if a parts supplier were to cease operations, it could force the automotive manufacturers to whom the supplier provides parts to shut down their operations. This, in turn, could force other suppliers, including us, to shut down production at plants that are producing products for these automotive manufacturers. Severe financial difficulties at any of our major suppliers could have a material adverse effect on us if we are unable to obtain on a timely basis on similar economic terms the quantity and quality of components we require to produce our products.

Financial difficulties at any of our major customers could have a material adverse impact on us if such customer were unable to pay for the products we provide or we experience a loss of, or material reduction in, business from such customer. In connection with the 2009 bankruptcies of GM and Chrysler, we collected substantially all of our pre-petition receivables and the reorganized GM and Chrysler assumed substantially all of the pre-petition contracts we had with them. However, further financial difficulties at any of our major customers (including Chrysler or GM, as reorganized) could have a material adverse impact on us, including as a result of lost revenues, significant write offs of accounts receivable, significant impairment charges or additional restructurings beyond our current global plans. In addition, a bankruptcy filing by one of our other large customers could result in a default under our U.S. securitization agreement. Our inability to collect receivables in a timely manner or to sell receivables under our U.S. securitization program may have a material adverse effect on our liquidity.

***Our failure to comply with the covenants contained in our senior credit facility or the indentures for our other debt instruments, including as a result of events beyond our control, could result in an event of default, which could materially and adversely affect our operating results and our financial condition.*** Our senior credit facility and receivables securitization program in the U.S. require us to maintain certain financial ratios. Our senior credit facility and our other debt instruments require us to comply with various operational and other covenants. If there were an event of default under any of our debt instruments that was not cured or waived, the holders of the defaulted debt could cause all amounts outstanding with respect to that debt to be due and payable immediately. We cannot assure you that our assets or cash flow would be sufficient to fully repay borrowings under our outstanding debt instruments, either upon maturity or if accelerated, upon an event of default, or that, we would be able to refinance or restructure the payments on those debt instruments.

For example, in February 2009, we sought an amendment to our senior credit facility to revise the financial ratios we are required to maintain thereunder. The revised financial ratios were based on a set of projections that we shared with our lenders. If, in the future, we are required to obtain similar amendments as a result of our inability to meet the financial ratios in those projections, there can be no assurance that those amendments will be available on commercially reasonable terms or at all. If, as or when required, we are unable to repay, refinance or restructure our indebtedness under our senior credit facility, or amend the covenants contained therein, the lenders under our senior

credit facility could elect to terminate their commitments thereunder, cease making further loans and institute foreclosure proceedings against our assets. Under such circumstances, we could be forced into bankruptcy or liquidation. In addition, any event of default or declaration of acceleration under one of our debt instruments could also result in an event of default under

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one or more of our other financing agreements, including our other debt instruments and/or the agreements under which we sell certain of our accounts receivable. This would have a material adverse impact on our liquidity, financial position and results of operations.

***Our working capital requirements may negatively affect our liquidity and capital resources.*** Our working capital requirements can vary significantly, depending in part on the level, variability and timing of our customers' worldwide vehicle production and the payment terms with our customers and suppliers. Our liquidity could also be adversely impacted if our suppliers were to suspend normal trade credit terms and require payment in advance or payment on delivery of purchases. If our working capital needs exceed our cash flows from operations, we would look to our cash balances and availability for borrowings under our borrowing arrangements to satisfy those needs, as well as potential sources of additional capital, which may not be available on satisfactory terms and in adequate amounts, if at all.

***Any further continuation of the global economic downturn or other factors that reduce consumer demand for our products or reduce prices could materially and adversely impact our financial condition and results of operations.*** Demand for and pricing of our products are subject to economic conditions and other factors present in the various domestic and international markets where the products are sold. Demand for our OE products is subject to the level of consumer demand for new vehicles that are equipped with our parts. The level of new light vehicle purchases is cyclical, affected by such factors as general economic conditions, interest rates, consumer confidence, consumer preferences, patterns of consumer spending, fuel cost and the automobile replacement cycle.

As described above, the recent unprecedented deterioration in the global economy, global credit markets and the financial services industry has negatively impacted our operations, including by leading to a rapid decline in light vehicle purchases. In 2008, North American light vehicle production decreased 16 percent from 2007. During the first nine months of 2009, North American light vehicle production decreased 41 percent from the first nine months of 2008. European production has also been impacted by the economic crisis and deteriorating industry conditions during the fourth quarter of 2008, when light vehicle production declined 28 percent as compared to the fourth quarter of 2007. During the first nine months of 2009, European production declined 29 percent as compared to the first nine months of 2008. In addition, significant increases in gasoline prices in the United States, particularly during the first half of 2008, accelerated the shift in the North American market away from light trucks, which tend to be higher margin products for OEMs and suppliers, to more fuel-efficient passenger cars. During 2008, SUV and pick-up truck business accounted for 54 percent of our North American OE revenues, down from 72 percent in 2007. SUV and pick-up truck business accounted for 56 percent of our North American OE revenues in the first nine months of 2009 and 2008. A further decline in automotive sales and production would likely cause a decline in our sales to vehicle manufacturers, and would likely result in a decline in our results of operations and financial condition.

Demand for our aftermarket, or replacement, products varies based upon such factors as general economic conditions, the level of new vehicle purchases, which initially displaces demand for aftermarket products, the severity of winter weather, which increases the demand for certain aftermarket products, and other factors, including the average useful life of parts and number of miles driven.

The highly cyclical nature of the automotive industry presents a risk that is outside our control and that cannot be accurately predicted. For example, although there have been some positive economic signs, many predict that the current global economic crisis will continue into 2010 and we cannot assure you that we would be able to maintain or improve our results of operations in a stagnant or extended recessionary economic environment. Further decreases in demand for automobiles and automotive products generally, or in the demand for our products in particular, could materially and adversely impact our financial condition and results of operations.

***Our significant amount of debt makes us more sensitive to the effects of the global economic crisis; our level of indebtedness and provisions in our debt agreements could limit our ability to react to changes in the economy or***

***our industry.*** Our significant amount of debt makes us more vulnerable to changes in our results of operations because a substantial portion of our cash flow from operations is dedicated to servicing

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our indebtedness and is not available for other purposes. Our level of indebtedness could have other negative consequences to us, including the following:

limiting our ability to borrow money or sell stock for our working capital, capital expenditures, debt service requirements or other general corporate purposes;

limiting our flexibility in planning for, or reacting to, changes in our operations, our business or the industry in which we compete;

our leverage may place us at a competitive disadvantage by limiting our ability to invest in the business or in further research and development;

making us more vulnerable to downturns in our business or the economy; and

there would be a material adverse effect on our business and financial condition if we were unable to service our indebtedness or obtain additional financing, as needed.

Our ability to make payments on our indebtedness depends on our ability to generate cash in the future. If we do not generate sufficient cash flow to meet our debt service and working capital requirements, we may need to seek additional financing or sell assets. This may make it more difficult for us to obtain financing on terms that are acceptable to us, or at all. Without any such financing, we could be forced to sell assets to make up for any shortfall in our payment obligations under unfavorable circumstances.

As a result of the global credit market crisis, conditions for asset sales have become very difficult as tight global credit conditions have adversely affected the ability of potential buyers to finance such asset purchases. In addition, our senior credit facility and our other debt agreements contain covenants which limit our ability to sell assets and also restrict the use of proceeds from any asset sale. Moreover, our senior credit facility is secured on a first priority basis by, among other things, substantially all of our and our subsidiary guarantors' tangible and intangible domestic assets. If necessary, we may not be able to sell assets quickly enough or for sufficient amounts to enable us to meet our obligations.

In addition, our senior credit facility and our other debt agreements contain other restrictive covenants that limit our flexibility in planning for or reacting to changes in our business and our industry, including limitations on incurring additional indebtedness, making investments, granting liens and merging or consolidating with other companies. Our senior credit facility also requires us to maintain certain financial ratios. Complying with these restrictive covenants and financial ratios may impair our ability to finance our future operations or capital needs or to engage in other favorable business activities.

***We are dependent on large customers for future revenue. The loss of any of these customers or the loss of market share by these customers could have a material adverse impact on us.***

We depend on major vehicle manufacturers for a substantial portion of our net sales. For example, during fiscal year ended December 31, 2008, GM, Ford, Volkswagen and Daimler AG accounted for 20 percent, 11 percent, 8 percent and 7 percent of our net sales, respectively. The loss of all or a substantial portion of our sales to any of our large-volume customers could have a material adverse effect on our financial condition and results of operations by reducing cash flows and our ability to spread costs over a larger revenue base. We may make fewer sales to these customers for a variety of reasons, including but not limited to: (1) loss of awarded business; (2) reduced or delayed customer requirements; (3) strikes or other work stoppages affecting production by the customers; or (4) reduced demand for our customers' products. See the risk factor "Financial difficulties facing other automotive companies may

have a material and adverse impact on us .

During the past several years, GM and Ford have lost market share particularly in the United States, primarily to Asian competitors. While we are actively targeting Japanese, Chinese and Korean automakers, any further market share loss by these North American-based and European-based automakers could, if we are unable to achieve increased sales to the Asian OE manufacturers, have a material adverse effect on our business.

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***We may be unable to realize sales represented by our awarded business, which could materially and adversely impact our financial condition and results of operations.***

The realization of future sales from awarded business is inherently subject to a number of important risks and uncertainties, including the number of vehicles that our OE customers will actually produce, the timing of that production and the mix of options that our OE customers and consumers may choose. Prior to 2008, substantially all of our North American vehicle manufacturing customers had slowed or maintained at relatively flat levels new vehicle production for several years. More recently, new vehicle production has decreased dramatically as a result of the global economic crisis. In addition, our customers generally have the right to replace us with another supplier at any time for a variety of reasons and have demanded price decreases over the life of awarded business. Accordingly, we cannot assure you that we will in fact realize any or all of the future sales represented by our awarded business. Any failure to realize these sales could have a material adverse effect on our financial condition, results of operations, and liquidity.

In many cases, we must commit substantial resources in preparation for production under awarded OE business well in advance of the customer's production start date. In certain instances, the terms of our OE customer arrangements permit us to recover these pre-production costs if the customer cancels the business through no fault of our company. Although we have been successful in recovering these costs under appropriate circumstances in the past, we can give no assurance that our results of operations will not be materially impacted in the future if we are unable to recover these types of pre-production costs related to OE cancellation of awarded business.

***The hourly workforce in the automotive industry is highly unionized and our business could be adversely affected by labor disruptions.***

Although we consider our current relations with our employees to be satisfactory, if major work disruptions were to occur, our business could be adversely affected by, for instance, a loss of revenues, increased costs or reduced profitability. We have not experienced a material labor disruption in our workforce in the last ten years, but there can be no assurance that we will not experience a material labor disruption at one of our facilities in the future in the course of renegotiation of our labor arrangements or otherwise. In addition, substantially all of the hourly employees of North American vehicle manufacturers and many of their other suppliers are represented by the United Automobile, Aerospace and Agricultural Implement Workers of America under collective bargaining agreements. Vehicle manufacturers and such suppliers and their employees in other countries are also subject to labor agreements. A work stoppage or strike at our production facilities, at those of a significant customer, or at a significant supplier of ours or any of our customers, such as the 2008 strike at American Axle which resulted in 30 GM facilities in North America being idled for several months, could have an adverse impact on us by disrupting demand for our products and/or our ability to manufacture our products.

***We have experienced significant increases in raw materials pricing, and further changes in the prices of raw materials could have a material adverse impact on us.***

Significant increases in the cost of certain raw materials used in our products, to the extent they are not timely reflected in the price we charge our customers or otherwise mitigated, could materially and adversely impact our results. For example, since 2004, we have experienced significant increases in processed metal and steel prices. While the global economic crisis has reduced the pressure on raw material prices, market prices remain volatile. We addressed these increases in 2006, 2007 and 2008 by evaluating alternative materials and processes, reviewing material substitution opportunities, increasing component and assembly outsourcing to low cost countries and aggressively negotiating with our customers to allow us to recover these higher costs from them. In addition to these actions, we continue to pursue productivity initiatives and review opportunities to reduce costs through restructuring activities. We cannot assure you, however, that these actions will be effective in containing margin pressures from any

further raw material price increases.

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***We may be unable to realize our business strategy of improving operating performance, growing our business and generating savings and improvements.***

We regularly implement strategic and other initiatives designed to improve our operating performance and grow our business. The failure to achieve the goals of these initiatives could have a material adverse effect on our business, particularly since we rely on these initiatives to offset pricing pressures from our suppliers and our customers, as described above, as well as to manage the impacts of production cuts such as the significant production decreases we are experiencing as a result of the global economic crisis. Furthermore, the terms of our senior credit facility may restrict the types of initiatives we undertake, as these agreements restrict our uses of cash, certain of these agreements require us to maintain financial ratios and otherwise prohibit us from undertaking certain activities. In the past we have been successful in obtaining the consent of our senior lenders where appropriate in connection with our initiatives. We cannot assure you, however, that we will be able to pursue, successfully implement or realize the expected benefits of any initiative or that we will be able to sustain improvements made to date.

In addition, we believe that increasingly stringent environmental standards for emissions have presented and will continue to present an important opportunity for us to grow our emissions control business. We cannot assure you, however, that environmental standards for emissions will continue to become more stringent or that the adoption of any new standards will not be delayed beyond our expectations.

***We may incur material costs related to product warranties, environmental and regulatory matters and other claims, which could have a material adverse impact on our financial condition and results of operations.***

From time to time, we receive product warranty claims from our customers, pursuant to which we may be required to bear costs of repair or replacement of certain of our products. Vehicle manufacturers are increasingly requiring their outside suppliers to guarantee or warrant their products and to be responsible for the operation of these component products in new vehicles sold to consumers. Warranty claims may range from individual customer claims to full recalls of all products in the field. We cannot assure you that costs associated with providing product warranties will not be material, or that those costs will not exceed any amounts reserved in our consolidated financial statements. For a description of our accounting policies regarding warranty reserves, see Management's Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2008, incorporated by reference herein.

Additionally, we are subject to a variety of environmental and pollution control laws and regulations in all jurisdictions in which we operate. Soil and groundwater remediation activities are being conducted at certain of our current and former real properties. We record liabilities for these activities when environmental assessments indicate that the remedial efforts are probable and the costs can be reasonably estimated. On this basis, we have established reserves that we believe are adequate for the remediation activities at our current and former real properties for which we could be held responsible. Although we believe our estimates of remediation costs are reasonable and are based on the latest available information, the cleanup costs are estimates and are subject to revision as more information becomes available about the extent of remediation required. In future periods, we could be subject to cash or non-cash charges to earnings if we are required to undertake material additional remediation efforts based on the results of our ongoing analyses of the environmental status of our properties, as more information becomes available to us.

We also from time to time are involved in legal proceedings, claims or investigations that are incidental to the conduct of our business. Some of these proceedings allege damages against us relating to environmental liabilities, intellectual property matters, personal injury claims, taxes, employment matters or commercial or contractual disputes. For example, we are subject to a number of lawsuits initiated by a significant number of claimants alleging health problems as a result of exposure to asbestos. Many of these cases involve significant numbers of individual claimants. Many of these cases also involve numerous defendants, with the number of defendants in some cases exceeding 100

defendants from a variety of industries. As major asbestos

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manufacturers or other companies that used asbestos in their manufacturing processes continue to go out of business, we may experience an increased number of these claims.

We vigorously defend ourselves in connection with all of the matters described above. We cannot, however, assure you that the costs, charges and liabilities associated with these matters will not be material, or that those costs, charges and liabilities will not exceed any amounts reserved for them in our consolidated financial statements. In future periods, we could be subject to cash costs or non-cash charges to earnings if any of these matters is resolved unfavorably to us. See Management's Discussion and Analysis of Financial Condition and Results of Operations Environmental and Other Matters, included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2008, incorporated by reference herein.

***We may have difficulty competing favorably in the highly competitive automotive parts industry.***

The automotive parts industry is highly competitive. Although the overall number of competitors has decreased due to ongoing industry consolidation, we face significant competition within each of our major product areas, including from new competitors entering the markets which we serve. The principal competitive factors include price, quality, service, product performance, design and engineering capabilities, new product innovation, global presence and timely delivery. As a result, many suppliers have established or are establishing themselves in emerging, low-cost markets to reduce their costs of production and be more conveniently located for customers. Although we are also pursuing a low-cost country production strategy and otherwise continue to seek process improvements to reduce costs, we cannot assure you that we will be able to continue to compete favorably in this competitive market or that increased competition will not have a material adverse effect on our business by reducing our ability to increase or maintain sales or profit margins.

***The decreasing number of automotive parts customers and suppliers could make it more difficult for us to compete favorably.***

Our financial condition and results of operations could be adversely affected because the customer base for automotive parts is decreasing in both the original equipment market and aftermarket. As a result, we are competing for business from fewer customers. Due to the cost focus of these major customers, we have been, and expect to continue to be, requested to reduce prices as part of our initial business quotations and over the life of vehicle platforms we have been awarded. We cannot be certain that we will be able to generate cost savings and operational improvements in the future that are sufficient to offset price reductions requested by existing customers and necessary to win additional business.

Furthermore, the trend toward consolidation and bankruptcies among automotive parts suppliers is resulting in fewer, larger suppliers who benefit from purchasing and distribution economies of scale. If we cannot achieve cost savings and operational improvements sufficient to allow us to compete favorably in the future with these larger companies, our financial condition and results of operations could be adversely affected due to a reduction of, or inability to increase, sales.

***We may not be able to successfully respond to the changing distribution channels for aftermarket products.***

Major automotive aftermarket retailers, such as AutoZone and Advance Auto Parts, are attempting to increase their commercial sales by selling directly to automotive parts installers in addition to individual consumers. These installers have historically purchased from their local warehouse distributors and jobbers, who are our more traditional customers. We cannot assure you that we will be able to maintain or increase aftermarket sales through increasing our sales to retailers. Furthermore, because of the cost focus of major retailers, we have occasionally been requested to offer price concessions to them. Our failure to maintain or increase aftermarket sales, or to offset the impact of any

reduced sales or pricing through cost improvements, could have an adverse impact on our business and operating results.

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***Longer product lives of automotive parts are adversely affecting aftermarket demand for some of our products.***

The average useful life of automotive parts has steadily increased in recent years due to innovations in products and technologies. The longer product lives allow vehicle owners to replace parts of their vehicles less often. As a result, a portion of sales in the aftermarket has been displaced. This has adversely impacted, and could continue to adversely impact, our aftermarket sales. Also, any additional increases in the average useful lives of automotive parts would further adversely affect the demand for our aftermarket products. Recently, we have experienced relative stabilization in our aftermarket business due to our ability to win new customers and recover steel price increases through selling price increases. However, there can be no assurance that we will be able to maintain this stabilization. Aftermarket sales represented approximately 19 percent and 18 percent of our net sales in the fiscal years ended December 31, 2008 and 2007, respectively. During the first nine months of 2009, aftermarket sales represented approximately 24 percent of our net sales.

***Any acquisitions we make could disrupt our business and seriously harm our financial condition.***

We may, from time to time, consider acquisitions of complementary companies, products or technologies. Acquisitions involve numerous risks, including difficulties in the assimilation of the acquired businesses, the diversion of our management's attention from other business concerns and potential adverse effects on existing business relationships with current customers and suppliers. In addition, any acquisitions could involve the incurrence of substantial additional indebtedness. We cannot assure you that we will be able to successfully integrate any acquisitions that we pursue or that such acquisitions will perform as planned or prove to be beneficial to our operations and cash flow. Any such failure could seriously harm our business, financial condition and results of operations.

***We are subject to risks related to our international operations.***

We have manufacturing and distribution facilities in many regions and countries, including Australia, China, India, North America, Europe and South America, and sell our products worldwide. For the fiscal year ended December 31, 2008, approximately 56 percent of our net sales were derived from operations outside North America. International operations are subject to various risks which could have a material adverse effect on those operations or our business as a whole, including:

exposure to local economic conditions;

exposure to local political conditions, including the risk of seizure of assets by a foreign government;

exposure to local social unrest, including any resultant acts of war, terrorism or similar events;

exposure to local public health issues and the resultant impact on economic and political conditions;

currency exchange rate fluctuations;

hyperinflation in certain foreign countries;

controls on the repatriation of cash, including imposition or increase of withholding and other taxes on remittances and other payments by foreign subsidiaries; and

export and import restrictions.

***Exchange rate fluctuations could cause a decline in our financial condition and results of operations.***

As a result of our international operations, we are subject to increased risk because we generate a significant portion of our net sales and incur a significant portion of our expenses in currencies other than the U.S. dollar. For example, where we have significantly more costs than revenues generated in a foreign currency, we are subject to risk if the foreign currency in which our costs are paid appreciates against the currency in which we generate revenue because the appreciation effectively increases our cost in that country.

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The financial condition and results of operations of some of our operating entities are reported in foreign currencies and then translated into U.S. dollars at the applicable exchange rate for inclusion in our consolidated financial statements. As a result, appreciation of the U.S. dollar against these foreign currencies generally will have a negative impact on our reported revenues and operating profit while depreciation of the U.S. dollar against these foreign currencies will generally have a positive effect on reported revenues and operating profit. For example, our European operations were positively impacted in 2007 and 2006 due to the strengthening of the Euro against the U.S. dollar. However, in 2008, the dollar strengthened against the Euro which had a negative effect on our results of operations. Our South American operations were negatively impacted by the devaluation in 2000 of the Brazilian currency as well as by the devaluation of the Argentine currency in 2002. We do not generally seek to mitigate this translation effect through the use of derivative financial instruments. To the extent we are unable to match revenues received in foreign currencies with costs paid in the same currency, exchange rate fluctuations in that currency could have a material adverse effect on our business.

***Entering new markets poses new competitive threats and commercial risks.***

As we have expanded into markets beyond light vehicles, we expect to diversify our product sales by leveraging technologies being developed for the light vehicle segment. Such diversification requires investments and resources which may not be available as needed. We cannot guarantee that we will be successful in leveraging our capabilities into new markets and thus, in meeting the needs of these new customers and competing favorably in these new markets. If those customers experience reduced demand for their products or financial difficulties, our future prospects will be negatively affected as well.

***Impairment in the carrying value of long-lived assets and goodwill could negatively affect our operating results.***

We have a significant amount of long-lived assets and goodwill on our consolidated balance sheet. Under generally accepted accounting principles, long-lived assets, excluding goodwill, are required to be reviewed for impairment whenever adverse events or changes in circumstances indicate a possible impairment. If business conditions or other factors cause profitability and cash flows to decline, we may be required to record non-cash impairment charges. Goodwill must be evaluated for impairment annually or more frequently if events indicate it is warranted. If the carrying value of our reporting units exceeds their current fair value as determined based on the discounted future cash flows of the related business, the goodwill is considered impaired and is reduced to fair value by a non-cash charge to earnings. Events and conditions that could result in impairment in the value of our long-lived assets and goodwill include changes in the industries in which we operate, particularly the impact of the current downturn in the global economy, as well as competition and advances in technology, adverse changes in the regulatory environment, or other factors leading to reduction in expected long-term sales or profitability. For example, during the fiscal year ended December 31, 2008, we were required to record a \$114 million asset impairment charge to write-off the remaining goodwill related to our 1996 acquisition of Clevite Industries.

***The value of our deferred tax assets could become impaired, which could materially and adversely affect our operating results.***

As of September 30, 2009, we had approximately \$113 million in net deferred tax assets. These deferred tax assets include net operating loss carryovers that can be used to offset taxable income in future periods and reduce income taxes payable in those future periods. We periodically determine the probability of the realization of deferred tax assets, using significant judgments and estimates with respect to, among other things, historical operating results, expectations of future earnings and tax planning strategies. For example, we were required to record charges during the fiscal year ended December 31, 2008 for a valuation allowance against our U.S. deferred tax assets. These charges were attributable to the significant decline in production which resulted from the current global economic crisis and the accounting requirement to project that the current negative operating environment will continue through the

expiration of the net operating loss carry-forward periods. If we determine in the future that there is not sufficient positive evidence to support the

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valuation of these assets, due to the risk factors described herein or other factors, we may be required to further adjust the valuation allowance to reduce our deferred tax assets. Such a reduction could result in material non-cash expenses in the period in which the valuation allowance is adjusted and could have a material adverse effect on our results of operations.

***Our expected annual effective tax rate could be volatile and materially change as a result of changes in mix of earnings and other factors.***

Our overall effective tax rate is equal to our total tax expense as a percentage of our total profit or loss before tax. However, tax expenses and benefits are determined separately for each tax paying entity or group of entities that is consolidated for tax purposes in each jurisdiction. Losses in certain jurisdictions may provide no current financial statement tax benefit. As a result, changes in the mix of projected profits and losses between jurisdictions, among other factors, could have a significant impact on our overall effective tax rate.

## **Risks Relating to Our Common Stock and This Offering**

***Declines in the price of our common stock could have an adverse effect on its liquidity.***

Our common stock is currently listed on the NYSE. The NYSE maintains continued listing requirements relating to, among other things, market capitalization and minimum stock price (including that the average closing price of common stock be not less than \$1.00 for 30 consecutive trading days).

On March 10, 2009, we were notified by the NYSE that we had fallen below the NYSE's continued listing standard because our average market capitalization was less than \$75 million over a 30-day trading period and our last reported stockholders' equity was less than \$75 million (the \$75 million threshold has subsequently been revised by the NYSE to \$50 million). We were subsequently notified by the NYSE that we had regained compliance with these listing obligations effective June 1, 2009 based on a 30-trading day average market capitalization of \$248 million. Although we are currently in compliance with NYSE listing requirements, our stock price declined severely during 2008 and early 2009, and has been highly volatile. If in the future we are unable to satisfy the NYSE criteria for continued listing, we would be notified by the NYSE and given an opportunity to take corrective action. If we are not brought into compliance after the cure period, our stock could be subject to delisting. A delisting of common stock could negatively impact us by reducing the liquidity and market price of our common stock and reducing the number of investors willing to hold or acquire our common stock. This could negatively impact our ability to raise additional funds through equity financing, which in turn could materially and adversely affect our business, financial condition and results of operations.

***Our stock price could be volatile, and your investment could suffer a decline in value.***

In recent years, our stock price, and the stock market generally, has been extremely volatile. The market price of our common stock may be influenced by many factors, some of which are beyond our control, including:

quarterly variations or actual or anticipated fluctuations in our operating results;

announcements or introduction of technological innovations by us or our competitors;

changes in or our failure to meet market or securities analysts' expectations;

market conditions and perceptions relating to our industry;

future sales of our common stock;

sales of significant amounts of our common stock or other securities in the open market;

the depth of liquidity in the market for our common stock;

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acts of war or terrorism and the impact of these events and economic, financial and social conditions on the financial markets and our operating results; and

general market conditions and other factors.

In the past, securities class action litigation has often been instituted following periods of volatility in the market price of a company's securities. A securities class action suit against us could result in substantial costs, potential liabilities and the diversion of our management's attention and resources.

***Future sales of our common stock in the public market could lower the market price of our common stock.***

As of November 13, 2009, there were 47,401,293 shares of our common stock issued and outstanding. All of these shares are, and the 12,000,000 shares to be issued in this offering will be, freely transferable without restriction or further registration under the Securities Act, unless held by our affiliates as that term is defined in Rule 144 under the Securities Act. Shares held by our affiliates are generally eligible for resale subject to applicable volume, manner of sale, holding period and other limitations of Rule 144. As of November 13, 2009, we had 87,598,707 remaining shares of our common stock available for issuance, including shares reserved for issuance under our equity incentive plans, shares issuable upon exercise of outstanding options and shares held in our Treasury. Shares issued under our equity incentive plans will be freely tradeable when issued, subject to the rules described above regarding shares held by affiliates.

Sales of a substantial number of shares of our common stock or other equity-related securities in the public market pursuant to new issuances of common stock, or pursuant to this offering, could depress the market price of our common stock and impair our ability to raise capital through the sale of additional equity securities. Any such future sales or issuances will dilute the ownership interests of stockholders, and we cannot predict the effect that future sales or issuances of our common stock or other equity-related securities would have on the market price of our common stock, nor can we predict our future needs to fund our operations or balance sheet with future equity issuances. The price of our common stock could be affected by hedging or arbitrage trading activity that we expect to develop involving our common stock as a result of this offering.

We, our directors and certain of our executive officers have agreed to a lock-up, meaning that, subject to certain exceptions, neither we nor they will sell any shares without the prior consent of the representatives of the underwriters before 90 days after the date of this prospectus supplement. Following the expiration of this 90-day lock-up period, the 886,372 shares of our common stock held by our directors and executive officers will be eligible for future sale, subject to the applicable volume, manner of sale, holding period and other limitations of Rule 144. See Underwriting No sale of similar securities.

***Investors in this offering will experience immediate and substantial dilution.***

At September 30, 2009, our net tangible book value per share of common stock was negative. Therefore, if you purchase shares of our common stock in this offering, you will incur immediate and substantial dilution in the net tangible book value per share of common stock from the price per share that you pay for the common stock. If holders of outstanding options exercise those options at prices below the public offering price, you will incur further dilution.

***Investors in this offering may experience future dilution.***

In order to raise additional capital, we may in the future offer additional shares of our common stock or other securities convertible into, or exchangeable for, our common stock at prices that may not be the same as the price per

share in this offering. We have an effective shelf registration statement from which additional shares of our common stock and other securities can be offered. We cannot assure you that we will be able to sell shares or other securities in any other offering at a price per share that is equal to or greater than the price per share paid by investors in this offering. If the price per share at which we sell additional shares of our common stock or related securities in future transactions is less than the price per share in this offering, investors who purchase our common stock in this offering will suffer a dilution of their investment.

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***Our certificate of incorporation, by-laws and Delaware law may discourage takeovers and business combinations that our stockholders might consider in their best interests.***

A number of provisions in our certificate of incorporation and by-laws, as well as anti-takeover provisions of Delaware law, may have the effect of delaying, deterring, preventing or rendering more difficult a change in control of Tenneco Inc. that our stockholders might consider in their best interests. Also, our board of directors has the power to designate and issue one or more series of preferred stock without stockholder approval, the terms of which may be determined at the sole discretion of the board of directors.

These provisions may prevent our stockholders from receiving the benefit from any premium to the market price of our common stock offered by a bidder in a takeover context. Even in the absence of a takeover attempt, the existence of these provisions may adversely affect the prevailing market price of our common stock if they are viewed as discouraging takeover attempts in the future.

Our certificate of incorporation and by-laws may also make it difficult for stockholders to replace or remove our management. These provisions may facilitate management entrenchment that may delay, deter, render more difficult or prevent a change in our control, which may not be in the best interests of our stockholders.

See **Description of Common Stock** in the accompanying prospectus for additional information on the anti-takeover measures applicable to us.

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**USE OF PROCEEDS**

We estimate that the net proceeds from this offering will be approximately \$187 million (or \$215 million if the underwriters' option to purchase additional shares is exercised in full) after deducting underwriting discounts and estimated offering expenses. The net proceeds from this offering are expected to be used to repay outstanding borrowings under our revolving credit facility (without reducing the commitments under the revolving credit facility) and for general corporate purposes.

Our revolving credit facility matures in March 2012 and bears interest at an annual rate equal to, at our option, either (i) the LIBOR plus 5.50%, or (ii) a rate consisting of the greater of (a) the JPMorgan Chase prime rate plus 4.50%, and (b) the Federal Funds rate plus 0.50% plus a margin of 4.50%. The margin we pay on these borrowings will be reduced by 50 basis points following each fiscal quarter for which our consolidated net leverage ratio is less than 5.0, and will be further reduced by an additional 50 basis points following each fiscal quarter for which the consolidated net leverage ratio is less than 4.0.

Affiliates of most of the underwriters are lenders under our senior credit facility and will receive a portion of the proceeds of the offering. See "Underwriting" and "Conflicts of interest."

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**Table of Contents****PRICE RANGE OF COMMON STOCK**

Our common stock is listed on the NYSE under the symbol TEN.

On November 18, 2009, the last quoted price per share of our common stock on the NYSE was \$16.98. As of November 13, 2009, there were approximately 20,722 registered holders of our common stock.

The following table sets forth the high and low sales prices per share of our common stock as reported on the NYSE:

	<b>Price Range of Common Stock</b>	
	<b>High</b>	<b>Low</b>
<b>2007</b>		
First Quarter	\$ 27.34	\$ 23.04
Second Quarter	35.81	25.49
Third Quarter	37.73	28.11
Fourth Quarter	33.46	24.16
<b>2008</b>		
First Quarter	\$ 29.41	\$ 20.18
Second Quarter	30.41	13.52
Third Quarter	16.92	9.58
Fourth Quarter	10.63	1.31
<b>2009</b>		
First Quarter	\$ 4.14	\$ 0.67
Second Quarter	11.19	1.56
Third Quarter	18.11	8.14
Fourth Quarter (through November 18, 2009)	17.38	11.35

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**DIVIDEND POLICY**

The declaration of dividends on our common stock is at the discretion of our Board of Directors. The Board of Directors has not adopted a dividend policy as such; subject to legal and contractual restrictions, its decisions regarding dividends are based on all considerations that in its business judgment are relevant at the time. These considerations may include past and projected earnings, cash flows, economic, business and securities market conditions and anticipated developments concerning our business and operations. On January 10, 2001, our Board of Directors eliminated the quarterly dividend on our common stock. There are no current plans to reinstate a dividend on our common stock.

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**Table of Contents****CAPITALIZATION**

The following table sets forth our cash and cash equivalents and our capitalization as of September 30, 2009 on an actual basis and on an as adjusted basis after giving effect to this offering and the application of the net proceeds therefrom, as set forth under Use of Proceeds. You should read the information in this table together with our consolidated financial statements and the related notes and the information contained in the documents incorporated by reference into this prospectus supplement and the accompanying prospectus.

	<b>As of September 30, 2009</b>	
	<b>Actual</b>	<b>As Adjusted(1)</b>
	<b>(Unaudited)</b>	
	<b>(Dollars in millions)</b>	
Cash and cash equivalents	\$ 137	\$ 137
Total debt(2):		
Credit facilities		
Revolving credit facility and tranche B-1 letter of credit/revolving loan facility	242	55
Term loan A	139	139
101/4% senior secured notes due 2013(3)	249	249
81/8% notes due 2015	250	250
85/8% senior subordinated notes due 2014	500	500
Other indebtedness(4)	88	88
Total debt	1,468	1,281
Redeemable noncontrolling interests	5	5
Tenneco Inc. Stockholders' equity:		
Common Stock, \$.01 par value(5)		
Premium on common stock and other capital surplus	2,816	3,003
Accumulated other comprehensive income	(228)	(228)
Accumulated deficit	(2,592)	(2,592)
	(4)	183
Less: Shares held as treasury stock, at cost	240	240
Total Tenneco Inc. stockholders' equity	(244)	(57)
Noncontrolling interests	26	26
Total equity	(218)	(31)
Total capitalization	\$ 1,255	\$ 1,255

- (1) Based on estimated net proceeds of approximately \$187 million, after deducting underwriting discounts and commission and the estimated offering expenses payable by us and assuming the underwriters do not exercise their over-allotment option, from the sale of 12,000,000 shares of our common stock in this offering at the public offering price of \$16.50 per share.
- (2) Does not include assets sold under account receivable securitization agreements. As of September 30, 2009, we had sold \$85 million of receivables in North America under an accounts receivable securitization facility and \$123 million in Europe.
- (3) Includes a premium of \$4 million as of September 30, 2009, as \$245 million of the outstanding senior secured notes were issued at a premium of 113% of the principal amount in December 2003.

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- (4) Includes \$73 million in short-term debt, \$5 million in capital leases and \$10 million in other debt as of September 30, 2009.
- (5) There are 135 million authorized shares of common stock, of which 47,401,293 shares were issued and outstanding as of November 13, 2009. As adjusted for the offering, 59,401,293 shares will be issued and outstanding (61,201,293 shares if the underwriters exercise their over-allotment option in full) based on our common stock outstanding as of November 13, 2009. From time to time, common stock is issued in conjunction with the exercise of stock options and the issuance of restricted stock issued as part of our stock incentive plan. The potential issuance of such shares is not included in the number of shares issued and outstanding as adjusted for the offering.

You should read the above table in conjunction with our consolidated financial statements and the related notes and Management's discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2008 and our Quarterly Report on Form 10-Q for the quarter ended September 30, 2009, which are incorporated herein by reference.

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**CERTAIN U.S. FEDERAL INCOME AND ESTATE TAX CONSIDERATIONS**

The following is a summary of certain U.S. federal income tax consequences and, in the case of non-U.S. holders (as defined below), U.S. federal estate tax consequences of purchasing, holding and dispo