

SECURITIES AND EXCHANGE COMMISSION

FORM S-4/A

Registration of securities issued in business combination transactions [amend]

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FILER

TENNECO PACKAGING INC

CIK: **1089976** | IRS No.: **362552989** | State of Incorporation: **DE** | Fiscal Year End: **1231**
Type: **S-4/A** | Act: **33** | File No.: **333-82923** | Film No.: **99709889**
SIC: **3086** Plastics foam products

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LAKE FOREST IL 60045

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AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON SEPTEMBER 10, 1999

REGISTRATION NO. 333-82923

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 1

TO
FORM S-4
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

TENNECO PACKAGING INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

<TABLE>			
<S>	DELAWARE	<C>	3086
	(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	<C>	36-2552989
		(PRIMARY STANDARD INDUSTRIAL CLASSIFICATION)	(I.R.S. EMPLOYER IDENTIFICATION NUMBER)
</TABLE>			

1900 WEST FIELD COURT
LAKE FOREST, ILLINOIS 60045
847-482-2000
(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE,
OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

KARL A. STEWART
VICE PRESIDENT AND SECRETARY
TENNECO INC.
1275 KING STREET
GREENWICH, CONNECTICUT 06831
(203) 863-1000
(NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE,
OF AGENT FOR SERVICE)

COPIES TO:

<TABLE>		
<S>	TIMOTHY R. DONOVAN, ESQ. JENNER & BLOCK ONE IBM PLAZA CHICAGO, ILLINOIS 60611 (312) 222-9350	<C> GERARD M. MEISTRELL, ESQ. CAHILL GORDON & REINDEL 80 PINE STREET NEW YORK, NEW YORK 10005 (212) 701-3000
</TABLE>		

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE OF THE SECURITIES TO THE PUBLIC: As soon as practicable after the effective date of this registration statement and all other conditions to the exchange offers described in the enclosed prospectus have been satisfied or waived.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. []

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number or the earlier effective registration statement for the same offering. []

If this form is a post-effective amendment filed pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier registration statement for the same offering. []

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

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PROSPECTUS AND CONSENT SOLICITATION (Subject to Completion; Dated September , 1999)

\$()

TENNECO PACKAGING INC.

Exchange Offers and Consent Solicitation

Outstanding Debt Securities of Tenneco Inc. (to be renamed Tenneco Automotive Inc.)

exchanged for

New Debt Securities of Tenneco Packaging Inc. (to be renamed)

<TABLE>
<CAPTION>

	For Each:	You Will Receive:	
Aggregate Principal Amount	\$1,000 Principal Amount of Tenneco's Original Securities	\$1,000 Principal Amount of Tenneco Packaging's New Securities	Early Exchange Premium*
<S>	<C>	<C>	<C>

[To be provided by amendment]

</TABLE>

* Tenneco will pay the early exchange premium only for original securities validly tendered before the consent solicitation expires, and only if Tenneco accepts those original securities for exchange.

Each of the exchange offers expires at 5:00 p.m., New York City time, on , 1999, unless extended. The consent solicitation expires at 5:00 p.m., New York City time, on , 1999, unless extended.

- Tenneco intends to spin-off Tenneco Packaging after the exchange offers.

- Your tender is an automatic consent to amend the terms of the original securities, as described in this document.

- Tenneco expects that any original securities outstanding after the exchange offers and spin-off will not maintain investment-grade ratings.

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This document incorporates by reference business and financial information about Tenneco Inc. and Tenneco Packaging Inc. that is not presented in or delivered with this document. This information, excluding exhibits to the information unless the exhibits are specifically incorporated by reference into the information, is available without charge to any holder or beneficial owner of original securities upon written or oral request to Karl A. Stewart, Vice President and Secretary, Tenneco Inc., 1275 King Street, Greenwich, Connecticut, 06831, telephone number (203) 863-1000. In order to obtain timely delivery, holders of original securities must request this information no later than _____, 1999. Notwithstanding any disclosure to the contrary in documents incorporated by reference, no safe harbor protection under Section 27A of the Securities Act of 1933 or Section 21E of the Securities Exchange Act of 1934 extends to forward-looking statements that appear in this document directly or by incorporation.

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SUMMARY

Tenneco is offering to exchange Packaging's new securities listed in the table below for Tenneco's original securities listed in the table below and is soliciting consents with respect to the original securities on the terms and conditions described in this document and the accompanying letter of consent/transmittal. The following is a brief summary of the information included in this document and may not contain all of the information that is important to you. You should carefully read and review this entire document and the other documents to which it refers to fully understand the terms of the new securities, exchange offers and consent solicitation.

You should rely only on the information contained or incorporated by reference in this document. Tenneco and Packaging have not authorized anyone to provide you with information different from that contained in this document or incorporated by reference into this document. The exchange offers and consent solicitation are not being made to, and Tenneco will not accept tenders for exchange from, holders of outstanding original securities in any jurisdiction in which the exchange offers or consent solicitation, or the acceptance thereof, would not be in compliance with the securities or blue sky laws of that jurisdiction. The information in this document is accurate as of the date on the front cover. Tenneco's and Packaging's business, financial condition, results of operations and prospects may have changed since that date.

Unless the context otherwise requires, in this document:

- "Tenneco" refers to Tenneco Inc., a Delaware corporation, and its subsidiaries. Tenneco is currently engaged in the automotive, packaging and administrative services businesses, but plans to spin-off the packaging and administrative services businesses to its stockholders. When the spin-off is completed, Tenneco will be engaged in only its automotive business.
- "Packaging" refers to Tenneco Packaging Inc., a Delaware corporation and those companies that will be its subsidiaries when the spin-off is completed. Packaging will be renamed in connection with the spin-off.
- "Automotive" refers to Tenneco Inc. and its subsidiaries after the spin-off, which will own and operate its automotive business. When the spin-off is completed, Tenneco will be renamed Tenneco Automotive Inc.

THE EXCHANGE OFFERS AND CONSENT SOLICITATION

THE EXCHANGE OFFERS: For each \$1,000 principal amount of original securities validly tendered and accepted for

exchange, Tenneco is offering (1) \$1,000 principal amount of the corresponding series of Packaging's new securities, as shown in the table below, plus (2) the early exchange premium shown in the table below for holders who validly tender their original securities before the consent solicitation expires. See "The Exchange Offers and Consent Solicitation -- Terms of the Exchange Offers" beginning on page 36.

<TABLE>
<CAPTION>

CUSIP NO.	AGGREGATE PRINCIPAL AMOUNT	FOR EACH:	YOU WILL RECEIVE:	EARLY EXCHANGE PREMIUM*
		\$1,000 PRINCIPAL AMOUNT OF TENNECO'S ORIGINAL SECURITIES	\$1,000 PRINCIPAL AMOUNT OF PACKAGING'S NEW SECURITIES	
<S>	<C>	<C>	<C>	<C>

[To be provided by amendment]

* Tenneco will pay the early exchange premium only for original securities validly tendered before the consent solicitation expires, and only if Tenneco accepts those original securities for exchange.

IMPORTANT DATES: The following timeline summarizes important dates for the exchange offers and consent solicitation. You should read this timeline in conjunction with the rest of this document, which describes, among other things, Tenneco's right to extend, amend and/or terminate any of the exchange offers and the consent solicitation.

TIMELINE GRAPH SHOWING:

- COMMENCEMENT DATE - Tenneco begins the exchange offers and consent solicitation
- WITHDRAWAL TIME - You may not withdraw tendered securities after the first to occur of:
 - the consent solicitation expiration, or
 - 5:00 p.m., New York City time, on the date Tenneco publicly announces it has received the required consents.
- CONSENT SOLICITATION EARLY EXCHANGE TIME - Consent solicitation expires; you must tender before 5:00 p.m., New York City time, to be eligible to receive the early exchange premium
- EXCHANGE OFFER EXPIRATION TIME - Exchange offers expire; you must tender before 5:00 p.m., New York City time, to be eligible to participate in the exchange offers
- ACCEPTANCE DATE - Tenneco accepts for exchange original securities that are validly tendered and not withdrawn
- ISSUANCE/EXCHANGE DATE - Packaging's new securities are issued in exchange for Tenneco's original securities; the exchange agent delivers new securities and any applicable accrued interest and early exchange premium

CONCURRENT CASH TENDER OFFERS: Tenneco is also making cash tender offers and a consent solicitation for all series of its public debt not subject to the exchange offers. The securities subject to these cash tender offers total \$ in aggregate principal amount.

THE CONSENT SOLICITATION: Tenneco is soliciting consents from the holders of original securities to amendments to the original debtholder contract under which Tenneco issued those securities, commonly referred to as an indenture. These proposed amendments will eliminate the restrictions on Tenneco's operations currently included in this original indenture. See "The Proposed Amendments" beginning on page 48.

If you want to exchange your original securities, you will be required to consent to the proposed amendments. YOUR PROPER TENDER OF ORIGINAL SECURITIES USING ONE OF THE PROCEDURES DESCRIBED IN THIS DOCUMENT WILL CONSTITUTE YOUR AUTOMATIC CONSENT TO THE PROPOSED AMENDMENTS AND TO THE EXECUTION OF A SUPPLEMENT TO THE ORIGINAL INDENTURE TO EFFECT THE PROPOSED AMENDMENTS.

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REQUIRED CONSENTS:

The aggregate principal amount of securities outstanding under the original indenture is \$2,459,848,000, consisting of \$ of original securities that are subject to the exchange offers and \$ of other debt securities that are subject to Tenneco's concurrent cash tender offers. To amend the original indenture, Tenneco must receive consents from the registered holders of at least a majority of that amount, voting as a single class. In addition to the consent solicitation described in this document, Tenneco is soliciting consents to the proposed amendments in connection with its concurrent cash tender offers. See "The Exchange Offers and Consent Solicitation -- The Consent Solicitation" beginning on page 36.

Tenneco may receive the required consents before the exchange offers expire. The proposed amendments will not take effect, however, unless Tenneco accepts for exchange or purchase debt securities issued under the original indenture that represent at least the required consents, whether tendered in the exchange offers or cash tender offers. See "The Proposed Amendments" beginning on page 48.

PURPOSE OF THE EXCHANGE OFFERS AND CONSENT SOLICITATION:

Tenneco intends to spin-off Packaging to its public stockholders. Upon completion of the spin-off, Packaging will become an independent, publicly held company engaged in Tenneco's current packaging businesses. At that time, Tenneco's sole remaining business will be its current automotive business. See "The Spin-off" beginning on page 57.

The exchange offers are one component of a plan to realign Tenneco's debt before the spin-off. As part of this debt realignment, Tenneco is also making the cash tender offers described above. See "The Spin-off -- Debt Realignment" beginning on page 58.

The purpose of the exchange offers is to acquire all of Tenneco's outstanding original securities. The purpose of the consent solicitation is to eliminate the restrictions on Tenneco's operations currently included in the original indenture. This includes eliminating a covenant that might, if held to apply to the spin-off, otherwise require Packaging to become the obligor of the original securities. Tenneco and Packaging believe the application of that covenant is uncertain in these circumstances. See "The Proposed Amendments" beginning on page 48.

RISKS IF YOU EXCHANGE:

An investment in the new securities involves risks. See "Risk Factors -- Risks if You Exchange" beginning on page 23. These risks include:

- Once the spin-off is completed, Packaging will have fewer assets and less revenues and cash flows than Tenneco currently does.
- Tenneco and Packaging cannot assure you that the new securities will have or maintain an investment-grade rating.

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- A liquid trading market may not develop for the new securities, which could adversely affect their value.

RISKS IF YOU DO NOT EXCHANGE:

You could suffer adverse consequences if you choose not to tender your original securities. See "Risk Factors -- Risk Factors if You Do Not Exchange" beginning on page 26. These adverse consequences include:

- The operating restrictions presently included in the original indenture will no longer apply. This will permit Tenneco, which at that time will consist solely of its Automotive business, to make new borrowings in connection with the spin-off that are secured by its assets, including the capital stock of its various subsidiaries. This will allow the lenders to enforce their rights by taking control of the assets and/or subsidiaries. As a result, any original securities that remain outstanding after the spin-off will effectively rank behind these new borrowings with regard to payment.
- Once the spin-off is completed, Automotive will have a substantial amount of debt. This may adversely affect its ability to meet its payment obligations to you under the original securities if you do not exchange.
- Tenneco expects that the original securities will not maintain an investment-grade rating after the exchange offers and spin-off. This could adversely affect their value.
- Tenneco expects the original securities to have a limited trading market after the exchange offers. This could also adversely affect their value.

EXPIRATION OF THE EXCHANGE OFFERS:

Each exchange offer will expire at 5:00 p.m., New York City time, on _____, _____, 1999, unless extended by Tenneco in its sole discretion or terminated at an earlier time.

EXPIRATION OF THE CONSENT SOLICITATION:

The consent solicitation will expire at 5:00 p.m., New York City time, on _____, _____, 1999, unless extended by Tenneco in its sole discretion or terminated at an earlier time.

WITHDRAWAL RIGHTS:

You may withdraw your tender of original securities for exchange any time before the withdrawal time described below by following the procedures described in this document. A valid withdrawal of original securities will also revoke the related consent. You may not revoke a consent without withdrawing the related original securities. See "The Exchange Offers and Consent Solicitation -- Withdrawal Rights" beginning on page 45.

In general, you may not withdraw tendered original securities after the withdrawal time unless the related exchange offer is terminated without any original securities being accepted for exchange. Subject to applicable law, this is true even if Tenneco waives any condition to the exchange offers or extends any exchange offer or the consent solicitation. If, however, after the withdrawal time Tenneco reduces the principal amount of original securities subject to any exchange offer, or Tenneco reduces the consideration offered in that exchange offer, then the

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original securities tendered in that exchange offer may be validly withdrawn for the following ten business days.

As used in this document, the term "withdrawal time" refers to the earlier of --

- the expiration of the consent solicitation, and
- 5:00 p.m., New York City time, on the date that Tenneco publicly announces that it has received the required consents.

CONDITIONS TO THE EXCHANGE OFFERS

AND CONSENT SOLICITATION:

The exchange offers and consent solicitation are subject to satisfaction or Tenneco's waiver of several conditions, including:

- the receipt of the required consents;
- any and all conditions to Tenneco's cash tender offers; and
- any and all conditions to the spin-off.

See "The Exchange Offers and Consent Solicitation -- Conditions to the Exchange Offers and Consent Solicitation" beginning on page 44.

HOW TO TENDER YOUR ORIGINAL SECURITIES AND GIVE CONSENTS:

For a description of how to tender your original securities and give consents, see "The Exchange Offers -- Procedures for Tendering Original Securities and Giving Consents" beginning on page 40. THERE ARE NO GUARANTEED DELIVERY PROCEDURES. YOU MUST COMPLETE THE PROCEDURES FOR TENDERING ORIGINAL SECURITIES DESCRIBED IN THIS DOCUMENT BEFORE THE CONSENT SOLICITATION OR EXCHANGE OFFERS EXPIRE, AS APPLICABLE. For more information, you should contact the information agent or dealer managers at their addresses on the back cover of this document, or consult your broker, dealer, commercial bank or trust company for assistance.

ACCEPTANCE OF ORIGINAL
SECURITIES; DELIVERY
OF EXCHANGE CONSIDERATION:

Upon the terms and subject to the conditions of the exchange offers and applicable law, Tenneco will (1) accept for exchange original securities validly tendered before the applicable expiration time, and not properly withdrawn, and then (2) pay for accepted original securities by delivering new securities in book-entry form, plus cash for any applicable accrued interest and early exchange premium, to the exchange agent on the next New York Stock Exchange trading day. The date new securities are delivered to the exchange agent is referred to in this document as their issuance date.

NEW SECURITIES WILL BE ISSUED ONLY IN BOOK-ENTRY FORM THROUGH THE DEPOSITORY TRUST COMPANY. THIS MEANS THAT YOU WILL NOT RECEIVE CERTIFICATES FOR ANY OF YOUR NEW SECURITIES. If you plan to tender original securities which are not held through DTC, you are urged to contact a custodian that can hold securities through DTC to arrange delivery of the new securities on your behalf. This custodian should also provide you with the required DTC

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participant and account information that you will be required to submit in the accompanying letter of consent/transmittal.

The exchange agent will deliver new securities in book-entry form, plus any applicable accrued interest and early exchange premium, to exchanging holders on the issuance date for those new securities or as soon thereafter as practicable.

ACCRUED INTEREST ON ORIGINAL
SECURITIES; INTEREST ON NEW
SECURITIES:

Tenneco will pay accrued but unpaid interest on original securities exchanged through the date Tenneco accepts them for exchange. If, however, Tenneco accepts for exchange any particular series of original securities after an interest record date for that series and on or before the related interest payment date, accrued but unpaid interest will instead be paid to the holder of those original securities as of the record date (if different from the tendering holder). See "The Exchange Offers and Consent Solicitation -- Terms of the Exchange Offers" beginning on page 36.

Interest on the new securities will accrue from, and including, their issuance date.

WAIVERS; EXTENSIONS;
AMENDMENTS:

Tenneco expressly reserves the right to:

- terminate any or all of the exchange offers or the consent solicitation upon the failure of any of the conditions to the exchange offers and consent solicitation;
- waive any condition to any of the exchange offers or the consent solicitation;
- extend the expiration of any of the exchange

- offers or the consent solicitation;
- amend the terms of any of the exchange offers or the consent solicitation; and
 - not accept original securities as a result of an invalid tender, withdrawal or the occurrence of other events described in this document.

If Tenneco makes a material change to the terms of or information concerning the exchange offers or consent solicitation, including any waiver of a material condition, Tenneco and Packaging will, to the extent required by law: (1) amend and recirculate this document; and (2) extend the expiration of the exchange offers and/or consent solicitation. See "The Exchange Offers and Consent Solicitation -- Expiration Time; Early Exchange Time; Extensions; Termination; Amendments" beginning on page 37.

TAX CONSEQUENCES:

Tenneco intends the exchange offers to be part of a tax-free reorganization under the Internal Revenue Code of 1986, as amended. You should generally not have income tax liability if you exchange original securities for new securities, except on any accrued but unpaid interest or early exchange premium. You should also not have income tax liability in connection with the exchange offers if your original securities are not exchanged. See

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"U.S. Federal Income Tax Consequences" beginning on page 148.

NO RECOMMENDATION:

Tenneco and Packaging are not, and no other person acting on behalf of either of them, is making any recommendation about tendering original securities in the exchange offers or providing consents to the proposed amendments.

NO DISSENTERS' RIGHTS:

You will not have any right to dissent and receive an appraisal of your original securities in connection with the exchange offers or consent solicitation.

EXCHANGE AGENT:

The Chase Manhattan Bank is the exchange agent that will receive tenders of original securities on Tenneco's behalf and distribute any payments made.

INFORMATION AGENT:

Georgeson & Company Inc. is the information agent that you may contact for assistance or additional copies of this document.

DEALER MANAGERS:

Morgan Stanley Dean Witter and Credit Suisse First Boston are acting as dealer managers for the exchange offers.

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TERMS OF THE NEW SECURITIES

The terms of the new securities will be substantially identical to the current terms of the original securities except that (a) Packaging will issue the new securities, and (b) the interest rate on each series of new securities will be _____ than the interest rate on the corresponding series of original securities. See "Description of the New Securities" beginning on page 50.

ISSUER: Tenneco Packaging Inc., which will be renamed

If you exchange your original securities for new securities, you will be entitled to look only to Packaging's businesses and operations for the payment of principal and interest, rather than to the consolidated operations of Tenneco, which included both Packaging and Automotive. See "Risk Factors -- Risk Factors if You Exchange" beginning on page 23.

RANKING: The new securities will be senior unsecured obligations of Packaging. This means they will rank equally in right of payment with all existing and future unsecured and unsubordinated debt of Packaging and effectively junior to any secured debt of Packaging. In connection with the spin-off, Packaging will be making borrowings under new credit facilities that will rank equally in right of payment with the new securities. See "Description of Packaging -- Unaudited Pro Forma Combined Financial Statements of Packaging." Packaging currently has no debt securities outstanding that are senior or junior to the new securities.

NEW SECURITIES:

<TABLE>
<CAPTION>
NEW CUSIP NO. SERIES OF NEW SECURITIES INTEREST PAYMENT DATES

<S> <C> <C>
[To be provided by amendment]
</TABLE>

LISTING: The new securities will not be listed on any domestic or international securities exchange or market.

BASIC PACKAGING COVENANTS: Packaging will issue the new securities under a new indenture with The Chase Manhattan Bank, as trustee. The new indenture will restrict Packaging's ability to:

- borrow money that is secured by liens on principal manufacturing or research and development facilities or on the capital stock of subsidiaries;
- sell all or substantially all of its assets or merge with another person; and
- sell and then take an immediate lease back of principal manufacturing or research and development facilities.

These restrictions are subject to important exceptions described under the heading "Description of the New Securities" beginning on page 50.

Tenneco is a global manufacturing company whose major businesses currently consist of (a) Automotive -- the manufacture and sale of automotive emissions control and ride control products and systems, and (b) Packaging -- the manufacture and sale of specialty packaging and consumer products for the foodservice, consumer, protective, flexible and institutional/industrial markets. Tenneco's headquarters are located at 1275 King Street, Greenwich, Connecticut, 06831, and its telephone number at that location is (203) 863-1000. For further information about Tenneco, see "Where You Can Find More Information" on page 34 and "Incorporation of Information by Reference" on page 34.

Tenneco was incorporated in 1996 under the name "New Tenneco Inc." as a wholly owned subsidiary of the company then known as Tenneco Inc. At that time, the company's major businesses were shipbuilding, energy, automotive and packaging. On December 11, 1996, the former Tenneco completed the transfer of its automotive and packaging businesses to the current Tenneco, and spun off the current Tenneco to its public stockholders. In connection with that spin-off, the former Tenneco also spun off its shipbuilding division to its public stockholders and the remaining energy company was acquired by El Paso Natural Gas Company. Unless the context otherwise requires, for periods prior to December 11, 1996, the term "Tenneco" also refers to the company formerly known as Tenneco.

PACKAGING

Packaging is a global supplier of specialty packaging and consumer products, with 1998 revenues of approximately \$2.8 billion. Packaging operates 89 manufacturing facilities throughout the world and employs over 15,000 people. Packaging is currently owned by Tenneco and will become an independent, publicly traded company upon completion of the spin-off.

Packaging manufactures and sells plastic, aluminum and paper-based consumer products, such as disposable tableware, plastic food storage bags and plastic trash bags. Packaging sells these products under such recognized brand names as Hefty(R), Baggies(R), Hefty One-Zip(R) and E-Z Foil(R). Packaging also offers food/foodservice packaging products such as molded fiber cartons, foam meat trays and plastic, pressed paperboard and aluminum containers for frozen food, bakery and deli applications. Its products also include sponge-like foam and other packaging to protect and cushion a variety of goods during storage and shipment and flexible plastic bags for medical, pharmaceutical, chemical, hygiene and industrial applications. When the spin-off is completed, Packaging will own Tenneco's administrative services operations, but is currently analyzing its alternatives with respect to these operations. See "Description of Packaging -- Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on page 94.

Packaging also owns a 43% common equity interest in a joint venture that operates Packaging's former containerboard packaging business. Containerboard is material derived primarily from wood pulp and recycled paper that is used to make cartons, boxes and other containers. The joint venture manufactures containerboard, as well as corrugated containers and lumber and related wood products. The joint venture had 1998 pro forma revenues of \$1.57 billion. Packaging plans to sell its interest in this containerboard joint venture and expects the sale to be completed before the spin-off. See "Description of Packaging -- Unaudited Pro Forma Combined Financial Statements of Packaging" beginning on page 66.

Packaging's headquarters are located at 1900 West Field Court, Lake Forest, Illinois 60045, and its telephone number at that location is (847) 482-2000. For more information about Packaging, see "Description of Packaging" beginning on page 64.

TENNECO AFTER THE SPIN-OFF/AUTOMOTIVE

When the spin-off is completed, Tenneco's remaining operations will consist solely of Automotive. Automotive is a worldwide manufacturer and marketer of automotive emissions control and ride control products and systems for vehicle manufacturers and the repair and replacement market, or aftermarket. With 1998 revenues of approximately \$3.2 billion, approximately 23,500 employees worldwide and 106

facilities in 25 countries, Automotive is a global business that sells its products in over 100 countries. Automotive manufactures and markets its emissions control products primarily under the Walker(R) brand name and its ride control products primarily under the Monroe(R) brand name. Among its products are Sensa-Trac(R) shock absorbers and weight bearing struts, Rancho(R) ride control products, Walker Quiet-Flow(TM) mufflers and DynoMax(R) performance mufflers, Walker(R) and Gillet(TM) exhaust systems and Monroe Clevite(TM) elastomeric vibration control components.

Automotive's headquarters are located at 500 North Field Drive, Lake Forest, Illinois 60045, and its telephone number at that location is (847) 482-5000. For more information about Automotive, see "Description of Tenneco After the Spin-off/Automotive" beginning on page 112.

THE SPIN-OFF

The spin-off of Packaging is the final step in the transformation of Tenneco from a highly diversified industrial corporation to independent companies focused on their core businesses. In July 1998, Tenneco's board of directors authorized management to develop a broad range of strategic alternatives which could result in the separation of its automotive, paperboard packaging and specialty packaging businesses. Earlier this year, Tenneco separated the paperboard packaging business from the rest of its operations. First, Packaging contributed its containerboard packaging business, which constituted the majority of its paperboard packaging segment, to a new joint venture for approximately \$2 billion plus a 45% common equity interest. Packaging currently plans to sell its remaining interest in this joint venture, which is now 43% due to subsequent equity issuances to management. Second, Packaging sold the balance of its paperboard packaging business, the folding carton business, for \$72.5 million. The cash proceeds of these transactions were used to repay a portion of Tenneco's short-term debt. The spin-off will complete the separation of Tenneco's businesses and create two independent, public companies -- Automotive and Packaging.

Tenneco's Board of Directors has determined that the spin-off is in the best interests of Tenneco's stockholders because divergent industry trends increasingly require Tenneco's packaging and automotive businesses to pursue different strategies. The spin-off is designed to separate Tenneco's packaging business from its automotive business, which have distinct financial, investment and operating characteristics, so that each can adopt strategies and pursue objectives appropriate to its specific needs.

The following describes the principal transactions that Tenneco and Packaging will undertake to complete the spin-off. The spin-off is subject to a number of conditions, including completion of the corporate restructuring transactions and debt realignment. See "The Spin-off" beginning on page 57.

- Corporate Restructuring Transactions. As Tenneco is currently organized, ownership of its subsidiaries is based on geographic location and tax considerations rather than on the businesses in which the subsidiaries are involved. Therefore, Tenneco will need to restructure the ownership of its existing businesses before the spin-off so that the assets, liabilities and operations of (a) its packaging business and administrative services operations will be owned directly and indirectly by Packaging and (b) its automotive business will be owned directly and indirectly by Tenneco and its non-packaging subsidiaries. See "The Spin-off -- Corporate Restructuring Transactions" beginning on page 57.
- Debt Realignment. Tenneco's historical practice has been to incur debt for its consolidated group at the parent-company level or at a limited number of its subsidiaries, rather than at the operating-company level, and to manage centrally various cash functions. Therefore, before the spin-off, Tenneco will realign substantially all of its existing debt through some combination of tender offers, exchange offers, prepayments and other refinancings. The purpose is to allocate this debt between Automotive and Packaging before the companies are separated. The exchange offers and Tenneco's cash tender offers are components of this debt realignment. Tenneco also expects to repay other non-public debt and to repurchase subsidiary preferred stock. To finance the cash tender offers and other cash payments, Packaging and Automotive will each make borrowings under new credit

facilities and Automotive expects to issue new subordinated debt. See "The Spin-off -- Debt Realignment" beginning on page 58.

If the debt realignment and spin-off had occurred on June 30, 1999, Packaging would have had debt for money borrowed of about \$2.2 billion and Automotive would have had debt for money borrowed of about \$1.7 billion on a pro forma basis. This pro forma debt amount for Packaging does not reflect the application of any proceeds from Packaging's planned sale of its remaining interest in the containerboard joint venture. See "Description of Packaging -- Unaudited Pro Forma Combined Financial Statements of Packaging" beginning on page 66 and "Description of Tenneco After the Spin-off/Automotive -- Unaudited Pro Forma Consolidated Financial Statements of Tenneco" beginning on page 113.

- Distribution of Packaging Common Stock. Tenneco will complete the spin-off by distributing all Packaging common stock to the holders of Tenneco common stock at a ratio of one share of Packaging common stock for each share of Tenneco common stock. The spin-off is conditioned on Tenneco's receipt, and the continued effectiveness, of a determination that the spin-off will be tax-free to Tenneco and its stockholders. Tenneco received a letter ruling from the Internal Revenue Service to that effect on August 20, 1999.

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SUMMARY HISTORICAL AND PRO FORMA COMBINED
FINANCIAL DATA OF PACKAGING

The following summary combined financial data as of December 31, 1998 and 1997, and for the years ended December 31, 1998, 1997, and 1996, were derived from the audited Combined Financial Statements of The Businesses of Tenneco Packaging. The following summary combined financial data as of December 31, 1996, 1995, and 1994, and for the years ended December 31, 1995 and 1994, are unaudited and were derived from Tenneco's accounting records. The following summary combined financial data as of and for each of the six months ended June 30, 1999 and 1998 were derived from the unaudited Combined Financial Statements of The Businesses of Tenneco Packaging. In the opinion of Packaging's management, the summary combined financial data of Packaging as of December 31, 1996, 1995, and 1994, and for the years ended December 31, 1995 and 1994, and as of and for the six months ended June 30, 1999 and 1998, include all adjusting entries, consisting only of normal recurring adjustments, necessary to present fairly the information set forth. You should not regard the results of operations for the six months ended June 30, 1999 as indicative of the results that may be expected for the full year.

The following summary unaudited pro forma combined financial data as of and for the six months ended June 30, 1999, and for the year ended December 31, 1998, reflect the effects of:

- the debt realignment; and
- the spin-off of Packaging and related transactions.

The unaudited pro forma combined statement of income data have been prepared as if these transactions occurred on January 1, 1998; the unaudited pro forma combined balance sheet data have been prepared as if these transactions occurred on June 30, 1999. The summary unaudited pro forma combined financial data are not necessarily indicative of what Packaging's results of operations would have been had these transactions described above actually been consummated on the dates assumed and are not necessarily indicative of the results of operations for any future period.

Packaging's debt balances in the summary unaudited pro forma combined financial data do not reflect the application of any proceeds from Packaging's planned sale of its remaining interest in its containerboard joint venture. Packaging expects the sale to be completed before the spin-off, with the net proceeds used to retire the Tenneco debt that would otherwise be allocated to Packaging in the debt realignment. If the sale occurs after the spin-off, the

net proceeds will be used to retire Packaging debt.

There is other information Packaging believes is relevant to understanding its results of operations following the spin-off. These items relate to corporate overhead costs incurred by Tenneco and its administrative services operations that Packaging expects will differ for it following the spin-off. For further information you should see "Description of Packaging -- Supplemental Financial Information of Packaging" beginning on page 72.

You should read all of this information in conjunction with the following each of which is included elsewhere in this document:

- Unaudited Pro Forma Combined Financial Statements of Packaging (page 66);
- Combined Selected Financial Data of Packaging (page 73);
- Management's Discussion and Analysis of Financial Condition and Results of Operations of Packaging (page 94); and
- Combined Financial Statements and Schedule of the Businesses of Tenneco Packaging (page F-1).

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<TABLE>
<CAPTION>

	Years Ended December 31,			
	Pro Forma 1998	1998 (a)	1997 (a)	1996 (a)
	(Dollars in millions except per share amounts)			
<S>	<C>	<C>	<C>	<C>
STATEMENT OF INCOME				
DATA (b):				
Net sales and operating				
revenues --				
Specialty.....	\$ 2,785	\$ 2,785	\$ 2,553	\$ 1,987
Other.....	6	6	10	--
Total.....	\$ 2,791	\$ 2,791	\$ 2,563	\$ 1,987
Income from continuing				
operations before				
interest expense, income				
taxes, and minority				
interest --				
Specialty.....	\$ 328	\$ 328	\$ 308	\$ 249
Other(c).....	(40)	(45)	(2)	(15)
Total.....	288	283	306	234
Interest expense(d).....	160	133	124	102
Income tax expense				
(benefit).....	58	67	75	67
Minority interest.....	1	1	1	--
Income (loss) from				
continuing operations...				
	69	82	106	65
Income (loss) from				
discontinued operations,				
net of income tax(e)....				
	NA	57	21	71
Extraordinary loss, net of				
income tax(f).....				
	NA	--	--	(2)
Cumulative effect of				
changes in accounting				
principles, net of				
income tax(g).....				
	NA	--	(38)	--
Net income (loss).....				
	NA	\$ 139	\$ 89	\$ 134

Average number of shares of common stock outstanding(h) --					
Basic.....	168,505,573	168,505,573	170,264,731	169,609,373	
Diluted.....	168,834,531	168,834,531	170,801,636	170,526,112	
Earnings (loss) per average share of common stock(h)--					
Basic:					
Continuing operations... \$	.41	\$.49	\$.63	\$.38	
Discontinued operations(e).....	NA	.34	.12	.42	
Extraordinary loss(f)...	NA	--	--	(.01)	
Cumulative effect of changes in accounting principles(g).....	NA	--	(.23)	--	
		\$.83	\$.52	\$.79	
Diluted:					
Continuing operations... \$	.41	\$.49	\$.63	\$.38	
Discontinued operations(e).....	NA	.34	.12	.42	
Extraordinary loss(f)...	NA	--	--	(.01)	
Cumulative effect of changes in accounting principles(g).....	NA	--	(.23)	--	
		\$.83	\$.52	\$.79	

BALANCE SHEET DATA (b) :					
Net assets of discontinued operations(e).....	NA	\$ 366	\$ 423	\$ 459	
Total assets.....	NA	4,798	4,618	4,028	
Short-term debt(d).....	NA	595	158	123	
Long-term debt(d).....	NA	1,312	1,492	1,073	
Debt allocated to discontinued operations(d).....	NA	548	473	394	
Minority interest.....	NA	14	15	--	
Combined equity.....	NA	1,776	1,839	1,843	

<CAPTION>

	Years Ended December 31,		Six Months Ended June 30,		
	1995	1994	Pro Forma 1999	1999(a)	1998(a)
	----	----	-----	-----	-----
	(Dollars in millions except per share amounts)				
<S>	<C>	<C>	<C>	<C>	<C>
STATEMENT OF INCOME					
DATA(b) :					
Net sales and operating revenues --					
Specialty.....	\$ 845	\$ 636	\$ 1,404	\$ 1,404	\$ 1,361
Other.....	--	--	--	--	10
Total.....	\$ 845	\$ 636	\$ 1,404	\$ 1,404	\$ 1,371
Income from continuing operations before interest expense, income taxes, and minority interest --					
Specialty.....	\$ 39	\$ 68	\$ 190	\$ 190	\$ 175
Other(c).....	(6)	17	(43)	(46)	(2)
Total.....	33	85	147	144	173
Interest expense(d).....	91	48	80	68	67
Income tax expense (benefit).....	(3)	19	20	24	37
Minority interest.....	--	--	--	--	--
Income (loss) from continuing operations...	(55)	18	47	52	69
Income (loss) from discontinued operations, net of income tax(e)....	224	75	NA	(163)	37
Extraordinary loss, net of income tax(f).....	--	--	NA	(7)	--
Cumulative effect of changes in accounting principles, net of					

income tax(g).....	--	--	NA	(32)	--
Net income (loss).....	\$ 169	\$ 93	NA	\$ (150)	\$ 106
Average number of shares of common stock outstanding(h) --					
Basic.....	172,764,198	162,307,189	166,937,362	166,937,362	169,341,555
Diluted.....	173,511,654	162,912,425	167,319,412	167,319,412	169,936,676
Earnings (loss) per average share of common stock(h)--					
Basic:					
Continuing operations...	\$ (.32)	\$.11	\$.28	\$.31	\$.41
Discontinued operations(e).....	1.30	.46	NA	(.98)	.22
Extraordinary loss(f)...	--	--	NA	(.04)	--
Cumulative effect of changes in accounting principles(g).....	--	--	NA	(.19)	--
	\$.98	\$.57		\$ (.90)	\$.63
Diluted:					
Continuing operations...	\$ (.32)	\$.11	\$.28	\$.31	\$.41
Discontinued operations(e).....	1.29	.46	NA	(.98)	.22
Extraordinary loss(f)...	--	--	NA	(.04)	--
Cumulative effect of changes in accounting principles(g).....	--	--	NA	(.19)	--
	\$.97	\$.57		\$ (.90)	\$.63
BALANCE SHEET DATA(b):					
Net assets of discontinued operations(e).....	\$ 393	\$ 236	\$ 133	\$ 133	\$ 382
Total assets.....	3,358	1,630	4,749	4,486	4,788
Short-term debt(d).....	205	49	1,196 (i)	367	335
Long-term debt(d).....	880	478	1,000 (i)	1,494	1,488
Debt allocated to discontinued operations(d).....	369	285	--	--	479
Minority interest.....	--	--	14	14	15
Combined equity.....	1,531	703	1,286	1,340	1,829

(continued on next page)

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<TABLE>
<CAPTION>

	Years Ended December 31,			
	Pro Forma	1998 (a)	1997 (a)	1996 (a)
	1998			
	(Dollars in millions except per share amounts)			
	<C>	<C>	<C>	<C>
STATEMENT OF CASH FLOWS DATA(b):				
Net cash provided (used) by operating activities.....	NA	\$ 577	\$ 405	\$ 263
Net cash provided (used) by investing activities.....	NA	(514)	(654)	(669)
Net cash provided (used) by financing activities.....	NA	(67)	239	399
Capital expenditures for continuing operations.....	NA	(194)	(229)	(216)
OTHER DATA:				
EBITDA(j).....	\$ 463	\$ 458	\$ 469	\$ 365
Ratio of earnings to fixed charges(k).....	1.71	1.99	2.31	2.15

<CAPTION>

Six Months

	Years Ended December 31,		Ended June 30,		
	1995	1994	Pro Forma 1999	1999(a)	1998(a)

<S>	<C>	<C>	<C>	<C>	<C>
(Dollars in millions except per share amounts)					
STATEMENT OF CASH FLOWS					
DATA(b):					
Net cash provided (used) by operating activities.....	\$ 479	\$ 283	NA	\$ (45)	\$ 288
Net cash provided (used) by investing activities.....	(1,791)	(146)	NA	(866)	(221)
Net cash provided (used) by financing activities.....	1,327	(142)	NA	920	(66)
Capital expenditures for continuing operations.....	(265)	(134)	NA	(75)	(101)
OTHER DATA:					
EBITDA(j).....	\$ 78	\$ 121	\$ 241	\$ 238	\$ 261
Ratio of earnings to fixed charges(k).....	NM	1.72	1.76	2.00	2.45

(a) For a discussion of the significant items affecting comparability of the financial information for the years ended December 31, 1998, 1997, and 1996, and for the six months ended June 30, 1999 and 1998, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" of Packaging included elsewhere in this document.

(b) During the periods presented, Packaging completed numerous acquisitions, the most significant of which were the acquisitions of Mobil Plastics for \$1.3 billion in late 1995, Amoco Foam Products for \$310 million in August 1996, and the protective and flexible packaging business of N.V. Koninklijke KNP BT for \$380 million in April 1997. See Note 6 to the Combined Financial Statements of The Businesses of Tenneco Packaging. See also "Description of Packaging -- Growth Strategy" and "Description of Packaging -- Management's Discussion and Analysis of Financial Condition and Results of Operations."

(c) Historical and pro forma income from continuing operations before interest expense, income taxes and minority interest for "Other" includes costs which were incurred by Tenneco's corporate and administrative services operations which were not allocated to Tenneco's operating segments. Because these functions will be a part of Packaging upon the spin-off, they are included in Packaging's historical combined financial statements. Packaging expects its costs for these functions will differ following the spin-off. See "Supplemental Financial Information of Packaging" included elsewhere in this document for further information.

(d) Tenneco's historical practice has been to incur indebtedness for its consolidated group at the parent company level or at a limited number of subsidiaries, rather than at the operating company level, and to centrally manage various cash functions. Accordingly, historical amounts include debt and related interest expense allocated to Packaging from Tenneco based on the portion of Tenneco's investment in Packaging which Tenneco deemed to be debt. This allocation is generally based upon the ratio of Packaging's net assets to Tenneco's consolidated net assets plus debt. An allocation of debt and its related interest expense has also been made to Packaging's discontinued operations based on the ratio of the discontinued operations' net assets to Packaging's combined net assets plus debt. Management believes that the allocation of corporate debt and related interest expense for the historical periods is reasonable. This historical allocation, however, is not indicative of the total amount of debt that Packaging will have upon completion of the debt realignment or of the debt and interest that may be incurred by Packaging as a separate public entity. See "Combined Financial Statements of The Businesses of Tenneco Packaging" included elsewhere in this document.

(e) Discontinued operations for the periods presented consist of Packaging's paperboard packaging segment, which was discontinued in June 1999 following the decision to sell Packaging's remaining common equity interest in its containerboard joint venture. Loss from discontinued operations for the six months ended June 30, 1999 includes an after-tax loss of \$178 million, or \$1.07 per diluted common share, resulting from the contribution of

Packaging's containerboard assets to the containerboard joint venture. See Note 7 to the Combined Financial Statements of The Businesses of Tenneco Packaging included elsewhere in this document.

- (f) Represents Packaging's costs related to prepayment of debt. See Note 7 to the Combined Financial Statements of The Businesses of Tenneco Packaging included elsewhere in this document.
- (g) In 1999, Packaging implemented the American Institute of Certified Public Accountants Statement of Position 98-5, "Reporting on the Costs of Start-Up Activities." In 1997, Packaging implemented the Financial Accounting Standards Board's Emerging Issues Task Force Issue 97-13, "Accounting for Costs Incurred in Connection with a Consulting Contract that Combines Business Process Reengineering and Information Technology Transformation." See Note 3 to the Combined Financial Statements of The Businesses of Tenneco Packaging included elsewhere in this document for additional information regarding changes in accounting principles.
- (h) In the spin-off, Tenneco stockholders will receive one share of Packaging common stock for each share of Tenneco common stock outstanding. Accordingly, basic and diluted earnings per share for Packaging were calculated using Tenneco's historical weighted average shares outstanding and weighted average shares outstanding adjusted to include estimates of additional shares that would be issued if potentially dilutive common shares had been issued, respectively.

(continued on next page)

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- (i) Packaging's pro forma debt balances reflect debt allocated to Packaging in the debt realignment before application of any proceeds from Packaging's planned sale of its remaining interest in its containerboard joint venture. Packaging expects the sale to be completed before the spin-off, with the net proceeds used to retire the Tenneco debt that would otherwise be allocated to Packaging in the debt realignment. If the sale occurs after the spin-off, the net proceeds will be used to retire Packaging debt. See "Description of Packaging -- Unaudited Pro Forma Combined Financial Statements of Packaging."
- (j) EBITDA represents income from continuing operations before interest expense, income taxes, minority interest and depreciation and amortization. EBITDA is not a calculation based upon generally accepted accounting principles. The amounts included in the EBITDA calculation, however, are derived from amounts included in the Combined Statements of Income of The Businesses of Tenneco Packaging or Unaudited Pro Forma Combined Statements of Income of Packaging included elsewhere in this document. EBITDA should not be considered as an alternative to net income or operating income as an indicator of the operating performance of Packaging, or as an alternative to operating cash flows as a measure of liquidity. Packaging has reported EBITDA because it believes EBITDA is a measure commonly reported and widely used by investors and other interested parties as an indicator of a company's ability to incur and service debt. Packaging believes EBITDA assists investors in comparing a company's performance on a consistent basis without regard to depreciation and amortization, which can vary significantly depending upon accounting methods (particularly when acquisitions are involved) or nonoperating factors. However, the EBITDA measure presented in this document may not always be comparable to similarly titled measures reported by other companies due to differences in the components of the calculation.
- (k) For purposes of computing this ratio, earnings generally consist of income from continuing operations before income taxes and fixed charges, excluding capitalized interest. Fixed charges consist of interest expense, the portion of rental expense considered representative of the interest factor and capitalized interest. The historical ratios are based upon the amount of interest expense on corporate debt allocated to Packaging by Tenneco as discussed in (d) above. The pro forma ratios are derived from the Unaudited Pro Forma Combined Financial Statements of Packaging included elsewhere in this document. For the year ended December 31, 1995, earnings were inadequate to cover fixed charges by \$59 million.

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SUMMARY HISTORICAL AND PRO FORMA CONSOLIDATED FINANCIAL DATA OF TENNECO

The following summary consolidated financial data as of and for each of the fiscal years in the five years ended December 31, 1998 were derived from the audited financial statements of Tenneco and its consolidated subsidiaries. The following summary consolidated financial data as of and for each of the six months ended June 30, 1999 and 1998 were derived from the unaudited condensed financial statements of Tenneco and its consolidated subsidiaries. In the opinion of Tenneco's management, the summary consolidated historical financial data of Tenneco as of and for the six months ended June 30, 1999 and 1998 include all adjusting entries, consisting only of normal recurring adjustments, necessary to present fairly the information set forth. You should not regard the results of operations for the six months ended June 30, 1999 as indicative of the results that may be expected for the full year.

The following summary unaudited pro forma consolidated financial data set forth below as of and for the six months ended June 30, 1999, and for the year ended December 31, 1998, reflect the effects of:

- the debt realignment;

- the spin-off of Packaging and related transactions; and

- the unaudited pro forma consolidated statement of income data set forth below also reflects the April 1999 contribution of Packaging's containerboard assets to a new joint venture and the June 1999 sale of Packaging's folding carton assets.

The unaudited pro forma consolidated statement of income data have been prepared as if these transactions occurred January 1, 1998; the unaudited pro forma consolidated balance sheet data have been prepared as if the debt realignment, spin-off and related transactions occurred on June 30, 1999. The summary unaudited pro forma consolidated financial data are not necessarily indicative of what Tenneco's results of operations would have been had these transactions described above actually been consummated on the dates assumed and are not necessarily indicative of the results of operations for any future period.

There is other information Tenneco believes is relevant to understanding its results of operations following the spin-off. These items relate to corporate overhead costs incurred by Tenneco and its administrative services operations that Tenneco expects will differ following the spin-off. For further information you should see "Description of Tenneco After the Spin-off/Automotive -- Supplemental Financial Information of Tenneco" beginning on page 119.

You should read all of this information in conjunction with the:

- Unaudited Pro Forma Consolidated Financial Statements of Tenneco beginning on page 113 of this document; and

- Management's Discussion and Analysis of Financial Condition and Results of Operations of Tenneco and the Financial Statements of Tenneco Inc. and Consolidated Subsidiaries for the year ended December 31, 1998, and for the six months ended June 30, 1999, each of which are contained in the Tenneco Current Report on Form 8-K, dated August 20, 1999. The Form 8-K is incorporated by reference into this document. See "Where You Can Find More Information" and "Incorporation of Information By Reference" on page 34 of this document.

(continued on next page)

Years Ended December 31,

	Pro Forma		
	1998	1998 (a)	1997 (a)
	(Dollars in millions except per share amounts)		
<S>	<C>	<C>	<C>
STATEMENT OF INCOME DATA(b):			
Net sales and operating revenues from continuing operations.....	\$ 3,237	\$ 3,237	\$ 3,226
Income from continuing operations before interest expense, income taxes, and minority interest --			
Automotive.....	\$ 248	\$ 248	\$ 407
Other.....	(26)	(21)	(12)
Total.....	222	227	395
Interest expense(c).....	161	69	58
Income tax expense (benefit).....	(26)	13	80
Minority interest.....	--	29	23
Income (loss) from continuing operations...	87	116	234
Income (loss) from discontinued operations, net of income tax(d).....	NA	139	127
Extraordinary loss, net of income tax(e)...	NA	--	--
Cumulative effect of changes in accounting principles, net of income tax(f).....	NA	--	(46)
Net income (loss).....	NA	255	315
Preferred stock dividends.....	NA	--	--
Net income (loss) to common stock.....	NA	\$ 255	\$ 315
Average number of shares of common stock outstanding--			
Basic.....	168,505,573	168,505,573	170,264,731
Diluted.....	168,834,531	168,834,531	170,801,636
Earnings (loss) per average share of common stock--			
Basic:			
Continuing operations.....	\$.52	\$.69	\$ 1.37
Discontinued operations(d).....	NA	.83	.75
Extraordinary loss(e).....	NA	--	--
Cumulative effect of changes in accounting principles(f).....	NA	--	(.27)
	NA	\$ 1.52	\$ 1.85
Diluted:			
Continuing operations.....	\$.52	\$.68	\$ 1.36
Discontinued operations(d).....	NA	.83	.75
Extraordinary loss(e).....	NA	--	--
Cumulative effect of changes in accounting principles(f).....	NA	--	(.27)
	NA	\$ 1.51	\$ 1.84
Cash dividends per common share.....	NA	\$ 1.20	\$ 1.20
BALANCE SHEET DATA (b):			
Net assets of discontinued operations(d).....	NA	\$ 1,739	\$ 1,771
Total assets.....	NA	4,759	4,682
Short-term debt(c).....	NA	304	75
Long-term debt(c).....	NA	671	713
Debt allocated to discontinued operations(c).....	NA	2,456	2,123
Minority interest.....	NA	407	408
Shareowners' equity.....	NA	2,504	2,528
STATEMENT OF CASH FLOWS DATA (b)			
Net cash provided (used) by operating activities.....	NA	\$ 532	519
Net cash used by investing activities.....	NA	(754)	(887)
Net cash provided (used) by financing activities.....	NA	216	354
Capital expenditures for continuing operations.....	NA	(195)	(221)
OTHER DATA:			
EBITDA(g).....	\$ 372	\$ 377	\$ 505
Ratio of earnings to fixed charges(h).....	1.36	2.16	4.80

<CAPTION>

Years Ended December 31,

	1996 (a)	1995	1994
(Dollars in millions except per share amounts)			
<S>	<C>	<C>	<C>
STATEMENT OF INCOME DATA (b):			
Net sales and operating revenues from continuing operations.....	\$ 2,980	\$ 2,479	\$ 1,989
Income from continuing operations before interest expense, income taxes, and minority interest --			
Automotive.....	\$ 249	\$ 240	\$ 223
Other.....	(7)	8	7
Total.....	242	248	230
Interest expense (c).....	60	44	33
Income tax expense (benefit).....	79	91	52
Minority interest.....	21	23	--
Income (loss) from continuing operations...	82	90	145
Income (loss) from discontinued operations, net of income tax (d).....	564	645	307
Extraordinary loss, net of income tax (e)...	(236)	--	(5)
Cumulative effect of changes in accounting principles, net of income tax (f).....	--	--	(39)
Net income (loss).....	410	735	408
Preferred stock dividends.....	12	12	60
Net income (loss) to common stock.....	\$ 398	\$ 723	\$ 348
Average number of shares of common stock outstanding--			
Basic.....	169,609,373	172,764,198	162,307,189
Diluted.....	170,526,112	173,511,654	162,912,425
Earnings (loss) per average share of common stock--			
Basic:			
Continuing operations.....	\$.49	\$.52	\$.90
Discontinued operations (d).....	3.25	3.67	1.52
Extraordinary loss (e).....	(1.39)	--	(.03)
Cumulative effect of changes in accounting principles (f).....	--	--	(.24)
	\$ 2.35	\$ 4.19	\$ 2.15
Diluted:			
Continuing operations.....	\$.49	\$.52	\$.89
Discontinued operations (d).....	3.23	3.65	1.52
Extraordinary loss (e).....	(1.38)	--	(.03)
Cumulative effect of changes in accounting principles (f).....	--	--	(.24)
	\$ 2.34	\$ 4.17	\$ 2.14
Cash dividends per common share.....	\$ 1.80	\$ 1.60	\$ 1.60
BALANCE SHEET DATA (b):			
Net assets of discontinued operations (d).....	\$ 1,883	\$ 1,469	\$ 700
Total assets.....	4,653	3,635	2,315
Short-term debt (c).....	74	109	31
Long-term debt (c).....	639	469	303
Debt allocated to discontinued operations (c).....	1,590	1,454	813
Minority interest.....	304	301	301
Shareowners' equity.....	2,646	3,148	2,900
STATEMENT OF CASH FLOWS DATA (b)			
Net cash provided (used) by operating activities.....	253	1,443	450
Net cash used by investing activities.....	(685)	(1,162)	(113)
Net cash provided (used) by financing activities.....	147	(356)	(151)
Capital expenditures for continuing operations.....	(188)	(208)	(114)
OTHER DATA:			
EBITDA (g).....	\$ 336	\$ 331	\$ 282
Ratio of earnings to fixed charges (h).....	2.33	2.62	5.36

<CAPTION>

Six Months
Ended June 30,

	Pro Forma 1999	1999 (a)	1998 (a)
<S>			
STATEMENT OF INCOME DATA (b):			
Net sales and operating revenues from continuing operations.....	\$ 1,657	\$ 1,657	\$ 1,664
Income from continuing operations before interest expense, income taxes, and minority interest --			
Automotive.....	\$ 156	\$ 156	\$ 219
Other.....	(7)	(4)	(12)
Total.....	149	152	207
Interest expense (c).....	80	42	30
Income tax expense (benefit).....	28	44	55
Minority interest.....	--	13	16
Income (loss) from continuing operations...	41	53	106
Income (loss) from discontinued operations, net of income tax (d).....	NA	(111)	106
Extraordinary loss, net of income tax (e)...	NA	(7)	--
Cumulative effect of changes in accounting principles, net of income tax (f).....	NA	(134)	--
Net income (loss).....	NA	(199)	212
Preferred stock dividends.....	NA	--	--
Net income (loss) to common stock.....	NA	\$ (199)	\$ 212
Average number of shares of common stock outstanding--			
Basic.....	166,937,362	166,937,362	169,341,555
Diluted.....	167,319,412	167,319,412	169,936,676
Earnings (loss) per average share of common stock--			
Basic:			
Continuing operations.....	\$.25	\$.32	\$.62
Discontinued operations (d).....	NA	(.67)	.63
Extraordinary loss (e).....	NA	(.04)	--
Cumulative effect of changes in accounting principles (f).....	NA	(.80)	--
		\$ (1.19)	\$ 1.25
Diluted:			
Continuing operations.....	\$.25	\$.32	\$.62
Discontinued operations (d).....	NA	(.67)	.63
Extraordinary loss (e).....	NA	(.04)	--
Cumulative effect of changes in accounting principles (f).....	NA	(.80)	--
		\$ (1.19)	\$ 1.25
Cash dividends per common share.....	NA	\$.60	\$.60
BALANCE SHEET DATA (b):			
Net assets of discontinued operations (d).....	--	\$ 1,421	\$ 1,793
Total assets.....	3,192	4,416	4,829
Short-term debt (c).....	--	206	168
Long-term debt (c).....	1,673	832	747
Debt allocated to discontinued operations (c).....	--	1,861	2,302
Minority interest.....	17	411	407
Shareowners' equity.....	659	2,122	2,559
STATEMENT OF CASH FLOWS DATA (b)			
Net cash provided (used) by operating activities.....	NA	\$ (181)	\$ 178
Net cash used by investing activities.....	NA	(976)	(314)
Net cash provided (used) by financing activities.....	NA	1,170	125
Capital expenditures for continuing operations.....	NA	(70)	(80)
OTHER DATA:			
EBITDA (g).....	\$ 220	\$ 223	\$ 279
Ratio of earnings to fixed charges (h).....	1.56	2.28	3.82

</TABLE>

(continued on next page)

Note: The Financial Statements of Tenneco Inc. and Consolidated Subsidiaries referred to in the following notes are included in and incorporated by reference from the Tenneco Current Report on Form 8-K dated August 20, 1999. They cover the three years ended December 31, 1998 and the six months ended June 30, 1999 and 1998.

- (a) For a discussion of the significant items affecting comparability of the financial information for the years ended December 31, 1998, 1997, and 1996, and for the six months ended June 30, 1999 and 1998, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in Tenneco's Current Report on Form 8-K dated August 20, 1999.
- (b) During the periods presented, Tenneco completed numerous acquisitions. The most significant acquisition was Automotive's acquisition of Clevite for \$328 million in July 1996. See Notes to the Financial Statements of Tenneco Inc. and Consolidated Subsidiaries for additional information. See also "Description of Tenneco After the Spin-off/Automotive -- Strategic Acquisitions and Alliances" included elsewhere in this document.
- (c) Debt amounts for 1998, 1997, and 1996, and at June 30, 1999 and 1998, are net of allocations of corporate debt to the net assets of Tenneco's discontinued specialty packaging and paperboard packaging segments. Debt amounts for 1995 and 1994 are net of allocations of corporate debt to the net assets of Tenneco's discontinued specialty packaging, paperboard packaging, energy and shipbuilding segments. Interest expense for all periods is net of interest expense allocated to income from discontinued operations. These allocations of debt and related interest expense are based on the ratio of Tenneco's investment in the specialty packaging, paperboard packaging, energy and shipbuilding segments' respective net assets to Tenneco's consolidated net assets plus debt. See Notes to the Financial Statements of Tenneco Inc. and Consolidated Subsidiaries for additional information. The pro forma debt balances reflect Tenneco's debt after allocation of a portion of its debt to Packaging in connection with the spin-off. See "The Spin-off" and "Description of Tenneco After the Spin-off/Automotive -- Unaudited Pro Forma Consolidated Financial Statements of Tenneco" included elsewhere in this document.
- (d) Discontinued operations reflected in the above periods consist of Tenneco's (1) specialty packaging segment, which was discontinued in August 1999, (2) paperboard packaging segment, which was discontinued in June 1999, (3) energy and shipbuilding segments, which were discontinued in December 1996, (4) farm and construction equipment segment, which was discontinued in March 1996, and (5) chemicals and brakes operations, which were discontinued during 1994. See Notes to the Financial Statements of Tenneco Inc. and Consolidated Subsidiaries for additional information.
- (e) Represents Tenneco's costs related to prepayment of debt, including the 1996 loss recognized in the realignment of Tenneco's consolidated debt preceding its 1996 corporate reorganization and the 1999 loss recognized in connection with the contribution of the containerboard assets to a new joint venture. See the Notes to the Financial Statements of Tenneco Inc. and Consolidated Subsidiaries.
- (f) In 1999, Tenneco implemented the American Institute of Certified Public Accountants Statement of Position 98-5, "Reporting on the Costs of Start-Up Activities." In addition, effective January 1, 1999, Tenneco changed its method of accounting for customer acquisition costs from a deferral method to an expense-as-incurred method. In 1997, Tenneco implemented the Financial Accounting Standards Board's Emerging Issues Task Force Issue 97-13, "Accounting for Costs Incurred in Connection with a Consulting Contract that Combines Business Process Reengineering and Information Technology Transformation." In 1994, Tenneco adopted Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits." See the Notes to the Financial Statements of Tenneco Inc. and Consolidated Subsidiaries for additional information regarding changes in accounting

principles.

(g) EBITDA represents income from continuing operations before interest expense, income taxes, minority interest and depreciation and amortization. EBITDA is not a calculation based upon generally accepted accounting principles. The amounts included in the EBITDA calculation, however, are derived from amounts included in the consolidated historical or pro forma statement of income data. EBITDA should not be considered as an alternative to net income or operating income as an indicator of the operating performance of Tenneco or as an alternative to operating cash flows as a measure of liquidity. Tenneco has reported EBITDA because it believes EBITDA is a measure commonly reported and widely used by investors and other interested parties as an indicator of a company's ability to incur and service debt. Tenneco believes EBITDA assists investors in comparing a company's performance on a consistent basis without regard to depreciation and amortization, which can vary significantly depending upon accounting methods (particularly when acquisitions are involved) or nonoperating factors. However, the EBITDA measure presented in this document may not always be comparable to similarly titled measures reported by other companies due to differences in the components of the calculation.

(h) For purposes of computing this ratio, earnings generally consist of income from continuing operations before income taxes and fixed charges excluding capitalized interest. Fixed charges consist of interest expense, preferred stock dividend requirements of subsidiaries, the portion of rental expense considered representative of the interest factor, and capitalized interest. For purposes of computing these ratios, preferred stock dividends are included in the calculations on a pre-tax basis. The pro forma ratios are derived from the Unaudited Pro Forma Consolidated Financial Statements of Tenneco included elsewhere in this document.

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RECENT DEVELOPMENTS

PACKAGING

Tenneco currently expects that operating income from its Packaging business for the third quarter of 1999 will be \$10 to \$15 million below operating income from this business for the third quarter of 1998. Based on Packaging's forecast of resin costs, and pricing actions taken, Packaging's management expects the negative impact on margin from increased resin costs to begin to be offset sometime in the fourth quarter of 1999. During the third quarter of 1999, Packaging also incurred increased advertising and promotional expenditures to meet competitive market initiatives in its consumer business.

Packaging's management is evaluating Packaging's strategy in light of its competitive position as a new stand-alone public company and, as part of this evaluation, is analyzing its business operations and assets. This evaluation and analysis is ongoing and subject to final review and approval. Packaging currently believes that its evaluation could result in an aggregate pre-tax charge of up to approximately \$220 million, of which approximately 10% could be cash. Completion of this analysis and final approval of the ultimate plan could result in some or all of the charge being taken as early as the third quarter of 1999.

AUTOMOTIVE

Tenneco currently expects that operating income from the Automotive business for the third quarter of 1999 will be \$20 to \$25 million below operating income from this business for the third quarter of 1998. Also, Tenneco's third quarter income from continuing operations is expected to include additional tax costs of \$15 to \$20 million related to repatriation of overseas earnings in connection with the spin-off. This repatriation allows Tenneco to leverage its overseas operations, creating interest deductions in foreign tax jurisdictions.

Automotive's management expects that revenues from its North American original equipment business will continue to improve in the third quarter based on a strong OE vehicle build, especially in the light truck market. In the North American aftermarket, revenues are expected to be lower than in the third quarter of 1998 due primarily to declining exhaust replacement rates. The favorable impacts of Automotive's earlier restructuring efforts in its North American aftermarket operations are expected to fully offset the negative impact on operating income caused by the weakness in aftermarket exhaust sales.

Automotive's European operations are expected to be negatively impacted by higher costs, primarily relating to a first quarter 1999 change in accounting for platform start-up costs from a capitalization to an expense basis, changes in the mix of its OE revenues to lower margin business and softness in ride control aftermarket sales due primarily to an increase in private label and non-premium product business. The South American operations continue to be negatively impacted by the troubled economic conditions in Brazil and Argentina and currency weakness.

Automotive has initiated an action plan which includes management changes, brand repositioning and new product offerings. For example, Automotive plans to introduce a new premium shock absorber product for the aftermarket in November 1999, and plans expanded introductions of Mega-Flow(TM) heavy duty mufflers and its recreational vehicle shock line. Automotive is also evaluating a supplemental restructuring plan which could involve the closure of additional manufacturing and distributions facilities in North America and Europe. If the plan is approved, it could result in a third or fourth quarter pre-tax charge of \$45 to \$55 million, of which approximately 50-60% could be cash.

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RISK FACTORS

You should carefully consider the following risk factors, in addition to the other information contained in this document, before deciding to tender original securities for exchange in the exchange offers. When you evaluate the forward-looking statements in this document, you should carefully consider the factors discussed below and the cautionary statements referred to in "Forward-Looking Statements." Neither Tenneco nor Packaging makes any representation as to the future value of either the new securities or the original securities.

RISK FACTORS IF YOU EXCHANGE

RISKS RELATING TO THE NEW SECURITIES

HOLDERS OF PACKAGING'S NEW SECURITIES WILL BE SUBJECT TO RISK BECAUSE PACKAGING WILL INITIALLY HAVE LESS REVENUES, CASH FLOWS AND ASSETS TO HELP IT SATISFY ITS DEBT OBLIGATIONS THAN TENNECO CURRENTLY DOES.

Once the spin-off is completed, Packaging will have fewer assets and less revenues and cash flows than Tenneco, the obligor of the original securities, currently does. Tenneco is engaged in the automotive, packaging and administrative services businesses. Packaging, however, will be engaged only in Tenneco's current packaging and administrative services businesses. The cash flows and assets of Tenneco's automotive business will not be available to satisfy Packaging's obligations under its new securities. Tenneco will not guarantee the new securities, and holders who receive new securities in exchange for original securities will no longer be creditors of Tenneco. See "The Spin-off."

PACKAGING CANNOT ASSURE YOU THAT ITS NEW SECURITIES WILL HAVE OR MAINTAIN INVESTMENT-GRADE RATINGS, AND A REDUCTION IN THE NEW SECURITIES' RATINGS WOULD ADVERSELY AFFECT THEIR VALUE.

Packaging expects that, based on and subject to discussions with debt rating agencies, its new securities will have an investment-grade rating. Packaging has been advised by Moody's Investor Service, Inc. and Standard & Poor's Corporation that the new securities will have ratings of _____ by Moody's and _____ by S&P. However, Packaging cannot assure you that the new securities will actually have or be able to maintain these ratings. The failure of the new securities to have an investment-grade rating, or a reduction in the

rating of the new securities, would have an adverse effect on their value.

A LIQUID TRADING MARKET FOR PACKAGING'S NEW SECURITIES MAY NOT DEVELOP AND THE MARKET PRICE OF THE NEW SECURITIES COULD BE ADVERSELY AFFECTED.

There is no established trading market for Packaging's new securities. A liquid trading market may not develop for the new securities, which would adversely impact their market price. Packaging does not intend to apply for listing of the new securities on the NYSE or any other securities exchange, or for quotation through the National Association of Securities Dealers Automated Quotation System.

The liquidity of any market and the market price for the new securities will depend on, among other things: (a) the number of holders of the new securities; (b) Packaging's performance; (c) the market for similar securities; and (d) the interest of securities dealers in making a market in the new securities. Even if a market for the new securities does develop, the new securities may trade at a discount, depending on the factors described above.

UNDER SPECIFIED CIRCUMSTANCES, YOUR EXCHANGE OF TENNECO'S ORIGINAL SECURITIES FOR PACKAGING'S NEW SECURITIES WILL BE TAXABLE.

Counsel to Tenneco is of the opinion that your exchange of original securities for Packaging's new securities should be tax-free for U.S. federal income tax purposes, except for any accrued interest and early exchange premium. If, however, the spin-off does not qualify as tax-free for specified reasons, you will recognize gain or loss as a result of your receipt of Packaging's new securities in the exchange offers. You will also recognize this gain or loss if either Tenneco's original securities or Packaging's new securities do not qualify as "securities" for U.S. federal income tax purposes. See "-- Risk Factors Related to the

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Spin-off" for a description of circumstances under which the spin-off may not qualify as a tax-free distribution. See also "U.S. Federal Income Tax Consequences."

THERE ARE NO TERMS OF THE NEW SECURITIES THAT WILL PROTECT OR COMPENSATE YOU IN THE EVENT OF A HIGHLY LEVERAGED OR SIMILAR TRANSACTION INVOLVING PACKAGING.

There will be no covenants or other provisions in the terms of the new securities providing for a put or increased interest or that would otherwise provide you with additional compensation or protection in the event of a recapitalization transaction, a change of control or a highly leveraged transaction involving Packaging.

The new securities will, however, provide that Packaging may not merge or consolidate with any other person or entity, or sell, lease or convey all or substantially all of its assets to any person or entity, unless it complies with specified limitations.

RISKS RELATING TO PACKAGING'S BUSINESS

THE CYCLICAL DEMAND FOR PACKAGING PRODUCTS COULD ADVERSELY AFFECT ITS OPERATING RESULTS BECAUSE LESS DEMAND FOR PACKAGING'S PRODUCTS COULD REDUCE PACKAGING'S PROFITABILITY.

Demand for Packaging's products is cyclical in nature because it follows the demand for the goods that are packaged with its products or the demand for services such as construction. Accordingly, Packaging's demand is subject to general economic conditions that affect demand in the durable goods, consumer, building, construction and automotive markets. Growth in the economy generally stimulates demand for these products or services, while a weakening economy tends to decrease demand. Consequently, adverse economic conditions could have a material adverse effect on Packaging's operating results because less demand for Packaging's products would reduce Packaging's profitability.

VOLATILE RAW MATERIAL PRICES COULD ADVERSELY AFFECT PACKAGING'S OPERATING

RESULTS BECAUSE HIGHER COSTS TO MANUFACTURE ITS PRODUCTS WOULD LIKELY REDUCE PACKAGING'S PROFITABILITY.

Plastic resins, aluminum rollstock, linerboard and recycled fiber are the basic raw materials used in the manufacture of most of Packaging's products. The costs of these materials may be volatile and are a function of, among other things, the manufacturing capacity for those materials and the costs of their components. If Packaging fails to obtain price increases for its products in a timely manner following a raw material cost increase, reduces its product prices without a corresponding reduction in raw material costs or is unable to renegotiate favorable raw material supply contracts, Packaging's operating results could be adversely affected because higher costs to manufacture its products would likely reduce Packaging's profitability.

PACKAGING CANNOT ASSURE YOU THAT IT WILL SUCCESSFULLY INTEGRATE ACQUIRED BUSINESSES OR THAT FUTURE ACQUISITIONS WILL NOT ADVERSELY AFFECT ITS OPERATING RESULTS AND FINANCIAL CONDITION.

Packaging's growth strategy contemplates further acquisitions of specialty packaging and consumer products businesses, as well as related businesses. Pursuing an acquisition strategy could adversely affect Packaging's operating results and financial condition because of:

- unanticipated liabilities;
- the diversion of management attention;
- increased goodwill amortization;
- higher interest costs; and
- dependence on retaining or hiring and training key personnel and integrating the acquired business.

See "Description of Packaging -- Growth Strategy."

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IF PACKAGING DOES NOT ADAPT TO TECHNOLOGICAL ADVANCES IN ITS INDUSTRY AS QUICKLY AS ITS COMPETITORS, ITS OPERATING RESULTS AND FINANCIAL CONDITION COULD BE ADVERSELY AFFECTED BY HIGHER OVERHEAD AND MANUFACTURING COSTS AND REDUCED APPEAL OF ITS PRODUCTS.

Packaging competes in markets and industries that require sophisticated manufacturing systems and other advanced technology to deliver state-of-the-art specialty packaging solutions. These systems and technologies will have to be refined and updated as the underlying technologies advance. Packaging cannot assure you that, as systems and technologies become outdated, Packaging will be able to replace them, to replace them as quickly as its competitors or to develop and market new and better products in the future. Higher overhead and manufacturing costs due to a failure to update and improve processes could limit Packaging's ability to compete favorably as to price. In addition, Packaging's failure to make technological advances could adversely affect its ability to provide attractive packaging solutions for customers.

IF NOT FULLY RESOLVED, THE YEAR 2000 ISSUE COULD ADVERSELY AFFECT PACKAGING'S FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Many computer software systems, as well as some hardware and equipment utilizing date-sensitive data, were designed to use two-digit date fields. Consequently, these systems, hardware and equipment will not be able to recognize dates properly beyond the year 1999. If Packaging is unable to complete on a timely and cost-efficient basis the remediation or replacement of critical systems or equipment not yet in compliance, or develop alternative procedures, or if Packaging's major suppliers, financial institutions or others with whom it conducts business are unsuccessful in implementing timely solutions, Year 2000 issues could have a material adverse effect on Packaging's financial condition and its results of operations. This adverse effect could result from interruptions in Packaging's ability to manufacture its products, process and ship orders and bill and collect accounts receivable. For more information, see "Description of Packaging -- Management's Discussion and Analysis of Financial Condition and Results of Operations."

PACKAGING CANNOT ASSURE YOU THAT IT WILL BE ABLE TO SUCCESSFULLY TRANSITION TO AN INDEPENDENT PUBLIC COMPANY.

After the spin-off, Packaging's major operations will consist of Tenneco's packaging business. Packaging has never operated as a stand-alone company and historically has been able to rely, to some degree, on the earnings, assets and cash flow of Tenneco's other businesses for capital requirements and certain administrative services. Accordingly, Packaging's pro forma combined financial statements included in this document may not necessarily reflect the results of operations and financial condition that would have been achieved, if Packaging had operated independently during the periods presented.

PACKAGING IS SUBJECT TO RISKS RELATED TO ITS INTERNATIONAL OPERATIONS.

Packaging has manufacturing and distribution facilities in many countries, principally in North America and Europe. For 1998, about 21% of Packaging's revenues were derived from its international operations. International operations are subject to various risks which could have a material adverse effect on those operations or Packaging's 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;
- currency exchange rate fluctuations;
- controls on the repatriation of cash; and
- export and import restrictions.

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RISK FACTORS IF YOU DO NOT EXCHANGE

RISKS RELATING TO THE ORIGINAL SECURITIES THAT REMAIN OUTSTANDING

WHEN THE SPIN-OFF IS COMPLETED, ANY OF TENNECO'S ORIGINAL SECURITIES NOT EXCHANGED WILL BE UNSECURED AND EFFECTIVELY RANK BEHIND NEW AUTOMOTIVE SECURED BORROWINGS, WHICH COULD LIMIT THEIR COLLECTIBILITY IN THE EVENT OF BANKRUPTCY.

Tenneco expects that the new borrowings to be made by Automotive in connection with the spin-off will be secured by all or a substantial amount of Automotive's assets, including by stock pledges and/or guarantees of various Automotive subsidiaries. The original securities that remain outstanding after the exchange offers and spin-off are not and will not be supported by similar security. Because this security will allow the lenders to enforce their rights directly against the subsidiaries or by taking control of Automotive's assets, original securities that remain outstanding after the exchange offers will be structurally subordinated to the rights of the lenders for Automotive's new borrowings. In other words, the original securities will rank behind these borrowings as to payment. This could limit their collectibility in the event of bankruptcy.

TENNECO EXPECTS THAT THE ORIGINAL SECURITIES WILL NOT MAINTAIN INVESTMENT-GRADE RATINGS AFTER THE EXCHANGE OFFERS AND SPIN-OFF, AND THAT THEIR VALUE COULD BE ADVERSELY AFFECTED.

Tenneco expects that the ratings of the original securities that which remain outstanding after the exchange offers and spin-off will be lower than the current ratings of the original securities and will not be investment-grade. Any reduction in the rating of these securities could adversely affect their value.

TENNECO EXPECTS THAT A LIMITED TRADING MARKET FOR THE ORIGINAL SECURITIES WILL EXIST AFTER THE EXCHANGE OFFERS AND THAT THE VALUE OF THESE SECURITIES COULD BE ADVERSELY AFFECTED.

Tenneco expects that a limited trading market will exist for the original securities that remain outstanding after the exchange offers. A limited trading market could adversely affect the liquidity, market value and price volatility of these securities. Tenneco expects the market for these securities to become more limited because there will be fewer holders and a smaller outstanding principal amount available for trading. In addition, some of the original securities are listed on the NYSE. Under current NYSE rules, debt securities may be delisted if the aggregate market value or principal amount of publicly held

debt securities is less than \$1 million. Tenneco plans to apply for delisting of any original securities that remain outstanding after the exchange offers. These factors could further reduce the trading market for these securities.

WHEN THE SPIN-OFF IS COMPLETED, YOUR CREDIT RISK COULD INCREASE IF YOU DO NOT TENDER BECAUSE AUTOMOTIVE WILL HAVE A SUBSTANTIAL AMOUNT OF DEBT. THIS DEBT COULD ADVERSELY AFFECT AUTOMOTIVE'S OPERATING FLEXIBILITY AND PUT IT AT A COMPETITIVE DISADVANTAGE.

When the spin-off is completed, Tenneco -- in other words, Automotive -- will have a substantial amount of debt. Tenneco expects that Automotive would have had indebtedness for money borrowed of \$1.7 billion at June 30, 1999 if the spin-off had occurred on that date. See "Description of Tenneco After the Spin-off/Automotive -- Unaudited Pro Forma Consolidated Financial Statements of Tenneco."

Automotive's substantial debt after the spin-off could have adverse consequences for Automotive and increase your credit risk if you do not tender in the exchange offers. These consequences may include:

- making it more difficult for Automotive to satisfy its obligations under the original securities;
- making it more difficult for Automotive to obtain additional financing for working capital, capital expenditures, acquisitions or general corporate purposes;
- requiring a substantial portion of Automotive's cash flow to be dedicated to debt service payments instead of other purposes;

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- increasing Automotive's vulnerability to general adverse economic and industry conditions;
- limiting Automotive's financial flexibility in planning for and reacting to changes in the industry in which it competes;
- placing Automotive at a disadvantage as compared to less leveraged competitors; and
- limiting Automotive's ability to borrow additional funds and increasing the cost of borrowing.

After the spin-off, Automotive's ability to pay principal and interest on the original securities and satisfy its other debt service obligations will depend on its future operating performance. If Automotive is unable to generate sufficient cash flow or make future borrowings, it may be unable to service its debt or to fund its other liquidity needs.

AUTOMOTIVE'S OPERATIONS AFTER THE SPIN-OFF MAY BE SUBSTANTIALLY RESTRICTED BY THE TERMS OF ITS DEBT, WHICH COULD ADVERSELY AFFECT AUTOMOTIVE AND INCREASE YOUR CREDIT RISK IF YOU DO NOT TENDER IN THE EXCHANGE OFFERS.

Tenneco expects that the agreements governing the new borrowings that Automotive will be making in connection with the spin-off will include a number of significant financial and other restrictive covenants. These covenants could adversely affect Automotive, and adversely affect holders of original securities remaining after the exchange offers, by limiting Automotive's ability to plan for or react to market conditions or to meet its capital needs. Tenneco expects that these covenants will, among other things, restrict Automotive's ability to:

- dispose of assets;
- incur liens, guarantees or additional debt;
- engage in sale-leaseback transactions;
- pay dividends or make distributions;
- enter into investments or acquisitions;
- engage in transactions with affiliates;
- repurchase or redeem capital stock; and
- engage in mergers or consolidations.

IF YOU DO NOT TENDER, THE PROPOSED AMENDMENTS COULD INCREASE YOUR CREDIT RISK BY ELIMINATING OPERATING RESTRICTIONS CONTAINED IN THE ORIGINAL INDENTURE.

Original securities not purchased in the exchange offers will remain outstanding after the spin-off as obligations of Tenneco -- in other words, Automotive. If the required consents are received and the proposed amendments take effect, the original indenture will be amended to eliminate the restrictions on Automotive's operations. Any actions that Automotive may take as a result of these amendments could increase your credit risk or otherwise adversely affect your interests if you do not tender. This is because the original indenture, as amended, will continue to govern the terms of all of the original securities that remain outstanding after the exchange offers.

For example, the proposed amendments will permit the spin-off of Packaging without compliance with a covenant that might, if held to apply to the spin-off, require Packaging to become the obligor of Tenneco's original securities. Tenneco and Packaging believe the application of this covenant is uncertain in these circumstances. The proposed amendments will also allow Automotive to make new borrowings in connection with the spin-off that are secured by Automotive's assets. For a description of the proposed amendments, see "The Proposed Amendments."

AUTOMOTIVE MAY BE ADVERSELY AFFECTED IF IT IS UNABLE TO COMPLY WITH FINANCIAL COVENANTS IN ITS NEW FINANCING ARRANGEMENTS BECAUSE IT COULD BE REQUIRED TO REPAY BORROWINGS EARLY.

Tenneco expects that some of the new borrowings Automotive will be making in connection with the spin-off will require it to comply with many specified financial ratios. Automotive's failure to comply with these financial ratios could result in an event of default which, if not cured or waived, could result in Automotive being required to repay these borrowings before their due date. If Automotive were unable to make this repayment or otherwise refinance these borrowings, the lenders could foreclose on Automotive's

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assets. If Automotive were able to refinance these borrowings on less favorable terms, Automotive's results of operations and financial condition could be adversely impacted by increased costs and rates.

DESPITE ITS DEBT LEVELS AFTER THE SPIN-OFF, AUTOMOTIVE MAY STILL BE ABLE TO INCUR SIGNIFICANTLY MORE DEBT.

Despite the restrictions and limitations described above, Automotive may be able to incur significant additional indebtedness after the spin-off. The new credit facility Automotive will enter into in connection with the spin-off is expected to permit additional borrowings of approximately \$ million after the spin-off, and the indenture governing the subordinated debt Automotive will issue in connection with the spin-off will also permit Automotive to incur additional indebtedness in specified circumstances. If new debt is added to Automotive's debt levels after the spin-off, the related risks that Automotive faces could increase.

AFTER THE SPIN-OFF, AUTOMOTIVE WILL INITIALLY HAVE LOWER REVENUES, CASH FLOW AND ASSETS TO HELP IT SATISFY ITS DEBT OBLIGATIONS THAN TENNECO CURRENTLY DOES.

Upon the spin-off, Automotive will have fewer assets and less revenues than Tenneco currently does. Tenneco, the obligor under the original securities, currently has an automotive and packaging business and administrative services operations. When the spin-off is completed, however, Automotive will be engaged only in Tenneco's current automotive business. The cash flow and assets of Tenneco's packaging business and administrative services operations will not be available to satisfy obligations under the original securities that remain outstanding. See "The Spin-off."

RISKS RELATING TO AUTOMOTIVE'S BUSINESS

CONSOLIDATION AMONG THE CUSTOMERS AND SUPPLIERS OF AUTOMOTIVE PARTS COULD MAKE IT MORE DIFFICULT FOR AUTOMOTIVE TO COMPETE FAVORABLY.

Automotive's financial condition and results of operations could be adversely affected because the customer base for automotive parts is consolidating in both the original equipment market and aftermarket. As a result, Automotive is competing for business from fewer customers. Due to the cost focus of these major customers, Automotive has been, and expects to continue to be, required to reduce prices. Automotive cannot be certain that it will be able to generate cost savings and operational improvements in the future that are sufficient to offset price reductions required by existing customers and necessary to win additional business.

Furthermore, the trend towards consolidation among automotive parts suppliers is resulting in fewer, larger suppliers who benefit from purchasing and distribution economies of scale. If Automotive cannot achieve cost savings and operational improvements sufficient to allow it to compete favorably in the future with these larger companies, its financial condition and results of operations could be adversely affected due to a reduction of, or inability to increase, sales. See "Description of Tenneco After the Spin-off/Automotive -- Industry Trends."

AUTOMOTIVE IS DEPENDENT ON ITS LARGE CUSTOMERS FOR FUTURE REVENUES.

Automotive depends on major vehicle manufacturers for a substantial portion of its sales. For example, during 1998 Ford and DaimlerChrysler accounted for 12.8% and 10.9% of Automotive's total sales, respectively. Although Automotive believes that it generally enjoys good relations with its vehicle manufacturer customers, loss of all or a substantial portion of Automotive's sales to any of its large volume customers could have a material adverse effect on Automotive's financial condition and results of operations by reducing cash flows and Automotive's ability to spread costs over a larger revenue base. Automotive may make fewer sales to these customers for a variety of reasons, including: (a) loss of awarded business; (b) reduced or delayed customer requirements; or (c) strikes or other work stoppages affecting production by the customers. See "Description of Tenneco After the Spin-off/Automotive -- Analysis of Automotive's Revenues."

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AUTOMOTIVE 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 Automotive's more traditional customers. Tenneco cannot assure you that Automotive will be able to maintain or increase aftermarket sales through increasing its sales to retailers. Furthermore, because of the cost focus of major retailers, Automotive has been, and expects to continue to be, required to offer price concessions. Automotive's 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 its business and operating results.

AUTOMOTIVE MAY BE UNABLE TO COMPETE 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, Automotive faces significant competition within each of its major product areas. The principal competitive factors are price, quality, service, product performance, design and engineering capabilities, new product innovation and timely delivery. For more information about the automotive parts industry, see "Description of Tenneco After the Spin-off/Automotive -- Overview of Automotive Parts Industry." Tenneco cannot assure you that Automotive will be able to continue to compete favorably in this competitive market or that increased competition will not have a material adverse effect on Automotive's business by reducing Automotive's ability to increase or maintain sales or profit margins.

AUTOMOTIVE MAY BE UNABLE TO REALIZE ITS BUSINESS STRATEGY OF IMPROVING OPERATING PERFORMANCE.

Automotive has either implemented or plans to implement several important strategic initiatives designed to improve its operating performance. The failure to achieve the goals of these initiatives could have a material adverse effect on Automotive's business, particularly since Automotive relies on these initiatives to offset pricing pressures from its customers, as described above. Tenneco cannot assure you that Automotive will be able to successfully implement or realize the expected benefits of any of these initiatives or that Automotive will be able to sustain improvements made to date. See "Description of Tenneco After the Spin-off/Automotive -- Business Strategy."

AUTOMOTIVE IS SUBJECT TO RISKS RELATED TO ITS INTERNATIONAL OPERATIONS.

Automotive has manufacturing and distribution facilities in many countries, principally in North America, Europe and Latin America, and sells its products worldwide. For 1998, about 53% of Automotive's revenues were derived from its international operations. International operations are subject to various risks which could have a material adverse effect on those operations or Automotive's business as a whole, including:

- exposure to local economic conditions;
- exposure to local political conditions, including the risk of seizure of assets by foreign government;
- currency exchange rate fluctuations;
- controls on the repatriation of cash; and
- export and import restrictions.

EXCHANGE RATE FLUCTUATIONS COULD CAUSE A DECLINE IN AUTOMOTIVE'S FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

As a result of its international operations, Automotive generates a significant portion of its revenues and incurs a significant portion of its expenses in currencies other than the U.S. dollar. To the extent Automotive is 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 Automotive's business. For example, where Automotive has significantly more costs than revenues generated in a foreign currency, it is subject to risk if that foreign currency appreciates against the U.S. dollar because this appreciation effectively increases its costs in that country. Automotive generally seeks to mitigate the effect of exchange rate fluctuations through the use of foreign currency borrowings and derivative financial instruments, but cannot assure you that it will be successful in these efforts.

The financial condition and results of operations of some of Automotive's operating entities are reported in foreign currencies and then translated into U.S. dollars at the applicable exchange rate for inclusion in Automotive's consolidated financial statements. As a result, appreciation of the U.S. dollar against these foreign currencies will have a negative impact on Automotive's reported revenues and operating profit while depreciation of the U.S. dollar against these foreign currencies will have a positive effect on reported revenues and operating profit. Automotive does not generally seek to mitigate this translation effect through the use of derivative financial instruments. For more information about the impact of exchange rate fluctuations on Tenneco and Automotive, see "Management's Discussion and Analysis of Financial Conditions and Results of Operations" of Tenneco included in Tenneco's Current Report on Form 8-K dated August 20, 1999, which is incorporated by reference in this document.

THE CYCLICALITY OF AUTOMOTIVE PRODUCTION AND SALES COULD CAUSE A DECLINE IN AUTOMOTIVE'S FINANCIAL CONDITION AND RESULTS.

A decline in automotive sales and production would likely cause a decline in Automotive's sales to vehicle manufacturers, and could result in a decline in Automotive's results of operations and financial condition. The automotive industry has been characterized historically by periodic fluctuations in overall demand for vehicles due to, among other things, changes in general economic conditions and consumer preferences. These fluctuations generally result in corresponding fluctuations in demand for Automotive's products. The highly cyclical nature of the automotive industry presents a risk that is outside Automotive's control and that cannot be accurately predicted.

LONGER PRODUCT LIVES OF AUTOMOTIVE PARTS ARE ADVERSELY AFFECTING AFTERMARKET DEMAND FOR SOME OF AUTOMOTIVE'S PRODUCTS.

The average useful life of automotive parts has been steadily increasing 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. Additional increases in the average useful lives of automotive parts are likely to adversely affect the demand for Automotive's aftermarket products. Aftermarket sales represented approximately 39% of Automotive's revenues for 1998. See "Description of Tenneco After the Spin-off/Automotive -- Industry Trends."

THE HOURLY WORKFORCE IN THE AUTOMOTIVE INDUSTRY IS HIGHLY UNIONIZED AND AUTOMOTIVE'S BUSINESS COULD BE ADVERSELY AFFECTED BY LABOR DISRUPTIONS.

Substantially all of the hourly employees of North American vehicle manufacturers are represented by the United Automobile, Aerospace and Agricultural Implement Workers of America under collective bargaining agreements. In addition, vehicle manufacturers and their employees in other countries are also subject to labor agreements. A work stoppage or strike at the production facilities of a significant customer, at Automotive's facilities or at a significant supplier could have an adverse impact on Automotive by disrupting demand for Automotive's products and/or Automotive's ability to manufacture its products. The contracts between the UAW and each of the primary U.S. vehicle manufacturers expire later this year, and Tenneco cannot assure you that work stoppages or strikes will not occur as part of the new contract negotiations.

AUTOMOTIVE MAY INCUR MATERIAL PRODUCT WARRANTY COSTS.

Vehicle manufacturers are increasingly requiring their outside suppliers to guarantee or warrant their products and to bear the costs of repair and replacement of these products under new vehicle warranties.

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Because this is a trend in the industry and Automotive has only limited experience in this regard, Automotive cannot assure you that costs associated with providing product warranties will not be material.

TENNECO CANNOT ASSURE YOU THAT AUTOMOTIVE WILL BE ABLE TO SUCCESSFULLY TRANSITION TO AN INDEPENDENT PUBLIC COMPANY.

Upon completion of the spin-off, Tenneco's major operations will consist solely of Automotive. Automotive has never operated as a stand-alone company and has historically been able to rely, to some degree, on the earnings, assets and cash flow of Packaging's business for capital requirements and some administrative services. Accordingly, the pro forma consolidated financial statements for Tenneco included in this document may not necessarily reflect the results of operations and financial condition that would have been achieved if Automotive had operated independently during the periods presented.

IF NOT FULLY RESOLVED, THE YEAR 2000 ISSUE COULD ADVERSELY AFFECT AUTOMOTIVE'S FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Many computer software systems, as well as some hardware and equipment utilizing date-sensitive data, were designed to use two-digit date fields.

Consequently, these systems, hardware and equipment will not be able to recognize dates properly beyond the year 1999. If Automotive is unable to complete on a timely and cost-efficient basis the remediation or replacement of critical systems or equipment not yet in compliance, or develop alternative procedures, or if Automotive's major suppliers, financial institutions or others with whom it conducts business are unsuccessful in implementing timely solutions, Year 2000 issues could have a material adverse effect on Automotive's financial condition and results of operations. This adverse effect could result from interruptions in Automotive's ability to manufacture its products, process and ship orders, and properly bill and collect accounts receivable. For more information, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Tenneco's Current Report in Form 8-K dated August 20, 1999.

RISK FACTORS RELATING TO THE SPIN-OFF

IF THE SPIN-OFF DOES NOT QUALIFY AS TAX-FREE, AUTOMOTIVE AND PACKAGING COULD BE ADVERSELY AFFECTED BY THE RESULTING CORPORATE TAX LIABILITY.

If the spin-off does not qualify as a tax-free distribution for U.S. federal income tax purposes, then, in general, a very substantial corporate tax would be payable by the consolidated tax group of which Tenneco is the common parent. Each member of Tenneco's consolidated group, including Packaging, would be severally liable for that tax. Packaging and Automotive will enter into a tax sharing agreement in connection with the spin-off regarding the allocation and, in some circumstances, sharing of that potential tax liability between them. See "The Spin-off -- Relationship Between Automotive and Packaging After the Spin-off." If the spin-off did not qualify as a tax-free distribution, the resulting tax liability would have a material adverse effect on the financial condition and, as such, business of Packaging and/or Automotive.

Tenneco has received a letter ruling from the Internal Revenue Service to the effect that, among other things, the spin-off will qualify as a tax-free distribution and accordingly will not be taxable to Tenneco or its stockholders. The ruling is based upon various factual representations and assumptions. Tenneco and Packaging are not aware of any facts or circumstances that would cause the representations and assumptions to be untrue or incomplete in a material respect. If, however, any of those factual representations and assumptions were untrue or incomplete in a material respect, or the facts upon which that ruling is based are materially different from the facts at the time of the spin-off, the spin-off could become taxable to Tenneco or its stockholders. If the spin-off does not qualify as tax-free for these reasons, your exchange of original securities for new securities would become taxable for U.S. federal income tax purposes. See "-- Risk Factors if You Exchange."

Furthermore, if the spin-off otherwise qualifies as a tax-free distribution but there is a change in control of Packaging or Automotive that is considered part of a plan or a series of transactions related to the spin-off, Tenneco -- which after the spin-off will be Automotive -- would incur a very substantial tax liability on the distribution of Packaging common stock to its stockholders. Packaging would be responsible

for this resulting tax liability in the case of a Packaging change of control, and Automotive would be responsible for this resulting tax liability in the case of an Automotive change of control. In these circumstances, however, securityholders of Automotive and Packaging would not recognize gain or loss as a result of the spin-off. See "U.S. Federal Income Tax Consequences."

PACKAGING AND AUTOMOTIVE COULD BE ADVERSELY AFFECTED IF THE SPIN-OFF, THE CORPORATE RESTRUCTURING TRANSACTIONS OR THE DEBT REALIGNMENT ARE NOT VALID UNDER FRAUDULENT TRANSFER OR LEGAL DIVIDEND STATUTES.

In connection with the spin-off, Tenneco will undertake numerous corporate restructuring transactions and realign its debt, which, along with the spin-off, are subject to federal and state fraudulent conveyance laws. Under these laws, if a court determines that one of the parties to these transactions did not receive fair consideration and, at the time, was insolvent, had unreasonably small capital or was unable to pay its debts as they came due, the court could reverse the transactions or the spin-off or impose liability on the parties. The

resulting complications and costs could have a material adverse effect on Packaging and Automotive.

In addition, the corporate restructuring transactions, debt realignment and spin-off are subject to state corporate distribution statutes. For example, under Delaware law, a corporation may only pay dividends to its stockholders either: (1) out of its surplus, calculated as net assets minus capital; or (2) if there is no surplus, out of its net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year, subject to some restrictions. Although all distributions are intended to be made entirely from surplus, Tenneco and Packaging cannot assure you that a court will not later determine that the spin-off, one or more of the corporate restructuring transactions or the debt realignment was unlawful under state corporate law. This could allow the court to reverse the transactions. The resulting complications and costs could have a material adverse effect on Packaging and Automotive.

Before the spin-off, Tenneco expects to obtain an opinion from a third-party financial advisor. This opinion will confirm that Packaging and Automotive will be solvent after giving effect to the spin-off and that the spin-off is permissible under Delaware corporate law. Tenneco and Packaging cannot assure you, however, that a court would find the financial advisor's opinion to be binding on creditors of Automotive or Packaging or would reach the same conclusions provided in the opinion.

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements. The words "will," "may," "designed to," "outlook," "believes," "should be," "anticipates," "plans," "expects," "intends" and "estimates," and similar expressions, identify these forward-looking statements. These forward-looking statements are contained principally under the headings "Summary," "Risk Factors," "Description of Packaging" and "Description of Tenneco After the Spin-off/Automotive." Although Tenneco and Packaging believe that the expectations reflected in these forward-looking statements are based on reasonable assumptions, these expectations may not prove to be correct. Because these forward-looking statements are also subject to risks and uncertainties, actual results may differ materially from the expectations expressed in the forward-looking statements. Important factors that could cause actual results to differ materially from the expectations reflected in the forward-looking statements include those described in "Risk Factors," as well as:

- general economic, business and market conditions;
- operating hazards associated with the Packaging or Automotive business;
- labor disruptions at Packaging, Automotive or with any of their significant customers or suppliers;
- customer acceptance of new products;
- capital availability or costs, including changes in interest rates or market perceptions of Packaging or Automotive;

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- changes by the Financial Accounting Standards Board or the Securities and Exchange Commission of authoritative generally accepted accounting principles or policies;
- the impact of laws and regulations, including environmental laws and regulations; and
- the occurrence or non-occurrence of circumstances beyond the control of Tenneco or Packaging.

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WHERE YOU CAN FIND MORE INFORMATION

Packaging has filed with the Securities and Exchange Commission (the "Commission" or "SEC") a registration statement under the Securities Act of 1933 covering the offering of the new securities. Packaging has also filed with the Commission a registration statement under the Securities Exchange Act of 1934 (the "Exchange Act") covering its common stock (which will be distributed to Tenneco stockholders in the spin-off). This document does not contain all of the information included in these registration statements and their associated

exhibits and schedules. For more information about Packaging and the new securities, you should read these registration statements and their associated exhibits and schedules. This document summarizes provisions of contracts and other documents that it refers you to. If Packaging has filed any contract or other document as an exhibit to the registration statement covering the new securities, you should read the exhibit for a more complete understanding of the contract or document involved. Each statement in this document summarizing the provisions of a contract or other document is qualified in all respects by reference to the actual document.

Tenneco files annual, quarterly and other reports, proxy statements and other information with the SEC. Following the spin-off, Packaging also will file periodic reports, proxy statements and other information with the SEC.

You may read and copy Tenneco's and Packaging's filings with the SEC at the public reference rooms at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, and at the SEC's regional offices located at 7 World Trade Center, 13th Floor, New York, New York 10048, and 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2511. You may also obtain copies of those filings at prescribed rates by (a) calling the SEC at 1-800-SEC-0330, or (b) writing to the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549. You may also access the filings electronically on the SEC's website at (<http://www.sec.gov>). Because Tenneco's common stock is listed on the New York, Chicago and Pacific Stock Exchanges, you may review reports and other information concerning Tenneco at these exchanges. Application will be made to list Packaging's common stock on the NYSE, and you may review reports and other information concerning Packaging at the NYSE, 20 Broad Street, New York, New York 10005.

In addition, Tenneco maintains a website where you can find information about Tenneco, Packaging and Automotive at <http://www.tenneco.com>.

INCORPORATION OF INFORMATION BY REFERENCE

The SEC allows "incorporation by reference" of information filed with the SEC into this document. This means that Tenneco and Packaging can disclose important information to you by referring you to those documents. The information incorporated by reference is considered part of this prospectus, except that information filed in later-dated documents will automatically update and supersede the information contained in earlier-dated documents.

The following documents filed with the Commission by Tenneco (File No. 1-12387) or Packaging (File No. 1-15157), as applicable, are incorporated by reference into this document and shall be deemed to be a part hereof:

- (a) Tenneco's Annual Report on Form 10-K for the fiscal year ended December 31, 1998;
- (b) Tenneco's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 1999 and Quarterly Report on Form 10, for the fiscal quarter ended June 30, 1999, as amended;
- (c) Tenneco's Definitive Proxy Statement for the Annual Meeting of Stockholders held on May 11, 1999;
- (d) Tenneco's Current Report on Form 8-K dated April 12, 1999;
- (e) Tenneco's Current Report on Form 8-K dated July 14, 1999;

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- (f) Tenneco's Current Report on Form 8-K dated August 20, 1999, which includes financial and other information that supersedes the comparable information in Tenneco's Annual Report on Form 10-K for the fiscal year ended December 31, 1998, Tenneco's Quarterly Reports on Form 10-Q for the fiscal quarters ended March 31, 1999 and June 30, 1999 and Tenneco's Current Report on Form 8-K dated July 14, 1999; and

(g) All documents subsequently filed by Tenneco or Packaging pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this document and prior to the termination of the offering of the new securities.

Notwithstanding any disclosure to the contrary in documents incorporated by reference, no safe harbor protection under Section 27A of the Securities Act of 1933 or Section 21E of the Securities Exchange Act of 1934 extends to forward-looking statements that appear in this document directly or by incorporation.

THE EXCHANGE OFFERS AND CONSENT SOLICITATION

Tenneco is offering to exchange Packaging's new securities for any and all of Tenneco's original securities that are validly tendered before the applicable expiration time and not withdrawn. The terms and conditions of these exchange offers are described in this document and in the accompanying letter of consent/transmittal. Concurrently with the exchange offers, Tenneco is soliciting consents from the holders of the original securities to the proposed amendments to the original indenture. Tenneco will accept tenders of original securities only in principal amounts of \$1,000 or integral multiples of \$1,000.

If you hold original securities, you may participate in the exchange offers by following the procedures described in this document. If you tender original securities, you will be required, as a condition to a valid tender, to consent to the proposed amendments with respect to the original securities you tendered. Your proper tender of original securities will constitute your automatic consent to the proposed amendments and to the execution of a supplement to the original indenture to effect the proposed amendments. See "-- The Consent Solicitation."

TERMS OF THE EXCHANGE OFFERS

Subject to the terms and conditions described in this document and in the accompanying letter of consent/transmittal, for each \$1,000 principal amount of original securities validly tendered and accepted for exchange, Tenneco is offering (1) \$1,000 principal amount of the corresponding new securities for that series of original securities, as shown in the table below, plus (2) the early exchange premium shown in the table below for holders who tender their original securities before the early exchange time. See "-- The Consent Solicitation."

<TABLE>
<CAPTION>

CUSIP NO.*	AGGREGATE PRINCIPAL AMOUNT	FOR EACH:	THE EXCHANGING HOLDER WILL RECEIVE:	
		\$1,000 PRINCIPAL AMOUNT OF TENNECO'S ORIGINAL SECURITIES	\$1,000 PRINCIPAL AMOUNT OF PACKAGING'S NEW SECURITIES	EARLY EXCHANGE PREMIUM**
<S>	<C>	<C>	<C>	<C>

[to be provided by amendment]

* The terms of the exchange offers shall not be affected by any defect in or omission of CUSIP numbers.

** Tenneco will pay the early exchange premium only for original securities validly tendered before the early exchange time, and only if Tenneco accepts those original securities for exchange.

In each case, Tenneco will pay accrued but unpaid interest on the original securities exchanged in the exchange offers through the date Tenneco accepts them for exchange. In general, this payment will be made to the holder who tendered the original securities. If, however, Tenneco accepts for exchange any series of original securities on or before an interest payment date for that series but after the record date for that interest payment date, Tenneco will pay the accrued but unpaid interest to the holder of those original securities as of that record date (if different from the holder who tenders).

Interest will cease to accrue on original securities exchanged in the exchange offers from and after the date Tenneco accepts them. Interest on the

new securities will accrue at the applicable rate from and including their issuance date.

Tenneco reserves the right, in its sole discretion, to purchase or make offers to purchase any original securities that remain outstanding after the exchange offers on terms that could differ from the terms of the exchange offers. Tenneco will not make any purchase or offer except in accordance with applicable law.

After the exchange offers, Tenneco will extinguish the original securities accepted by it for exchange.

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THE CONSENT SOLICITATION

As part of the exchange offers, Tenneco is soliciting consents to proposed amendments to the original indenture under which Tenneco issued the original securities. Tenneco is making the consent solicitation on the terms and subject to the conditions described in this document. See "The Proposed Amendments."

YOUR VALID TENDER OF ORIGINAL SECURITIES BEFORE THE EARLY EXCHANGE TIME WILL CONSTITUTE AN AUTOMATIC CONSENT TO THE PROPOSED AMENDMENTS WITH RESPECT TO THOSE ORIGINAL SECURITIES. YOU MAY NOT DELIVER CONSENTS WITHOUT TENDERING YOUR ORIGINAL SECURITIES AND YOU MAY NOT REVOKE CONSENTS WITHOUT WITHDRAWING THE RELATED ORIGINAL SECURITIES FROM THE EXCHANGE OFFERS. SEE "-- WITHDRAWAL RIGHTS."

To amend the original indenture, Tenneco must receive consents from the registered holders of at least a majority in aggregate principal amount of all series of outstanding securities issued under the original indenture, excluding securities held at the time by Tenneco or its affiliates, voting as a single class. The aggregate principal amount of securities outstanding under the original indenture is \$2,459,848,000, which comprises \$ of original securities that are subject to the exchange offers and \$ of other debt securities that are subject to Tenneco's concurrent cash tender offers. Tenneco is making the cash tender offers by means of a separate offer to purchase and consent solicitation document. To participate in the cash tender offers, holders will be required to consent to the proposed amendments.

Tenneco is offering to pay the early exchange premium described above to holders who validly consent to the proposed amendments before the early exchange time. Tenneco will make this payment only if it accepts the original securities to which the consent relates in the exchange offers. Tenneco will not make the payment to holders who tender their original securities after the early exchange time. Tenneco will make no separate payments for consents received in the consent solicitation.

If the proposed amendments to the original indenture become effective, they will bind all original securities that remain outstanding after the exchange offers, even if the holder of those securities did not consent to the proposed amendments. Accordingly, you could suffer adverse consequences if you choose not to tender your original securities. See "Risk Factors -- Risk Factors if You Do Not Exchange."

EXPIRATION TIME; EARLY EXCHANGE TIME; EXTENSIONS; TERMINATION; AMENDMENTS

Each of the exchange offers will commence at 9:00 a.m., New York City time, on , 1999 and will expire at 5:00 p.m., New York City time, , 1999, unless Tenneco extends any exchange offer in its sole discretion. As used in this document, the term "expiration time" refers to 5:00 p.m., New York City time, on , 1999 or, if an exchange offer is extended, the latest date and time to which that exchange offer is extended. Each exchange offer is subject to Tenneco's right, in its sole discretion, to the extent that it is legally permitted to do so, to terminate or amend any exchange offer at any time as discussed below.

The consent solicitation will expire at 5:00 p.m., New York City time, on , 1999, unless Tenneco extends the consent solicitation in its sole discretion. As used in this document, the term "early exchange time" refers to 5:00 p.m., New York City time, on , 1999 or, if extended, the latest date and time to which the consent solicitation is extended. The consent solicitation is subject to Tenneco's right, in its sole discretion, to the extent that it is legally permitted to do so, to terminate or amend the consent solicitation at any time as discussed below.

Tenneco expressly reserves the right, in its sole discretion, subject to applicable law, at any time or from time to time, to:

- terminate any of the exchange offers or the consent solicitation and

not accept for exchange any original securities if any of the conditions provided below under "-- Conditions to the Exchange Offers and Consent Solicitation" are not satisfied and are not waived by Tenneco;

- waive any condition to any exchange offer and accept all original securities previously tendered for exchange pursuant to that exchange offer or waive any condition to the consent solicitation;

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- extend the expiration time of any of the exchange offers or the early exchange time and retain all original securities tendered in that exchange offer, subject, however, to any withdrawal rights of holders, as described under "-- Withdrawal Rights;"
- amend any exchange offer in any respect until the original securities are accepted for exchange;
- amend the consent solicitation in any respect until the withdrawal time; and/or
- not accept original securities tendered pursuant to an exchange offer at any time before the expiration time for that exchange offer as a result of an invalid tender, withdrawal or the occurrence of other events as described herein.

The exchange agent may retain your tendered original securities if Tenneco (a) extends any exchange offer or the consent solicitation, (b) delays the acceptance of original securities for exchange, or (c) is unable to accept original securities for exchange pursuant to any exchange offer. You may not withdraw those original securities, except to the extent you are entitled to withdrawal rights as described under "-- Withdrawal Rights." However the exchange agent's right to retain your tendered securities in these circumstances is subject to Rule 14e-1(c) under the Exchange Act. Rule 14e-1(c) requires that a bidder pay the consideration offered or return the securities deposited by or on behalf of holders of securities promptly after the termination or withdrawal of a tender offer.

Tenneco can extend, terminate or amend any of the exchange offers or the consent solicitation by giving written or oral notice to the exchange agent, which will be followed as promptly as practicable by a public announcement. In the case of an extension, a public announcement will be issued before 9:00 a.m., New York City time, on the next business day after the previously scheduled expiration time of the exchange offer(s) being extended or the previously scheduled early exchange time, as applicable. Tenneco will have no obligation to publish, advertise or otherwise communicate a public announcement regarding extension, amendment or termination other than by making a release to the Dow Jones News Service or otherwise as required by law. All original securities tendered pursuant to an exchange offer before any extension and not subsequently withdrawn will remain subject to that exchange offer.

The terms of any extension or amendment of any exchange offer or the consent solicitation may vary from the original exchange offers and consent solicitation depending on factors such as prevailing interest rates and the principal amount of original securities previously tendered. If Tenneco amends the terms of any exchange offer before its expiration time, the amendment will apply to all original securities of the same series tendered pursuant to that exchange offer but will not, unless expressly provided, apply to any other exchange offer. Tenneco does not presently intend to change the consideration currently offered.

If Tenneco makes a material change in the terms of any exchange offer or the information concerning any exchange offer or waives any condition of any exchange offer that results in a material change to the circumstances of that exchange offer, Tenneco will circulate additional exchange offer materials if and to the extent required by applicable law. In those circumstances, Tenneco will also extend the exchange offer if and to the extent required by applicable law in order to permit holders of the original securities subject to that exchange offer adequate time to consider the additional materials.

If Tenneco makes a material change in the terms of the consent solicitation or the information concerning the consent solicitation or waives any condition of the consent solicitation that results in a material change to the circumstances of the consent solicitation, Tenneco will circulate additional consent solicitation materials if and to the extent required by applicable law. In those circumstances, Tenneco will also extend the consent solicitation if and to the extent required by applicable law to allow holders of the original securities adequate time to consider the additional materials. If any material change occurs after the withdrawal time, Tenneco may decide to re-solicit

consents.

If Tenneco decreases the principal amount of original securities sought in any exchange offer or increases or decreases the consideration offered to holders of original securities subject to any exchange offer, Tenneco will, to the extent required by applicable law, cause that exchange offer to be extended so that it remains open at least ten business days from the date that Tenneco first publishes, sends or gives notice of the change. For purposes of this paragraph, "business day" has the meaning set forth in

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Rule 14d-1(e)(6) under the Exchange Act. The minimum period that an exchange offer or the consent solicitation must remain open following any other material change in the terms of or information concerning the exchange offer or consent solicitation depends upon the facts and circumstances, including the relative materiality of those terms or information.

EFFECT OF TENDER

Your tender of original securities in the exchange offers will constitute a binding agreement between you and Tenneco upon the terms and subject to the conditions of the exchange offers described in this document and the accompanying letter of consent/transmittal. Your tender of original securities will also constitute your agreement to deliver to Tenneco good and marketable title to the tendered original securities free and clear of all liens, charges, adverse claims, encumbrances, interests and restrictions of any kind.

ACCEPTANCE OF CONSENTS AND ORIGINAL SECURITIES; DELIVERY OF EXCHANGE CONSIDERATION

Tenneco will purchase by accepting for exchange and will promptly pay for all original securities validly tendered and not withdrawn or, if withdrawn, validly retendered, in the exchange offers and the consent solicitation. This purchase and payment will be made only upon the terms and subject to the conditions of each exchange offer, the consent solicitation, the terms and conditions of any extension or amendment and applicable law. Tenneco will make payment for the original securities by depositing with the exchange agent: (1) new securities in book-entry form, as described below; (2) cash for the payment of any applicable early exchange premium; and (3) cash for the payment of any applicable accrued but unpaid interest on original securities. The exchange agent will act as agent for the tendering holders for the purpose of receiving payments and/or new securities from Tenneco and then transmitting payments and/or new securities to or at the direction of those holders.

New securities will be issued and delivered only in book-entry form through The Depository Trust Company to the DTC account of the exchanging holder or the exchanging holder's custodian. You must specify on the accompanying letter of consent/transmittal the DTC participant and account information to which your new securities should be delivered.

For purposes of the exchange offers, Tenneco will be deemed to have accepted tendered original securities for exchange when Tenneco gives oral or written notice of acceptance to the exchange agent. For purposes of the consent solicitation, consents received by the exchange agent will be deemed to have been accepted when (1) Tenneco and the trustee under the original indenture execute the supplemental indenture containing the proposed amendments, which is expected to occur promptly after the withdrawal time, and (2) Tenneco has accepted the tendered original securities underlying those consents for exchange in the exchange offer.

Subject to Rule 14e-1(c) under the Exchange Act, Tenneco may delay acceptance of original securities tendered for exchange or payment for original securities accepted for exchange if any of the conditions of the exchange offers are not satisfied or waived or in order to comply, in whole or in part, with applicable law. Tenneco may do this in its sole discretion. Tenneco will pay for original securities accepted for exchange only after the exchange agent receives, at its address on the back cover page of this document: (1) certificates for all physically delivered original securities in proper form for transfer or confirmation of a book-entry transfer of original securities into the exchange agent's account at The Depository Trust Company according to the procedures described in this document; (2) a properly completed and duly executed letter of consent/transmittal or properly transmitted "agent's message," as described below; and (3) any other documents required by the accompanying letter of consent/transmittal, in each case together with any applicable signature guarantees. IN NO EVENT WILL INTEREST ON ANY PAYMENTS BE MADE IF THERE IS ANY DELAY IN MAKING THOSE PAYMENTS.

If Tenneco does not accept any of your tendered original securities for exchange, or if you submit to the exchange agent original securities in a principal amount greater than the principal amount indicated as being tendered, Tenneco will issue to you an original security for the principal amount not accepted for

exchange or tendered. Tenneco will issue the original security in the same form as it was originally tendered. Tenneco will do this without expense to you as promptly as practicable following the expiration or termination of the exchange offers.

Tenneco may transfer or assign, in whole at any time or in part from time to time, to one or more of its affiliates, the right to acquire original securities tendered in any exchange offer. No transfer or assignment will relieve Tenneco of its obligations under that exchange offer or prejudice your rights to receive new securities and any applicable accrued interest and early exchange premium in exchange for original securities validly tendered and accepted for exchange in that exchange offer.

PROCEDURES FOR TENDERING ORIGINAL SECURITIES AND GIVING CONSENTS

If you hold original securities and wish to receive the early exchange premium, you must tender your original securities using the procedures described in this document and in the accompanying letter of consent/transmittal before the early exchange time. Your proper tender of original securities will constitute your automatic consent to the proposed amendments. If you hold original securities and do not wish to receive the early exchange premium but still wish to participate in the exchange offers, you must tender your original securities using the procedures described in this document and in the accompanying letter of consent/transmittal before the applicable expiration time.

Only registered holders are authorized to tender their original securities and consent to the proposed amendments. The procedures by which original securities may be tendered and consents given by beneficial owners that are not registered holders will depend upon the manner in which the original securities are held, as described below.

TENDER OF ORIGINAL SECURITIES HELD THROUGH A NOMINEE. If you are a beneficial owner of original securities that are held of record by a custodian bank, depository, broker, trust company or other nominee and you wish to tender original securities, you should contact the record holder promptly and instruct the record holder to tender the original securities and deliver a consent on your behalf using one of the procedures described in this document. A letter of instructions is contained in the solicitation materials provided with this document which you may use to instruct the record holder to tender original securities and deliver consent.

TENDER OF ORIGINAL SECURITIES HELD WITH DTC. Pursuant to authority granted by DTC, if you are a DTC participant that has original securities credited to your DTC account and thereby held of record by DTC's nominee, you may directly tender those original securities and deliver consents as if you were the record holder. Because of this, references in this document to registered or record holders include DTC participants with original securities credited to their accounts. Within two business days after the date of this document, the exchange agent will establish accounts with respect to the original securities at DTC for purposes of the exchange offers. Any participant in DTC may tender original securities and deliver consents by:

- effecting a book-entry transfer of all original securities to be tendered in the exchange offers into the account of The Chase Manhattan Bank, as exchange agent, at DTC, using DTC's procedures for transfer; and
- either (1) effecting an agent's message, as described below, or (2) completing and signing the accompanying letter of consent/transmittal according to the instructions and delivering it, together with any signature guarantees and other required documents, to the exchange agent at its address on the back cover page of this document.

Timely book-entry delivery requires receipt by the exchange agent of a book-entry confirmation confirming the book-entry transfer of original securities into the exchange agent's account at DTC. The book-entry confirmation must be received by the exchange agent before (1) the early exchange time to receive the applicable new securities and early exchange premium, or (2) the applicable expiration time to receive the applicable new securities, but not the early exchange premium. Even if delivery of original securities is effected through book-entry transfer into the exchange agent's account at DTC, an agent's

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message or a completed letter of consent/transmittal or a facsimile thereof, together with any required signature guarantees and other required documents, must be delivered or transmitted to and received by the exchange agent at its address on the back cover page of this document before (1) the early exchange time to receive the applicable new securities and early exchange premium, or (2) the applicable expiration time to receive the applicable new securities, but not the early exchange premium. A tender of original securities for exchange will not be considered valid until these items are received by the exchange agent. Delivery of a letter of consent/transmittal or other documents to DTC will not be considered a valid delivery to the exchange agent.

The exchange agent and DTC have confirmed that the exchange offers are eligible for DTC's Automated Tender Offer Program. Accordingly, DTC participants may electronically transmit their acceptance of any exchange offer and thereby provide consent to the proposed amendments with respect to the original securities tendered, by causing DTC to transfer original securities to the exchange agent using DTC's Automated Tender Offer Program procedures for transfer. DTC will then send an agent's message to the exchange agent. This electronic acceptance will be in lieu of completing, signing and delivering the letter of consent/transmittal.

An "agent's message" is a message which states that DTC has received an express acknowledgment from a DTC participant tendering original securities that the participant has received and agrees to be bound by the terms of the letter of consent/transmittal and that Tenneco may enforce the agreement against the participant. The agent's message is transmitted by DTC to, and received by, the exchange agent and forms a part of the book-entry confirmation.

All of the original securities held through DTC have been issued in the form of global notes registered in the name of Cede & Co., DTC's nominee. Upon consummation of the exchange offers, the aggregate principal amounts of these global notes will be reduced to represent the aggregate principal amount of original securities not tendered and accepted.

TENDER OF ORIGINAL SECURITIES HELD IN PHYSICAL FORM. If you hold original securities in physical form, you must comply with the following instructions to tender original securities in the exchange offers:

- complete and sign the accompanying letter of consent/transmittal according to its instructions; and

- deliver the following to the exchange agent at the address on the back cover page of this document before the early exchange time or expiration time, as applicable -- (1) a properly completed and duly executed letter of consent/transmittal or a facsimile thereof, with any required signature guarantees, (2) any other documents required by the letter of consent/transmittal, and (3) the original securities in physical form suitable for transfer.

To validly tender original securities that are not registered in your name, you must follow special instructions described below under "-- Proper Execution and Delivery of Letters of Consent/Transmittal."

LETTERS OF CONSENT/TRANSMITTAL AND PHYSICAL SECURITIES MUST BE SENT ONLY TO THE EXCHANGE AGENT. DO NOT SEND LETTERS OF CONSENT/TRANSMITTAL OR PHYSICAL SECURITIES TO TENNECO, PACKAGING, THE INFORMATION AGENT, DTC OR THE DEALER MANAGERS.

THE EXCHANGE OFFERS AND CONSENT SOLICITATION DO NOT PROVIDE FOR THE TENDERING OF ORIGINAL SECURITIES OR THE DELIVERY OF CONSENTS BY USE OF A NOTICE OF GUARANTEED DELIVERY.

PROPER EXECUTION AND DELIVERY OF LETTERS OF CONSENT/TRANSMITTAL. If you wish to participate in the exchange offers or consent solicitation, delivery of

your original securities, signature guarantees and the other required documents are your responsibility. Delivery is not complete until the required items are actually received by the exchange agent. If you mail these items, Tenneco recommends that you (1) use registered mail with return receipt requested, properly insured, and (2) mail the required items sufficiently in advance of the early exchange time or expiration time, as desired, to allow enough time to ensure timely delivery.

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Except as otherwise provided below, all signatures on a letter of consent/transmittal or a notice of withdrawal must be guaranteed by a recognized participant in the Securities Transfer Agents Medallion Program, the NYSE Medallion Signature Program or the Stock Exchange Medallion Program. Signatures on a letter of consent/transmittal need not be guaranteed if:

- the letter of consent/transmittal is signed by the registered physical holder(s) of the original securities or by a participant in DTC whose name appears on a security position listing as the owner of the original securities and the holder(s) have not completed the portion entitled "Special Issuance Instructions" or "Special Delivery Instructions" on the letter of consent/transmittal; or
- the original securities are tendered for the account of an "eligible institution." See Instruction 2 in the letter of consent/transmittal.

An "eligible institution" is one of the following firms or other entities identified in Rule 17Ad-15 under the Exchange Act, as the terms are defined in the Rule: (a) a bank; (b) a broker, dealer, municipal securities dealer, municipal securities broker, government securities dealer or government securities broker; (c) a credit union; (d) a national securities exchange, registered securities association or clearing agency; or (e) a savings institution.

If the letter of consent/transmittal is signed by the registered holder(s) of original securities tendered, the signature(s) must correspond with the name(s) as written on the face of the original securities without alteration, enlargement or any change whatsoever. If any of the original securities tendered are held by two or more registered holders, all of the registered holders must sign the letter of consent/transmittal. If any of the original securities are registered in different names on different original securities, the holders must complete, sign and submit as many separate letters of consent/transmittal as there are different registrations of certificates.

In the following cases, the certificates for original securities that are tendered must be endorsed or accompanied by an appropriate instrument of transfer, signed exactly as the name of the registered owner appears on the certificates, with the signatures on the certificates or instruments of transfer guaranteed:

- if new securities issued in the exchange offers are to be registered in the name of, or payments are to be made to, a person other than the person whose signature is on the letter of consent/ transmittal;
- if original securities that are not exchanged are to be returned to a person other than the registered owner; or
- if a letter of consent/transmittal is signed by a person other than the registered holder(s) of the original securities tendered.

In addition, a tender of original securities before the early exchange time by someone other than the registered holder must be accompanied by either a valid proxy of, or a consent signed by, the registered holder(s). This is because original securities may not be tendered before the early exchange time without also delivering a consent with respect to those original securities, and only registered holders are entitled to deliver consents. The signature on the proxy or consent must be guaranteed.

Tenneco will not accept any alternative, conditional, irregular or contingent tenders. By executing the letter of consent/transmittal or facsimile thereof or transmitting an agent's message, you waive any right to receive any notice of the acceptance of your original securities for exchange.

You should indicate in the applicable box in the letter of consent/transmittal the name and address to which payments, certificates

evidencing original securities for amounts not exchanged or not tendered are to be issued or sent, if different from yours. To issue securities in a different name, the exchange agent must receive the employer identification or social security number of the new person named and a Substitute Form W-9 for this new person must be completed. If you do not give these instructions, payments and original securities not exchanged will be delivered to the registered holder of original securities tendered at the address listed in the register maintained by the trustee for those original

securities. In the case of original securities tendered by book-entry transfer into the exchange agent's account at DTC, the original securities will be credited to the account maintained at DTC from which the original securities were delivered.

DETERMINATION OF VALIDITY. Tenneco will determine, in its sole discretion, all questions as to the validity, form, eligibility, time of receipt, acceptance and withdrawal of tendered original securities using the procedures described above. Tenneco's determination will be final and binding. Tenneco reserves the absolute right to reject any or all tenders of original securities determined by it not to be in proper form or the acceptance of which may be unlawful in the opinion of counsel for Tenneco. Tenneco also reserves the absolute right, in its sole discretion, subject to applicable law, to waive any defects or irregularities of any tender of original securities, whether or not similar defects or irregularities are waived in the case of other tendered securities. Tenneco's interpretation of the terms and conditions of the exchange offers, including the instructions in the letter of consent/transmittal, will be final and binding.

Tenneco, the exchange agent, the information agent, DTC and the dealer managers are not under any duty to notify you of defects in your tender and will not be liable if they fail to so notify you. Unless waived, you must cure any irregularities in your tender within the time Tenneco determines. Your tender of original securities will not be considered valid until those irregularities have been cured or waived. The exchange agent will return any original securities that are not properly tendered if the irregularities have not been cured or waived. The original securities will be returned to you, unless otherwise provided in the letter of consent/transmittal, as soon as practicable following the applicable expiration time.

TRANSFER TAXES. Tenneco will pay all transfer taxes, if any, applicable to the transfer and sale of original securities to Tenneco in the exchange offers. If transfer taxes are imposed for any other reason, the amount of those transfer taxes, whether imposed on the registered holder or any other persons, will be payable by the tendering holder. Other reasons transfer taxes could be imposed include: (a) if substitute original securities for original securities not exchanged are to be delivered to, or new securities or substitute original securities are to be registered or issued in the name of, any person other than the registered holder of the original securities tendered, or (b) if tendered original securities are registered in the name of any person other than the person signing the letter of consent/transmittal. If satisfactory evidence of payment of or exemption from those transfer taxes is not submitted with the letter of consent/transmittal, the amount of those transfer taxes will be billed directly to the tendering holder.

BACKUP U.S. FEDERAL INCOME TAX WITHHOLDING. U.S. federal income tax law requires that a holder of original securities that are accepted for exchange provide the exchange agent, as payer, with the holder's correct taxpayer identification number or otherwise establish a basis for an exemption from backup U.S. federal income tax withholding. In the case of a holder who is an individual (other than a resident alien), this identification number is his or her social security number. For holders other than individuals, the identification number is an employer identification number. Exempt holders, including, among others, all corporations and certain foreign individuals, are not subject to these backup withholding and reporting requirements. If you do not provide the exchange agent with your correct taxpayer identification number or an adequate basis for an exemption, you may be subject to backup withholding on payments made in exchange for any original securities and a penalty imposed by the IRS. Backup withholding is not an additional federal income tax. Rather, the amount of tax withheld will be credited against the federal income tax liability of the holder subject to backup withholding. If withholding results in an overpayment of taxes, you may obtain a refund from the IRS. You should consult with a tax advisor regarding qualifications for exemption from backup withholding and the procedure for obtaining the exemption.

To prevent backup withholding, you must provide your correct taxpayer identification number by completing the IRS Substitute Form W-9 provided in the letter of consent/transmittal and provide either (a) your correct taxpayer identification number and other information under penalties of perjury, or (b) an adequate basis for an exemption. For a discussion of other federal income tax consequences of the exchange offers, see "U.S. Federal Income Tax Consequences."

CONDITIONS TO THE EXCHANGE OFFERS AND CONSENT SOLICITATION

Notwithstanding any other provision, extension or amendment of the exchange offers or consent solicitation, and in addition to, and not in limitation of, Tenneco's rights to extend or amend any exchange offer or the consent solicitation at any time in its sole discretion, Tenneco will not be required to accept, exchange or make any payment for any original securities tendered for exchange and may terminate any exchange offer and the consent solicitation if, at or before the applicable expiration time:

- Tenneco does not receive the required consents or Tenneco and the trustee under the original indenture have not executed and delivered the supplemental indenture providing for the proposed amendments in the manner described in this document;
- all conditions to Tenneco's concurrent cash tender offers have not been satisfied;
- any condition to the spin-off of Packaging remains unsatisfied (see "The Spin-off -- Conditions to the Spin-off");
- any action has been taken or threatened, or any statute, rule, regulation, judgment, order, stay, decree or injunction has been promulgated, enacted, entered, enforced or deemed applicable to the spin-off or any transaction undertaken in connection with the spin-off, including the debt realignment, exchange offers and cash tender offers, collectively, the "transactions," by or before any court or governmental, regulatory or administrative agency or authority or tribunal, domestic or foreign, which either:
 - challenges the making of any of these transactions or might directly or indirectly prohibit, prevent, restrict or delay consummation of any of these transactions or otherwise adversely affects in any material manner any component of these transactions; or
 - in the sole judgment of Tenneco, could materially adversely affect the business, financial condition, income, operations, properties, assets, liabilities or prospects of Tenneco and its subsidiaries, taken as a whole, or Packaging and its subsidiaries, taken as a whole, in each case before and after giving effect to these transactions, or Automotive and its subsidiaries, taken as a whole, or materially impair the contemplated benefits of any of these transactions to Tenneco and/or Packaging;
- any event affecting the business or financial affairs of Tenneco or any of its subsidiaries has occurred or is likely to occur that, in the sole judgment of Tenneco, would or might prohibit, prevent, restrict or delay consummation of any of the transactions described in the preceding paragraph, or that will, or is reasonably likely to, materially impair the contemplated benefits of any of these transactions to Tenneco or Packaging, or might be material to holders of original securities in determining whether to accept the exchange offers or consent solicitation;
- there has occurred:
 - any general suspension of or limitation on trading in securities on the NYSE or in the over-the-counter market, whether or not mandatory;
 - a material impairment in the trading market for debt securities;
 - a declaration of a banking moratorium or any suspension of payments

in respect of banks by federal or state authorities in the United States, whether or not mandatory;

- a commencement or escalation of a war, armed hostilities or other national or international crisis directly or indirectly relating to the United States;
- any limitation, whether or not mandatory, by any governmental authority on, or other event having a reasonable likelihood of affecting, the extension of credit by banks or other lending institutions in the United States; or

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- any significant adverse change in United States securities or financial markets generally or the material acceleration or worsening of an adverse change in the United States securities or financial markets which existed at the time of the exchange offers; or
- the trustee under the original indenture has either:
 - objected to or taken any action that could, in the sole judgment of Tenneco, adversely affect the consummation of, the spin-off or any other transaction undertaken in connection with the spin-off or Tenneco's ability to effect the proposed amendments;
 - taken any action that challenges the validity or effectiveness of the procedures used by Tenneco in soliciting the consents to the proposed amendments, including the form thereof; or
 - taken any action that challenges the validity or effectiveness of the procedures used by Tenneco in making or completing the exchange offers or concurrent cash tender offers.

Tenneco's concurrent cash tender offers are subject to substantially the same conditions as the exchange offers.

The foregoing conditions are for the sole benefit of Tenneco and may be waived by Tenneco, in whole or in part, in its sole discretion. Any determination made by Tenneco concerning an event, development or circumstance described or referred to above will be final and binding on all parties.

WITHDRAWAL RIGHTS

Subject to applicable law, you may withdraw tenders of original securities and revoke the related consents at any time before the withdrawal time, but not after, except as otherwise described below. A valid withdrawal of tendered original securities made before the withdrawal time is an automatic revocation of the related consent. If, after the withdrawal time, Tenneco reduces the principal amount of original securities subject to any exchange offer or reduces the consideration offered in any exchange offer, then original securities previously tendered in that exchange offer may be validly withdrawn for ten business days after the date that Tenneco first publishes or sends notice to holders of the reduction. In addition, you may validly withdraw tenders of original securities if the related exchange offer is terminated without any original securities being accepted for exchange.

For a withdrawal to be effective, (a) the exchange agent must receive a written notice of withdrawal at its address on the back cover of this document, or (b) the appropriate procedures of DTC's Automated Tender Offer Program must be complied with. Any notice of withdrawal must:

- specify the name of the person who deposited the original securities to be withdrawn;
- identify the original securities to be withdrawn, including the certificate number or numbers and principal amount of those original securities;
- be signed by the holder in the same manner as the signature on the letter of consent/transmittal by which those original securities were tendered,

including any required signature guarantees, or be accompanied by a bond power in the name of the person withdrawing the tender, in satisfactory form as determined by Tenneco in its sole discretion, duly executed by the registered holder, with the signature guaranteed;

- specify the name in which those original securities are to be registered, if different from the person who tendered those original securities using the instruments of transfer; and
- if original securities have been tendered using the procedures for book-entry transfer described above, specify the name and number of the account at DTC to be credited with the withdrawn original securities and otherwise comply with the DTC procedures.

A purported notice of withdrawal which lacks any of the required information will not be an effective withdrawal of a previous tender.

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Any permitted withdrawals may not be rescinded, and any original securities withdrawn will not be considered validly tendered for purposes of the exchange offer. However, withdrawn securities may again be tendered by completing the procedures for tendering before the early exchange time or expiration time, as applicable.

Any tendered original securities that are withdrawn will be returned to you free of charge as soon as practicable after withdrawal. If your original securities were tendered by book-entry transfer into the exchange agent's account at DTC, the original securities will be credited to an account maintained with DTC for the original securities as soon as practicable after withdrawal.

TENNECO WILL DETERMINE, IN ITS SOLE DISCRETION, ALL QUESTIONS AS TO THE VALIDITY OF NOTICES OF WITHDRAWAL, INCLUDING TIME OF RECEIPT. TENNECO'S DETERMINATION WILL BE FINAL AND BINDING. NONE OF TENNECO, PACKAGING, THE EXCHANGE AGENT, DTC, THE DEALER MANAGERS AND ANY OTHER PERSON ARE UNDER ANY DUTY TO NOTIFY YOU OF ANY DEFECTS OR IRREGULARITIES IN ANY NOTICE OF WITHDRAWAL. NONE OF THEM WILL BE LIABLE TO YOU IF THEY FAIL TO NOTIFY YOU OF ANY DEFECTS OR IRREGULARITIES IN A NOTICE OF WITHDRAWAL.

DEALER MANAGERS

Tenneco and Packaging have engaged Morgan Stanley Dean Witter and Credit Suisse First Boston to act as dealer managers in connection with the exchange offers and to provide financial advisory services to Tenneco and Packaging in connection with the exchange offers. If you have questions concerning the terms of the exchange offers or consent solicitation, you may contact the dealer managers at the addresses and telephone numbers on the back cover page of this document.

Tenneco and Packaging have agreed to pay the dealer managers predetermined compensation for the dealer managers' financial advisory services and to reimburse the dealer managers for their reasonable out-of-pocket expenses, including reasonable fees and expenses of legal counsel. Tenneco and Packaging have agreed to indemnify the dealer managers against specified liabilities, including specified liabilities under the federal securities laws. The dealer managers have provided in the past, and currently are providing, other investment banking and financial advisory services to Tenneco and its affiliates.

Morgan Stanley Dean Witter and Credit Suisse First Boston are also acting as dealer managers in connection with Tenneco's cash tender offers.

EXCHANGE AGENT

The Chase Manhattan Bank has been appointed as exchange agent for the exchange offers. You and your broker, dealer, commercial bank, trust company or other nominee should send letters of consent/ transmittal and all correspondence in connection with the exchange offers to the exchange agent at the address and telephone numbers on the back cover page of this document.

If you have questions concerning tender procedures, you should contact the exchange agent at the address and telephone number on the back cover page of this document for instructions.

INFORMATION AGENT

Georgeson & Company Inc. has been appointed as information agent for the exchange offers. You may direct requests for assistance or additional copies of this document or the letter of consent/transmittal to the information agent at the address and telephone number on the back cover page of this document. You may also contact your broker, dealer, commercial bank or trust company for assistance concerning the exchange offers.

TRUSTEE

The Chase Manhattan Bank is serving as the trustee under the original indenture and will also serve as the trustee for the new securities. All deliveries, correspondence and questions sent or presented to the trustee relating to the exchange offers should be directed to the trustee at 55 Water Street, Room 234, North Building, New York, New York 10041.

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Tenneco and Packaging maintain, or may, in the future, maintain, normal banking relationships with The Chase Manhattan Bank in the ordinary course of business.

FEES AND EXPENSES

Tenneco will pay the exchange agent, the information agent and the trustee under the original indenture reasonable and customary fees for their services and will reimburse them for their reasonable out-of-pocket expenses in connection with their services. Tenneco will also pay brokerage houses and other custodians, nominees and fiduciaries the reasonable out-of-pocket expenses incurred by them in forwarding copies of this document and related materials to the beneficial owners of original securities, and in handling or forwarding tenders for their customers. All these fees and expenses will be paid by Tenneco, subject to the allocation of consolidated Tenneco debt contemplated by the debt realignment. See "The Spin-off--Debt Realignment."

MARKET AND TRADING INFORMATION

The [to be provided by amendment] are listed and traded on the NYSE. The following table sets forth, for the calendar periods indicated, the high and low closing sales prices for these listed securities, as reported by IDD Information Services:

[To be provided by amendment]

*There were no reported sales of this series of original securities during the indicated period.

Tenneco and Packaging cannot assure you that the listed securities will be traded following the exchange offers or at what prices they would trade. After the exchange offers are completed, Tenneco intends to seek delisting of the listed securities on the NYSE. See "Risk Factors -- Risk Factors if You Do Not Exchange." IF YOU HOLD LISTED ORIGINAL SECURITIES, YOU ARE URGED TO OBTAIN CURRENT INFORMATION REGARDING THE MARKET PRICES OF THE LISTED SECURITIES.

The [to be provided by amendment] are traded in the over-the-counter market, to the extent trading occurs. These unlisted securities are not actively traded and, in general, trading of these securities has been limited and sporadic and information concerning trading prices and volumes may be difficult to obtain. Tenneco and Packaging cannot assure you that the unlisted securities will be traded following the exchange offers or at what prices they would trade. See "Risk Factors -- Risk Factors if You Do Not Exchange." IF YOU HOLD UNLISTED ORIGINAL SECURITIES, YOU ARE URGED TO OBTAIN THE BEST AVAILABLE INFORMATION REGARDING THE MARKET PRICES OF THE UNLISTED SECURITIES FROM YOUR BROKER, DEALER, COMMERCIAL BANK OR TRUST COMPANY.

ACCOUNTING TREATMENT OF THE EXCHANGE OFFERS

The new securities will be recorded by Packaging based on either the fair value of the new securities or the net carrying amount of Tenneco's original securities, depending on whether Packaging's new securities are determined to be "substantially different" than Tenneco's original securities. If the new securities are "substantially different," the new securities will be recorded at their fair value and the difference between the fair value of the new securities and the net carrying amount of the original securities will be recognized as an extraordinary charge by Tenneco. If the new securities are not "substantially different," the new securities will be recorded at the net carrying amount of Tenneco's original securities and no accounting gain or loss will be recognized by Packaging on the exchange, except for transaction costs. The new securities will be considered "substantially different" if the present values of the cash flows, including principal and interest, under the terms of the new securities,

plus any amounts paid by Tenneco as early exchange premium, are at least 10% different from the present value of the remaining cash flows under the original securities. For accounting purposes, Packaging will consider the and series of new securities to be "substantially different" and the and series of new securities as not "substantially different."

THE PROPOSED AMENDMENTS

To tender original securities for exchange in the exchange offers, you must consent to the proposed amendments to the original indenture. The proposed amendments constitute a single proposal and a tendering holder must consent to the proposed amendments as an entirety, and may not consent selectively with respect to some of the proposed amendments.

The proposed amendments will be included in a supplement to the original indenture that will be signed by Tenneco and the trustee on or promptly following Tenneco's receipt of the required consents and the withdrawal time. Accordingly, Tenneco expects to sign the supplemental indenture before the exchange offers expire. The proposed amendments will not take effect, however, until Tenneco accepts for exchange or purchase debt securities issued under the original indenture that represent at least the required consents, whether tendered in the exchange offers or Tenneco's cash tender offers. See "The Exchange Offers and Consent Solicitation -- The Consent Solicitation."

As described below, a limited waiver of some provisions of the original indenture will apply between the time Tenneco executes the supplemental indenture and the time it closes on the exchange and cash tender offers. This waiver will terminate if the proposed amendments do not take effect.

ELIMINATION OF OPERATING COVENANTS

The following is a brief description of the proposed amendments to the original indenture. The summaries are qualified in their entireties by reference to the full and complete terms of the original indenture, as well as the proposed supplemental indenture, copies of which can be obtained without charge from the information agent. A copy of the original indenture and proposed supplemental indenture is also exhibit and , respectively, to the registration statement of which this document is a part. These proposed amendments may have adverse consequences for you if you do not participate in the exchange offers. See "Risk Factors -- Risk Factors if You Do Not Exchange."

The proposed amendments would eliminate the following restrictive operating covenants contained in the original indenture.

<TABLE>
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SECTION OF
ORIGINAL INDENTURE

TITLE AND DESCRIPTION OF SECTION

<S>	<C>
Section 3.6	Negative Pledge; Limitation on Sale and Leaseback Transactions. Provides that the issuer (Tenneco Inc.) will not issue, assume, incur or guarantee, and will not permit any restricted subsidiary (generally any subsidiary that operates a principal manufacturing property) to issue, assume, incur or guarantee, any debt upon any principal manufacturing property (generally any U.S. manufacturing plant or research and development facility, unless the issuer's Board of Directors determines that plant or facility is not of material importance). Also provides that the issuer will not, and will not permit any restricted subsidiary to, enter into any arrangement with any person or entity providing for the leasing of any principal manufacturing property, where the property has been or is to be sold or transferred by the issuer or the restricted subsidiary with the intention of taking back a lease on the property.

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SECTION OF
ORIGINAL INDENTURE

TITLE AND DESCRIPTION OF SECTION

<S> Section 9.1	<C> Covenant Not to Merge, Consolidate, Sell or Convey Property Except Under Certain Conditions. Provides that the issuer will not merge or consolidate with any other person or entity or sell, lease or convey all or substantially all of its assets unless (a) the issuer is the continuing corporation, or the successor or transferee corporation is organized under United States law and expressly assumes the payment of principal and interest on all securities and coupons outstanding under the original indenture and the performance and observance of all covenants and conditions of the original indenture, by supplemental indenture, and (b) the issuer or the successor or transferee is not, immediately after giving effect to the transaction, in default in the performance of any of those covenants or conditions.
Section 9.2	Successor Corporation Substituted. Describes the substitution of the successor or transferee corporation for the issuer under the original indenture in the event of any consolidation, merger, sale, lease or conveyance described in Section 9.2 of the original indenture.
Section 9.3	Opinion of Counsel Delivered to Trustee. Provides that the trustee may receive an opinion of counsel as conclusive evidence that any consolidation, merger, sale, lease or conveyance described in Section 9.1 of the original indenture, and any substitution of the successor or transferee corporation for the issuer under Section 9.2 of the original indenture, complies with the applicable provisions.

</TABLE>

The proposed amendments would also eliminate any references in the original indenture and the original securities to the sections specified above, including any sentences or provisions that refer or give effect exclusively to the sections specified above. The proposed amendments would also eliminate any defined terms in the original indenture that are used solely in those deleted sentences, provisions, sections or subsections. The text of the proposed amendments is set forth in Annex A.

WAIVER

To avoid the possibility of a default under the original indenture in connection with the spin-off and the transactions that will be undertaken to complete the spin-off, a waiver of the covenants to be eliminated by the proposed amendments will take effect immediately upon the execution of the supplemental indenture as described above. If, however, securities representing at least the required consents are not accepted for exchange or purchase, as the case may be, because the related exchange offers, cash tender offers or consent solicitation are terminated or withdrawn, the proposed amendments will not become operative. In this event, the waiver will also cease to be operative as to any transactions that occurred during the period the waiver was in effect. The text of the waiver is set forth in Annex A.

DESCRIPTION OF THE NEW SECURITIES

The new securities will be issued under an indenture between Packaging and The Chase Manhattan Bank, as trustee (the "new trustee"), as supplemented by supplemental indentures providing for the terms of the new securities. This indenture, as it may be further amended or supplemented from time to time, is referred to in this document as the "new indenture." The terms of the new securities will include those stated in the new indenture and those made a part of the new securities by reference to the Trust Indenture Act of 1939.

A copy of the new indenture, including the forms of supplemental indentures providing for the new securities, are filed as exhibits through to the registration statement in which this document is included. The following summaries of provisions of the new indenture do not include all of the information included in the new indenture and may not cover information that you may find important. Accordingly, these summaries are subject to, and qualified in their entirety by reference to, the detailed provisions of the new indenture.

You should read the new indenture carefully and in its entirety because the new indenture, and not this description, will define your rights as a holder of new securities. You may obtain a copy of the new indenture by request directed to Tenneco's address included on page 2 of this document. As used under this caption, the term "debt securities" means all evidences of indebtedness for

money borrowed which may be issued under the new indenture and the term "Packaging" refers only to Tenneco Packaging Inc., and not any of its subsidiaries.

GENERAL

The new indenture will not limit the amount of debt securities that may be issued and will provide that debt securities may be issued under the new indenture from time to time in one or more series. The debt securities will be unsubordinated and unsecured obligations of Packaging and will rank equally with all other unsubordinated and unsecured obligations of Packaging. This would include, for example, accounts payable to suppliers and other general creditors of Packaging. In addition, the new indenture will generally not limit the amount of other indebtedness or securities that Packaging or its subsidiaries may issue. However, the issuance, assumption or guarantee of specified secured debt will be subject to the restrictions described under "-- Some Important Covenants of Packaging." There are no provisions of the new indenture that will afford holders of new securities protection in the event of a highly leveraged transaction involving Packaging.

NEW SECURITIES

[To be provided by amendment]

SOME IMPORTANT COVENANTS OF PACKAGING

Negative Pledge. The new indenture will provide that Packaging will not, and will not permit any restricted subsidiary to, issue, assume, incur or guarantee specified types of secured debt without providing that the outstanding debt securities be secured equally and ratably with that secured debt. A restricted subsidiary is generally defined as a subsidiary that operates a principal manufacturing property, as described below. The restriction applies to any debt secured by a mortgage, pledge, lien or other encumbrance on any principal manufacturing property of Packaging or any restricted subsidiary or on any shares of capital stock or debt of any restricted subsidiary. A principal manufacturing property is generally defined as any U.S. manufacturing plant or testing or research and development facility, unless Packaging's Board of Directors determines it is not of material importance. This restriction will not apply if, after giving effect to the contemplated transaction, the aggregate amount of all such secured debt incurred after the initial date of the new indenture, together with all Attributable Debt, as defined below, of Packaging and its subsidiaries in respect of specified sale and leaseback transactions involving principal manufacturing

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properties, would not exceed 15% of the Consolidated Net Tangible Assets, as defined below, of Packaging and its consolidated subsidiaries. This restriction will also not apply in the case of:

(a) the creation of encumbrances on any principal manufacturing property acquired after the initial date of the new indenture to secure payment of all or any part of the purchase price of that property or construction of fixed improvements on that property before, at the time of or within 180 days after the latest of the acquisition, completion of construction or commencement of commercial operation of that property, or existing encumbrances on any principal manufacturing property acquired by Packaging or a restricted subsidiary, so long as the encumbrance does not apply to any improved property previously owned by Packaging or a restricted subsidiary and so long as the amount of debt secured by the encumbrance does not exceed 100% of the lesser of the cost or fair value of the property,

(b) encumbrances on any principal manufacturing property of a corporation that is merged into or consolidated with Packaging or a restricted subsidiary or substantially all of the assets of which are acquired by Packaging or a restricted subsidiary;

(c) encumbrances on any principal manufacturing property in favor of governmental bodies to secure partial, progress, advance or other payments under any contract or statute, or to secure any debt incurred or guaranteed for the purpose of financing all or any part of the cost of acquiring,

constructing or improving the property subject to those encumbrances;

(d) encumbrances on particular property to secure or provide funds for all or any part of the cost of exploration, drilling, mining, development, maintenance or operation of that property intended to obtain or increase the production of specified natural resources from that property;

(e) encumbrances securing debt owed by a restricted subsidiary to Packaging or another restricted subsidiary;

(f) encumbrances on any principal manufacturing property of Packaging or a restricted subsidiary that were in existence on the initial date of the new indenture;

(g) specified extensions, renewals or replacements of encumbrances described above; and

(h) Permitted Mortgages, as defined below.

(Section 3.6(a) of the new indenture.) The new indenture will not restrict the incurrence of unsecured debt by Packaging or any of its subsidiaries.

Restrictions on Sale and Leaseback Transactions. The new indenture will prohibit Packaging and any restricted subsidiary from entering into any sale and leaseback transaction involving any principal manufacturing property that has been or is to be sold or transferred by Packaging or any restricted subsidiary, unless:

(a) Packaging or the restricted subsidiary would be entitled to create secured debt on that property, as described in clauses (a)-(h) under "-- Negative Pledge," in an amount equal to the Attributable Debt with respect to the sale and leaseback transaction, without equally and ratably securing all outstanding debt securities under the new indenture;

(b) since the date of the new indenture and during the period 12 months before and ending 12 months after a sale and leaseback transaction, Packaging or the restricted subsidiary makes expenditures for principal manufacturing properties in an amount equal to the net proceeds of the sale and leaseback transaction and elects to designate that amount as a credit against the sale and leaseback transaction; or

(c) to the extent not credited as described above, Packaging applies an amount equal to the Attributable Debt with respect to the sale and leaseback transaction to the retirement of long-term consolidated debt.

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(Section 3.6(c) of the new indenture.) This restriction will not apply to any sale and leaseback transaction (a) between Packaging and a restricted subsidiary or between restricted subsidiaries, (b) involving the taking back of a lease for a period of three years or less, or (c) if, after giving effect to a sale and leaseback transaction, permitted secured debt, plus Attributable Debt of Packaging and its subsidiaries in respect of sale and leaseback transactions involving principal manufacturing properties, would not exceed 15% of the Consolidated Net Tangible Assets of Packaging and its consolidated subsidiaries.

There will be no covenants or other provisions in the new indenture providing for a put or increased interest or that would otherwise provide holders of new securities with additional protection in the event of a recapitalization transaction, a change of control of Packaging or a highly leveraged transaction.

The following terms which are used in the new indenture have the meanings described below:

"Attributable Debt" means the total net amount of the rent required to be paid during the remaining term of any lease, discounted at the weighted average rate per year then borne by the outstanding debt securities. (Section 1.1 of the new indenture.)

"Consolidated Net Tangible Assets" means the total assets shown on the consolidated balance sheet of Packaging and its consolidated subsidiaries for the most recent fiscal quarter, after deducting the amount of all current liabilities and intangible assets. (Section 1.1 of the new indenture.)

"Permitted Mortgage" means:

(a) any governmental, mechanics', materialmen's, carriers' or

similar lien created in the ordinary course of business which is not yet due or which is being contested in good faith by appropriate proceedings and any undetermined lien which is incidental to construction;

(b) any right reserved to, or vested in, any municipality or public authority by the terms of any right, power, franchise, grant, license, permit or by any provision of law, to purchase or recapture or to designate a purchaser of, any property;

(c) any lien of taxes and assessments which is (1) for the current year, or (2) not at the time delinquent or (3) delinquent but the validity of which is being contested at the time by Packaging or any Subsidiary in good faith;

(d) any lien arising from or in connection with a conveyance by Packaging or any subsidiary of any production payment with respect to oil, gas, natural gas, carbon dioxide, sulphur, helium, coal, metals, minerals, steam, timber or other natural resources;

(e) any lien to secure obligations imposed by statute or governmental regulations; or

(f) any lien of, or to secure performance of, leases, other than leases relating to a sale and leaseback transaction. (Section 1.1 of the new indenture.)

CONSOLIDATION, MERGER AND SALE OF ASSETS

The new indenture will provide that Packaging may not merge or consolidate with any other person or entity, or sell, lease or convey all or substantially all of its assets to any person or entity, unless (a) either Packaging is the continuing entity or the successor, transferee or lessee is a corporation organized under the laws of the United States, any State or the District of Columbia and expressly assumes Packaging's obligations under the debt securities and new indenture, and (b) immediately after giving effect to the transaction, Packaging or the successor, transferee or lessee is not in default of any of those obligations. (Section 9.1 of the new indenture.) The new indenture will also provide that any successor, transferee or lessee corporation in one of those transactions be substituted for Packaging under the new indenture and the debt securities. (Section 9.2 of the new indenture.)

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EVENTS OF DEFAULT

Any one of the following will constitute an "event of default" under the new indenture with respect to debt securities of any series:

(a) Packaging's failure to pay any interest on that series when due and continuance of that default for 30 days;

(b) Packaging's failure to pay principal of that series when due;

(c) in general, Packaging's failure to observe or perform any of its other covenants in the new indenture for 60 days after written notice as provided in the new indenture, unless the default is expressly covered by another provision of the new indenture;

(d) events of bankruptcy, insolvency or reorganization of Packaging;
or

(e) any other event of default provided in the supplemental indenture with respect to debt securities of that series. (Section 5.1 of the new indenture.)

If any event of default occurs and is continuing, either the new trustee or the holders of at least 25% in aggregate principal amount of the outstanding debt securities of each affected series, voting as a single class, may by written notice declare the principal amount of and accrued interest on all the debt securities of each affected series to be due and payable immediately. Events of bankruptcy, insolvency and reorganized are deemed to affect all outstanding debt securities. If the debt securities of an affected series are original issue discount debt securities, only that portion of the principal amount as is specified in the terms of that series may be declared due and payable. The holders of a majority in aggregate principal amount of outstanding debt securities of that series may, under limited circumstances, rescind and annul that acceleration. (Section 5.1 of the new indenture.)

Under the new indenture, the new trustee will generally be required to give the holders of affected debt securities notice of known defaults within 90 days after the default, unless the default is cured or waived. Except in the case of a payment default, however, the new trustee may withhold the notice in the interests of the holders of the affected series of debt securities. (Section 5.11 of the new indenture.) The new indenture will provide that the holders of a majority in aggregate principal amount of the outstanding debt securities of each series affected, with all those series voting as a single class, may direct the time, method and place of conducting any proceeding for any remedy available to the new trustee for such series, or exercising any trust or power conferred on the new trustee. (Section 5.9 of the new indenture.)

In general, the holders of a majority in aggregate principal amount outstanding of all series of debt securities with respect to which an event of default has occurred, voting as a single class, may waive any event of default with respect to that series. This majority action cannot, however, waive defaults under specified covenants related to the payment terms of the debt securities. (Section 5.10 of the new indenture.)

The new indenture will require Packaging to file annually with the new trustee a certificate as to Packaging's compliance with all conditions and covenants of the new indenture. (Section 3.5 of the new indenture.)

MODIFICATION OF THE NEW INDENTURE

The new indenture will permit Packaging and the new trustee to enter into one or more supplemental indentures without the consent of the holders of any debt securities in order:

(a) to transfer or pledge any property to the new trustee as security for the debt securities;

(b) to substitute a permitted successor corporation for Packaging;

(c) to add to the Packaging's covenants further covenants or provisions to protect the holders of debt securities;

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(d) to establish the form or terms of debt securities;

(e) to provide for successor trustees; or

(f) to cure any ambiguity, correct any defective provisions or to make any other provisions as Packaging determines necessary or desirable, as long as the action does not adversely affect the interests of any holder of debt securities of any series. (Section 8.1 of the new indenture.)

The new indenture will also permit Packaging and the new trustee, with the consent of the holders of a majority in aggregate principal amount of the outstanding series of debt securities affected, voting as one class, to execute supplemental indentures that change the terms of the new indenture or modify the rights of debt holders. However, without the consent of the holder of each affected debt security, this majority action cannot:

(a) extend the time for payment of principal or interest on any debt security;

(b) reduce the principal of, or the rate of interest on, any debt security;

(c) reduce the amount of premium, if any, payable upon the redemption of any debt security;

(d) reduce the amount of principal payable upon acceleration of the maturity of any original issue discount security;

(e) change the currency or currency unit in which any debt security or any premium or interest is payable;

(f) impair the right to institute suit for the enforcement of any payment on or relating to any debt security; or

(g) reduce the percentage consent required to modify or amend the new

indenture. (Section 8.2 of the new indenture.)

DEFEASANCE AND COVENANT DEFEASANCE

The new indenture will allow Packaging to deposit funds in trust and as a result either (a) be discharged from all obligations under the debt securities of any series, except for limited administrative obligations ("defeasance"), or (b) be released from complying with specified covenants of the indenture, including those described under "-- Some Important Covenants of Packaging" and "-- Consolidation, Merger and Sale of Assets" ("covenant defeasance"). For defeasance or covenant defeasance with respect to any series of debt, Packaging must deposit, in trust with the new trustee, money or U.S. government obligations that through the payment of interest and principal according to their terms will provide money in an amount sufficient to make all payments on that series of debt when they are due. If the defeasance is to occur at least one year before the debt securities become due and payable or are to be redeemed, the defeasance may only be established if Packaging delivers an opinion of counsel stating that the holders of the debt securities will not have a taxable event for federal income tax purposes as a result of the defeasance. In addition, the opinion of counsel must be based upon a ruling of the IRS or a change in applicable federal income tax law occurring after the date of the new indenture. (Article 10 of the new indenture.)

THE NEW TRUSTEE

The Chase Manhattan Bank will be the new trustee under the new indenture. Packaging may also maintain banking and other commercial relationships with the new trustee in the ordinary course of business.

BOOK-ENTRY SYSTEM

Packaging will initially issue the new securities in the form of one or more global securities that will be deposited with DTC and registered in the name of Cede & Co., DTC's nominee. Accordingly,

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beneficial interests in the global securities will be shown on, and transfer will be effected only through, records maintained by DTC and its participants. You may hold beneficial interests in the global securities directly through DTC if you have an account with DTC or indirectly through an organization which has an account with DTC. Unless and until it is exchanged in whole or in part for new securities of that series in definitive form, a global security may not be transferred except as a whole to a nominee of DTC for that global security, or by a nominee of DTC to DTC or another nominee of DTC, or by DTC or any such nominee to a successor depository or a nominee of a successor depository.

DTC has advised Packaging that DTC is a limited-purpose trust company organized under the Banking Law of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold the securities of institutions that have accounts with DTC ("participants") and to facilitate the clearance and settlement of securities transactions among its participants in such securities through electronic book-entry changes in accounts of the participants, eliminating the need for physical movement of securities certificates. DTC's participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. Access to DTC's book-entry system is also available to others, such as banks, brokers, dealers, and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly (collectively, the "indirect participants").

Packaging expects that upon the deposit of the global securities with DTC, DTC will credit on its book-entry registration and transfer system the principal amount of new securities represented by those global securities to the accounts of direct participants. Ownership of beneficial interests in the global securities will be limited to direct participants or persons that may hold interests through direct participants. Ownership of beneficial interests in the global securities will be shown on, and the transfer of those ownership interests will be effected only through, records maintained by DTC, with respect to direct participants' interest, the direct participants and the indirect participants, with respect to the owners of beneficial interests in the global securities other than direct participants. The laws of some jurisdictions may require that purchasers of securities take physical delivery of the securities in definitive form. These limits and laws may impair your ability to transfer or pledge beneficial interests in the global securities.

So long as DTC or a nominee of DTC is the registered holder and owner of the global securities, DTC or the nominee, for all purposes will be considered the sole owner or holder of the global securities under the new indenture. Except as described below, owners of a beneficial interest in the global securities will not be entitled to have the new securities represented by the global securities registered in their names, will not receive or be entitled to receive physical delivery of certified new securities, and will not be considered to be the owner or holder of any new securities represented by the global securities. Accordingly, each person owning a beneficial interest in the global securities must rely on the procedures of DTC and, if a person is not a direct participant in the book-entry registration and transfer system of DTC, on the procedures of the direct participant through which that person owns its interest, to exercise any rights of an owner or holder of the new securities.

Packaging will make principal and interest payments on the new securities registered in the name of DTC's nominee to DTC's nominee as the registered owner of the global securities. Under the terms of the new securities, Packaging and the new trustee will treat the persons in whose names the new securities are registered as the owners of those new securities for the purpose of receiving payment of principal and interest on those new securities and for all other purposes. Therefore, Packaging, the new trustee and any paying agent will not have any direct responsibility or liability for the payment of principal or interest on the new securities to owners of beneficial interests in the global securities.

Packaging expects that DTC will, upon receipt of any payment of principal or interest, credit direct participants' accounts on the payment date according to their respective holdings of beneficial interests in the global securities as shown on DTC's records. Payments by direct and indirect participants to owners of beneficial interests in the global securities will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in

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"street name," and will be the responsibility of the direct and indirect participants. These payments by direct and indirect participants will not be the responsibility of DTC, the new trustee, or Packaging, subject to any statutory requirements that may be in effect.

Neither Packaging, the New Trustee, any paying agent nor the registrar will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the global securities, or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Although DTC has agreed to the procedures described above in order to facilitate transfers of interests in the global securities among participants of DTC, it is under no obligation to perform or continue to perform these procedures, and these procedures may be discontinued at any time. None of Packaging, the new trustee, the registrar, or any paying agent for the exchange securities will have any responsibility or liability for the performance by DTC or its direct or indirect participants of their respective obligations under the rules and procedures governing their operations.

PHYSICAL SECURITIES

Following initial issuance, you may obtain physical new securities in exchange for global securities in denominations of \$1,000 and integral multiples of \$1,000 if:

- (1) DTC notifies Packaging that it is unwilling or unable to continue as depository for the global securities or if at any time DTC ceases to be a clearing agency registered under the Exchange Act and a successor depository is not appointed by Packaging within 90 days of that notice; or
- (2) Packaging in its discretion at any time determines not to have all of the new securities represented by the global securities.

Subject to the above, the global securities are not exchangeable, except for global securities of the same aggregate denomination to be registered in the name of DTC or its nominee.

PAYMENT

Packaging will pay principal of and interest on new securities represented by a global security according to accordance with the applicable requirements of DTC for the global securities. The payment of principal of and interest on any other new securities will be made at the office or agency of Packaging maintained for that purpose or, at Packaging's option, by mailing a check to the holder's registered address.

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THE SPIN-OFF

Before the spin-off, Tenneco and Packaging will enter into a distribution agreement to establish the terms of the spin-off and govern various aspects of the post-spin-off relationship between Packaging and Tenneco (Automotive, after the spin-off). In addition, Automotive and Packaging will enter into ancillary agreements to facilitate further the separation of Tenneco's automotive and packaging businesses and to govern additional aspects of the ongoing relationship between Packaging and Automotive.

REASONS FOR THE SPIN-OFF

The spin-off is designed to separate Tenneco's packaging business from its automotive business, each of which have distinct financial, investment and operating characteristics, so that each can adopt strategies and pursue objectives appropriate to its specific needs. The spin-off will:

- enable each company to concentrate its attention and financial resources on its own core business and provide independent access to capital markets;
- permit investors to make more focused investment decisions based on the specific attributes of each of the two businesses and enhance the likelihood that each company will achieve appropriate market valuation; and
- facilitate employee compensation programs custom-tailored to the operations of each business, including an employee stock ownership plan for Automotive and stock-based and other incentive programs, which will more directly reward employees of each business based on the success of that business.

MANNER OF SPIN-OFF

According to the distribution agreement, the Tenneco board of directors will formally declare the dividend necessary to effect the spin-off. At that time, the Tenneco board of directors will also set the effective date of the spin-off and the date and time for determination of those Tenneco stockholders entitled to participate in the spin-off. Subject to the conditions described below, on the spin-off date, those same Tenneco stockholders will each receive one share of Packaging common stock for each share of Tenneco common stock they owned as of that determination time.

CORPORATE RESTRUCTURING TRANSACTIONS

Before the spin-off, Tenneco will effect various corporate restructuring transactions designed to restructure its existing businesses so that, in general, the assets, liabilities and operations of (a) its packaging business and administrative services operations, will be owned and operated, directly or indirectly, by Packaging and (b) its automotive business will be owned and operated, directly and indirectly, by Tenneco and its non-packaging subsidiaries.

Packaging's assets upon completion of these corporate restructuring transactions generally will be:

- those assets related to the conduct of Tenneco's past and current packaging businesses and administrative services operations, as reflected on the unaudited pro forma combined balance sheet of Packaging as of June 30, 1999 (see "Description of Packaging -- Unaudited Pro Forma Combined Financial Statements of Packaging");
- those assets that were acquired after June 30, 1999 and are of a nature or type that would have been included on Packaging's June 30, 1999 pro forma balance sheet had they been acquired earlier; and
- all rights expressly allocated to Packaging and its subsidiaries under

Automotive's assets upon completion of these corporate restructuring transactions generally will be:

- all of Tenneco's assets not expressly allocated to Packaging or its subsidiaries as described above.

Packaging's liabilities generally will include:

- those liabilities related to the packaging assets described above and the current and past conduct of Tenneco's packaging businesses and administrative services operations;
- liabilities for possible violations of securities laws in connection with the spin-off related to disclosures or omissions regarding Packaging's business, results of operations, prospects or management; and
- those other liabilities expressly allocated to Packaging or its subsidiaries under the distribution agreement or any ancillary agreement.

Automotive's liabilities generally will include:

- those liabilities related to the automotive assets described above and the current and past conduct of Tenneco's automotive business;
- liabilities for possible violations of securities laws in connection with the spin-off related to disclosures or omissions regarding Automotive's business, results of operations, prospects or management;
- those liabilities expressly allocated to Automotive or its subsidiaries under the distribution agreement or any ancillary agreement; and
- all other liabilities of Tenneco or any of its subsidiaries which do not constitute Packaging liabilities.

In addition, Packaging and Automotive will each be responsible for one-half of any third-party liability imposed on either party that is both (1) related to the transactions undertaken as part of the spin-off, such as the debt realignment, and (2) based on of claim (a) under Delaware corporate law, such as a claim for a breach of fiduciary duties, or (b) under applicable securities laws, but only to the extent the alleged violation is not specifically related to disclosures or omissions about either party's business operations as provided by such party.

DEBT REALIGNMENT

After the spin-off, Automotive and Packaging each will, in general, be responsible for the debts, liabilities and obligations related to the business or businesses that it owns and operates following completion of the corporate restructuring transactions. See "-- Corporate Restructuring Transactions." Tenneco's historical practice, however, has been to incur debt for its consolidated group at the parent-company level or at a limited number of subsidiaries, rather than at the operating-company level, and to centrally manage various cash functions.

Accordingly, the distribution agreement will provide for the realignment of Tenneco's debt before the spin-off. The purpose of this debt realignment is to allocate the debt between Packaging and Automotive before the companies are separated. The exchange offers and cash tender offers are components of this debt realignment.

The specific goal of the debt realignment will be to reach approximately the allocation between Packaging and Automotive of Tenneco's debt at the time of the spin-off (after giving effect to the repurchase of subsidiary preferred stock and payment of transaction fees and expenses) that is reflected in the June 30, 1999 pro forma balance sheets of Packaging and Tenneco included

elsewhere in this document. See "Description of Packaging -- Unaudited Pro Forma Combined Financial Statements of Packaging" and "Description of Tenneco After the Spin-off/Automotive -- Unaudited Pro Forma Consolidated Financial Statements of Tenneco." These pro forma balance sheets will also be attached to

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the distribution agreement as exhibits. Packaging and Automotive will agree in the distribution agreement to use their respective reasonable commercial efforts to achieve this relative allocation.

If the debt realignment and spin-off had occurred on June 30, 1999, Packaging would have had pro forma debt for money borrowed of about \$2.2 billion and Automotive would have had pro forma debt for money borrowed of about \$1.7 billion. The pro forma debt amount for Packaging does not reflect the application of any proceeds from its planned sale of its containerboard joint venture interest, which is not part of the debt realignment. If this sale is completed before the spin-off, the net proceeds will be used to retire the Tenneco debt that otherwise would be allocated to Packaging in the debt realignment. If the sale occurs after the spin-off, the net proceeds will be used to retire Packaging debt. See "Description of Packaging -- Unaudited Pro Forma Combined Financial Statements of Packaging" and "Description of Tenneco After the Spin-off/Automotive -- Unaudited Pro Forma Consolidated Financial Statements of Tenneco."

The debt realignment is expected to be accomplished through some combination of tender offers, exchange offers, prepayments and other refinancings. In addition to the exchange offers described in this document, Tenneco expects to undertake the following as part of the debt realignment: (1) Tenneco will offer to purchase for cash approximately \$ million of its public debt (pursuant to the cash tender offers); (2) Tenneco will repay in cash other existing non-public debt; and (3) Tenneco will repurchase outstanding subsidiary preferred stock. These payments are expected to be financed by (a) internally generated cash, (b) borrowings by Automotive under a new credit facility and new subordinated debt financing be entered into by Automotive in connection with the spin-off and (c) borrowings by Packaging under one or more new credit facilities to be entered into by Packaging in connection with the spin-off. See "Description of Packaging -- New Financing" and "Description of Tenneco After the Spin-off/ Automotive -- New Financing."

Accordingly, after giving effect to the debt realignment and the spin-off, Automotive will be responsible for all of Tenneco's existing public debt that remains outstanding and any borrowings under the new Automotive credit facility and subordinated debt financing described above. Packaging will be responsible for the new securities and any borrowings under the new Packaging credit facilities described above. Completion of the debt realignment is a condition to Tenneco's obligation to complete the spin-off, although Tenneco may substitute one or more different financing transactions for any of the components of the debt realignment described above.

RELATIONSHIP BETWEEN AUTOMOTIVE AND PACKAGING AFTER THE SPIN-OFF

Below are summary descriptions of the distribution agreement and principal ancillary agreements that Automotive and Packaging will enter into in connection with the spin-off. These agreements are intended to facilitate the separation of Tenneco's packaging business from its automotive business and to facilitate the operation of each of Automotive and Packaging as separate companies.

DISTRIBUTION AGREEMENT

In addition to providing for the terms of the spin-off and the various actions to be taken before the spin-off, the distribution agreement will contain other provisions governing the relationship between Automotive and Packaging before and after the spin-off.

Responsibility for Liabilities. The distribution agreement will provide that after the spin-off date: (a) Automotive will assume, pay, perform and discharge its allocated liabilities according to their terms, and (b) Packaging will assume, pay, perform and discharge its allocated liabilities according to their terms. See "-- Corporate Restructuring Transactions." The distribution agreement will provide for cross-indemnities so that: (a) Automotive must indemnify Packaging (and its respective subsidiaries, directors, officers,

employees and agents, and other related parties) against all losses arising out of or in connection with Automotive's allocated liabilities or the breach of the distribution agreement or any ancillary agreement by Automotive; and (b) Packaging must indemnify Automotive (and its respective subsidiaries, directors, officers, employees and agents, and other related parties) against all losses arising out of or in

connection with Packaging's allocated liabilities or the breach of the distribution agreement or any ancillary agreement by Packaging.

Further Assurances. Automotive and Packaging have each agreed to use all reasonable efforts to take all action reasonably necessary or advisable to consummate the transactions contemplated by and carry out the purposes of the distribution agreement.

Information Sharing. The distribution agreement will provide for the transfer and sharing of books and records between Automotive and Packaging and grants each party access to specified information in the other's possession, subject to confidentiality requirements and legal privilege issues.

Intercompany Accounts. According to the distribution agreement, in general all intercompany receivables, payables and loans between Tenneco's automotive business, on the one hand, and its packaging business and administrative services operations, on the other hand, that did not arise from ordinary trading transactions will be settled, capitalized or converted into ordinary trade obligations as of the close of business on the spin-off date. Further, all intercompany agreements between these businesses, other than those contemplated in connection with the spin-off and specified trade supply agreements, will be terminated.

Expenses. Each of Tenneco and Packaging has agreed to pay the fees, costs and expenses associated with the spin-off that are incurred by it before the spin-off. Because a majority of these expenses will be incurred directly by Tenneco, Tenneco will use a portion of the funds borrowed by Automotive and Packaging as part of the debt realignment to fund these payments. Accordingly, the allocation of debt described above under "-- Debt Realignment" includes additional debt incurred to fund these fees, costs and expenses.

Directors. When the spin-off is completed, Packaging and Automotive will share four common directors, Dana G. Mead, Paul T. Stecko, Mark Andrews and Roger B. Porter. Each company will adopt policies and procedures for its board of directors to limit the involvement of Messrs. Mead, Stecko, Andrews and Porter in situations that could give rise to potential conflicts of interest, including requesting them to abstain from voting as a director of either Packaging or Automotive on matters which present a conflict of interest between the companies. Tenneco and Packaging believe that the number of these conflict situations will be minimal.

HUMAN RESOURCES AGREEMENT

The human resources agreement to be entered into between Automotive and Packaging will govern labor, employment, compensation and benefit matters in connection with the spin-off. Under the human resources agreement, after the spin-off date, each of Automotive and Packaging will:

- continue employment of each of their respective retained employees, subject to their rights to terminate employees, with the same compensation as before the spin-off date;
- continue to honor all related existing collective bargaining agreements in accordance with their terms;
- recognize related incumbent labor organizations, subject to their rights to seek changes in their relationships with the organizations; and
- continue sponsorship of hourly employee benefit plans in accordance with their terms.

Packaging will become the sponsor of the Tenneco Retirement Plan, and of the Tenneco Thrift Plan and Tenneco Thrift Plan for Hourly Employees (collectively the "Tenneco Thrift Plan") on the spin-off date. Automotive will establish one or more thrift plans similar to the Tenneco Thrift Plan to which the account balances of retained and former employees of Automotive in the Tenneco Thrift Plan will be transferred. The benefits accrued by Automotive employees in the Tenneco Retirement Plan will be frozen as of the last day of the calendar month including the spin-off date, and Packaging will amend the Tenneco Retirement Plan to provide that all benefits accrued through that day by Automotive employees

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are fully vested and non-forfeitable. Generally, each of Automotive and Packaging will retain liabilities with respect to benefits accrued by its current and former employees under the Tenneco Inc. Supplemental Executive Retirement Plan and with respect to the welfare benefits of its current and former employees and their dependents. In addition, as of the spin-off date, participation by current and former employees of Automotive in the Tenneco Inc. Deferred Compensation Plan will be discontinued, and Automotive will succeed to those liabilities.

Under the human resources agreement, Tenneco will, generally, cause outstanding restricted stock and performance share equivalent unit awards to become fully earned and vested before the spin-off. Tenneco common stock options held by Packaging employees will be replaced by options to purchase shares of Packaging common stock on terms economically equivalent to the old Tenneco options. Tenneco common stock options held by Automotive employees will be adjusted to maintain equivalent economic terms to the options outstanding immediately prior to the spin-off.

TAX SHARING AGREEMENT

The tax sharing agreement to be entered into between Automotive and Packaging will provide for the allocation of tax liabilities between the parties arising before, as a result of and after the spin-off. As a general rule, Automotive will be liable for all taxes not specifically allocated to Packaging under the terms of the tax sharing agreement. Generally, Packaging will be liable for taxes imposed exclusively on Packaging and its affiliates engaged in the packaging and administrative services businesses (the "Packaging group"). In the case of U.S. federal income taxes imposed on the combined activities of Automotive and the Packaging group, Packaging will generally be liable to Automotive for federal income taxes attributable to the activities of the Packaging group. Liability for foreign income taxes and non-income taxes will generally be allocated to the legal entity on which the taxes are imposed. In the case of state income taxes imposed on the combined activities of the business groups, Packaging will generally be liable for the tax that would be imposed if the Packaging group had filed combined returns for its group.

In general, and except as provided below, any taxes imposed on or resulting from any or all of the spin-off, the corporate restructuring transactions and the debt realignment ("transaction taxes") will be the responsibility of the legal entity on which the taxes are imposed. However, if any transaction taxes arise due to any action taken or permitted by Automotive or Packaging that is inconsistent with any representations or warranties made in connection with the IRS letter ruling requested and received by Tenneco in connection with the spin-off, that entity (Automotive or Packaging) will be responsible for the resulting tax liability. Additionally, if any transaction taxes arise under Section 355(e) of the Internal Revenue Code of 1986, as amended (the "Code"), as a result of a 50% ownership shift (as defined below), then the resulting corporate tax burden will be borne by the entity (Automotive or Packaging) that experienced the 50% ownership shift. Any income tax liability that results from the spin-off, corporate restructuring transactions or debt realignment, but which is not due to either a 50% ownership shift or an action that is inconsistent with the tax treatment contemplated in the IRS letter ruling request, will be shared equally by Automotive and Packaging.

Section 355(e) of the Code, which was enacted in 1997, generally provides that a company that distributes shares of a subsidiary in a spin-off that is otherwise tax-free will incur federal income tax liability if 50% or more, by vote or value, of the capital stock of either the company making the distribution or the spun-off subsidiary is acquired (a "50% ownership shift") by one or more persons acting together pursuant to a plan or series of related transactions that includes the spin-off. This provision can be triggered by certain reorganizations involving the acquisition of the assets of the company

making the distribution or the spun-off subsidiary. There is a presumption that any 50% ownership shift that occurs within two years before or after the spin-off is pursuant to a plan that includes the spin-off. However, the presumption may be rebutted by establishing that the spin-off and the acquisitions are not part of a plan or series of related transactions.

Each of Automotive and Packaging will agree not to take or permit actions inconsistent or partially inconsistent with the IRS letter ruling request on or before the period ending two calendar years from the date of the spin-off, unless the action has been consented to by the other. These agreements could restrict

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the ability of Automotive or Packaging to engage in certain corporate transactions, redeem stock, dispose of assets except in the ordinary course of business or be the target of an acquisition transaction during that period.

TRANSITION SERVICES AGREEMENT

Tenneco's administrative services operations currently provide a number of services to Tenneco's operating units. These services include (a) financial accounting services; (b) employee benefits administration for all major salaried and hourly benefit plans; (c) human resources and payroll services; (d) mainframes and distributed systems operations; (e) telecommunications and network operations and management; (f) help desk support; and (g) disaster recovery support. When the spin-off is complete, Tenneco's administrative services operations will be a part of Packaging. Accordingly, Automotive and Packaging will enter into a transition services agreement under which Packaging will continue to provide Automotive with specified administrative services for an initial period of _____ years beginning on the date of the spin-off. After the initial _____-year period, Automotive may elect to have Packaging continue to provide specified services for up to _____ additional _____-year periods at a price to be negotiated by the parties. During any extension, Automotive may discontinue using and paying for any or all of the services on 120 days notice to Packaging. Because Automotive will retain a portion of the administrative support for Tenneco's European operations, however, Automotive will also agree to provide Packaging with specified administrative services for its European operations for an initial period of six months beginning on the date of the spin-off. After the initial six-month period, Packaging may elect to have Automotive continue to provide specified services for up to six months on a month-to-month basis. The price for all services will be negotiated between the parties and be based on the full cost for the services.

INSURANCE AGREEMENT

The insurance agreement to be entered into between Automotive and Packaging will provide for the separation and administration of existing insurance programs and the purchase of "run-off" policies for fiduciaries and directors and officers. In general, the insurance agreement will provide that Packaging and Automotive will obtain coverage for the period ending in December 1996 through Tenneco's pre-existing policies. For the period between December 1996 and the spin-off, Automotive and Packaging will obtain coverage through Tenneco's existing policies plus supplemental coverage to be purchased by Tenneco. Tenneco also will purchase "run-off" insurance policies that remain in effect for seven years and provide coverage for acts prior to the spin-off by directors, officers and fiduciaries of benefit and pension plans. Packaging and Automotive will each be responsible for administering their respective insurance programs after the spin-off and for purchasing insurance as necessary to cover their respective losses arising after the spin-off. The insurance agreement also allocates responsibility for the payment of premiums and deductibles, and the distribution of insurance proceeds.

TRADEMARK TRANSITION LICENSE AGREEMENT

After the spin-off, Automotive or one of its subsidiaries will hold the rights to various trademarks, servicemarks, tradenames and similar intellectual property, including rights in the marks "Tenneco," "Ten" and "Tenn" alone and in combination with other terms and/or symbols and variations thereof (collectively, the "Trademarks"), in the United States and throughout the world. In connection with the spin-off, Packaging will enter into a trademark transition license agreement with Automotive. Under this agreement, Automotive or one of its subsidiaries will grant to Packaging and its subsidiaries a

limited, royalty-free license to use the Trademarks with respect to packaging businesses, subject to quality standards and other conditions. The license will expire (1) 60 days after the spin-off, with respect to the use of the Trademarks in corporate names, (2) 9 months after the spin-off, with respect to stationery and similar supplies in inventory and (3) 18 months after the spin-off, with respect to signage.

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CONDITIONS TO THE SPIN-OFF

The spin-off is conditioned on, among other things, formal declaration of the spin-off by the Tenneco Board of Directors. Other conditions to the spin-off will include:

- execution and delivery of the ancillary agreements and completion of various pre-spin-off transactions, such as the corporate restructuring transactions and the debt realignment;
- a determination to the effect that for federal income tax purposes, (1) the spin-off will be tax-free to Tenneco and its stockholders under Section 355(a) and Section 361(c)(1) of the Code, and (2) specified internal restructuring transactions involving Tenneco or its subsidiaries to be effected by the corporate restructuring transactions will also be tax-free (Tenneco received an IRS letter ruling to that effect on August 20, 1999);
- approval for listing on the NYSE of the Packaging common stock;
- registration of the Packaging common stock under the Exchange Act;
- receipt of all material consents to the corporate restructuring transactions, the spin-off and transactions contemplated in the distribution agreement; and
- the absence of any prohibition of the spin-off by any law or governmental authority.

Even if all the conditions to the spin-off are satisfied, Tenneco has reserved the right to amend or terminate the distribution agreement and the related transactions before the spin-off. The Tenneco board of directors has not attempted to identify or establish objective criteria for evaluating the particular types of events or conditions that would cause the Tenneco Board of Directors to consider amending or terminating the spin-off. See "-- Relationship Between Automotive and Packaging After the Spin-off -- Distribution Agreement." Although the conditions described above may be waived by Tenneco to the extent permitted by law, the Tenneco board of directors presently has no intention to proceed with the spin-off unless each of these conditions is satisfied.

AMENDMENT OR TERMINATION OF THE DISTRIBUTION AGREEMENT

Before the spin-off, the distribution agreement may be amended or terminated by Tenneco in its discretion. After the spin-off, the distribution agreement may be amended or terminated only by a written agreement signed by Automotive and Packaging. Some amendments or terminations after the spin-off will also require the consent of third-party beneficiaries to the extent that the distribution agreement has expressly guaranteed them rights.

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DESCRIPTION OF PACKAGING

GENERAL

Packaging is a global supplier of specialty packaging and consumer products with 1998 revenues of approximately \$2.8 billion. Packaging operates 89 manufacturing facilities throughout the world and employs over 15,000 people. Packaging is currently owned by Tenneco and will be an independent, publicly traded company upon completion of the spin-off. See "The Spin-off."

CAPITALIZATION

The following table sets forth the unaudited historical capitalization of Packaging as of June 30, 1999, and unaudited pro forma capitalization of Packaging as of June 30, 1999, after giving effect to the debt realignment and the spin-off and related transactions, each as if they occurred on that date. The pro forma capitalization reflects debt allocated to Packaging in the debt realignment before application of any proceeds from Packaging's planned sale of its remaining interest in its containerboard joint venture. You should read this table in conjunction with the "Combined Financial Statements of The Businesses of Tenneco Packaging" and related notes, the "Unaudited Pro Forma Combined Financial Statements of Packaging" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" of Packaging, each contained elsewhere in this document.

<TABLE>
<CAPTION>

	PACKAGING	
	JUNE 30, 1999	
	HISTORICAL	PRO FORMA
	(IN MILLIONS)	
<S>	<C>	<C>
Short-term debt:		
Allocated from Tenneco.....	\$ 358 (a)	\$ --
Borrowings under new Packaging credit facilities.....	--	1,187
Other.....	9	9
	-----	-----
	367	1,196 (b)
	-----	-----
Long-term debt:		
Allocated from Tenneco.....	1,474 (a)	--
New securities.....	--	980 (c)
Other.....	20	20
	-----	-----
	1,494	1,000 (b)
	-----	-----
Total debt.....	1,861	2,196 (b)
	-----	-----
Minority interest.....	14	14
	-----	-----
Common stock.....	--	2
Paid-in capital.....	--	1,284
Retained earnings.....	--	--
Combined equity.....	1,340	--
	-----	-----
Total equity.....	1,340	1,286
	-----	-----
Total capitalization.....	\$3,215	\$3,496
	=====	=====

</TABLE>

(a) Represents debt allocated to Packaging from Tenneco based on the portion of Tenneco's investment in Packaging which Tenneco deemed to be debt. This allocation is generally based on the ratio of Packaging's net assets to Tenneco's consolidated net assets plus debt. Tenneco's historical practice has been to incur debt for its consolidated group at the parent company level or at a limited number of subsidiaries, rather than at the operating company level, and to centrally manage various cash functions. Management believes that the historical allocation of corporate debt is reasonable. This historical allocation, however, is not indicative of the total amount of debt that Packaging will have upon completion of the debt realignment, or of the debt that may be incurred by Packaging as a separate public entity.

(b) Represents debt allocated to Packaging in the debt realignment before application of any proceeds from Packaging's planned sale of its remaining interest in its containerboard joint venture. Packaging expects the sale to be completed before the spin-off, with the net proceeds used to retire the Tenneco debt that would otherwise be allocated to Packaging in the debt realignment. If the sale occurs after the spin-off, the net proceeds will be used to retire Packaging debt.

(c) Represents the \$ million aggregate principal amount of new securities assumed to be exchanged pursuant to the exchange offers, which will be recorded based on the net carrying amount of the original securities upon consummation of the exchange offers. At this time, Packaging and Tenneco cannot determine the ultimate amount of original securities that will be exchanged, and that amount could vary significantly. The pro forma capitalization assumes that 100% of the original securities are exchanged for new securities in the exchange offers and that such new securities are

NEW FINANCING

In connection with the spin-off, Packaging intends to enter into the following credit facilities: (1) a \$750 million long-term revolving senior credit facility; (2) a \$250 million 364-day revolving senior credit facility, and (3) possibly, a \$1.5 billion term loan facility. Definitive agreements for these facilities are being negotiated and have not been completed. Accordingly, the terms of such arrangements are preliminary and may change as a result of the negotiation of definitive agreements.

Initial borrowings under one or more of these facilities are expected to occur on or shortly before the spin-off. See "The Spin-off -- Debt Realignment" for a description of how Packaging intends to use the proceeds of the initial borrowings.

\$750 MILLION LONG-TERM SENIOR REVOLVING CREDIT FACILITY

Packaging expects to enter into a senior credit facility with a syndicate, or group, of banks and other financial institutions. This facility is expected to be a revolving credit facility of up to \$750 million, which will terminate in September 2004. Part of the total facility will be a swingline facility of up to \$50 million, from only one lender in the group, which will provide for borrowings to be made on shorter notice than for the other loans.

The proceeds of the loans made under this facility will be used by Packaging for refinancing existing indebtedness of Tenneco or its subsidiaries, including Packaging, as part of the debt realignment, for working capital and for other general corporate purposes.

Maturity. Packaging expects this senior credit facility to provide that all amounts outstanding at the termination of the facility, which will be five years after its signing date, will become due then. Prior to that date, funds may be borrowed, repaid, and reborrowed, without premium or penalty.

Covenants. Packaging expects this facility will require it to maintain compliance with the following financial tests:

- minimum interest coverage ratio, which is the ratio of consolidated earnings before interest expense, income taxes, minority interest, depreciation and amortization ("EBITDA") to consolidated cash interest expense, for a given four-quarter period; and
- maximum total debt to EBITDA ratio, which is the ratio of Packaging's indebtedness, less certain exclusions, to EBITDA, for a given four-quarter period.

Packaging also expects that the senior credit facility will impose prohibitions or limitations that are customary for similar facilities and transactions, including, among other things, on Packaging's ability to incur specified liens, incur subsidiary indebtedness and guarantee obligations, dispose of all or substantially all of its assets, and discontinue its primary businesses.

Interest. At Packaging's option, borrowings under this facility, except for competitive bid loans and swingline facility loans, are expected to bear interest at a floating rate based on LIBOR, adjusted for reserve requirements,

plus a specified margin or based on a specified prime or reference rate plus a specified margin.

Each competitive bid loan is expected to bear interest at the rate quoted in the respective bid. Each swingline loan is expected to bear interest at a rate based on the higher of a specified prime or reference rate and the federal funds rate plus an applicable margin.

\$250 MILLION 364 DAY SENIOR REVOLVING CREDIT FACILITY

Packaging expects to enter into an additional revolving credit facility of up to \$250 million.

Packaging expects this senior credit facility to terminate in September 2000, 364 days after its signing date, and all amounts outstanding at termination to become due then.

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Packaging expects that initial borrowings will occur under this facility at the same time as under Packaging's \$750 million Long Term Senior Revolving Facility described above (the "Long-Term Facility") or thereafter during its term, and that proceeds of the loans will be used for the same purposes as the Long-Term Facility.

Packaging also expects that the financial tests, prohibitions and limitations, interest rates and other material terms of this facility will be the same as for the Long-Term Facility.

\$1.5 BILLION TERM LOAN FACILITY

A lender has committed to provide Packaging up to \$1.5 billion of term loan financing which Packaging intends to use in the event it does not sell its containerboard joint venture interest before the spin-off for general corporate and other purposes. Although the terms of this financing have not been finalized, Packaging expects that borrowings under this facility would be due 18 months after funding and bear interest at a floating rate based on LIBOR, adjusted for reserve requirements, plus a specified margin or based on a specified prime or reference rate plus a specific margin, at Packaging's option. Packaging expects this financing would include covenants similar to those described above for the revolving credit facilities.

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UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS OF PACKAGING

The following Unaudited Pro Forma Combined Balance Sheet of Packaging as of June 30, 1999, and the Unaudited Pro Forma Combined Statements of Income for the six months ended June 30, 1999 and the year ended December 31, 1998, reflect the effects of:

- the debt realignment; and
- the spin-off of Packaging and the related transactions.

The Unaudited Pro Forma Combined Balance Sheet has been prepared as if these transactions occurred on June 30, 1999; the Unaudited Pro Forma Combined Statements of Income have been prepared as if these transactions occurred as of

January 1, 1998. The Unaudited Pro Forma Combined Financial Statements are not necessarily indicative of the results that would have actually occurred if these transactions had been consummated as of June 30, 1999 or January 1, 1998, or results which may be attained in the future.

The Unaudited Pro Forma Combined Financial Statements were derived from the historical Combined Financial Statements of The Businesses of Tenneco Packaging included elsewhere in this document. Net assets included in these historical financial statements that are not already owned directly or indirectly by Packaging will be transferred to Packaging before the spin-off as part of the corporate restructuring transactions. The accounting for the transfer of assets and liabilities pursuant to the corporate restructuring transactions represents a reorganization of companies under common control and, accordingly, all assets and liabilities are reflected at their historical cost in Packaging's historical combined financial statements.

The pro forma adjustments, as described in the Notes to the Unaudited Pro Forma Combined Financial Statements, are based upon available information and upon certain assumptions that management believes are reasonable. Packaging's pro forma debt and interest expense balances do not give effect to the application of any proceeds from Packaging's planned sale of its remaining interest in the joint venture. Packaging expects the sale to be completed before the spin-off, with the net proceeds used to retire the Tenneco debt that would otherwise be allocated to Packaging in the debt realignment. If the sale does not occur before the spin-off, the net proceeds will be used to retire Packaging debt. You should also read the Combined Financial Statements of The Businesses of Tenneco Packaging, and related notes, included elsewhere in this document.

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PACKAGING
UNAUDITED PRO FORMA COMBINED BALANCE SHEET

JUNE 30, 1999

(IN MILLIONS)

<TABLE>
<CAPTION>

	PRO FORMA ADJUSTMENTS			
	PACKAGING HISTORICAL	DEBT REALIGNMENT	SPIN-OFF AND RELATED TRANSACTIONS	PACKAGING PRO FORMA COMBINED
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
ASSETS				
<S>				
Current assets:				
Cash and temporary cash investments.....	\$ 18	\$ --	\$ --	\$ 18
Receivables.....	375	--	119 (b)	494
Inventories.....	447	--	--	447
Prepayments and other.....	72	--	--	72
	-----	-----	-----	-----
Total current assets.....	912	--	119	1,031
Plant, property, and equipment, net.....	1,495	--	--	1,495
Goodwill and intangibles, net.....	1,028	--	--	1,028
Other assets and deferred charges.....	918	59 (a)	85 (c)	1,062
Net assets of discontinued operations.....	133	--	--	133
	-----	-----	-----	-----
Total assets.....	\$4,486	\$ 59	\$ 204	\$4,749
	=====	=====	=====	=====
LIABILITIES AND EQUITY				
Current liabilities:				
Short-term debt.....	\$ 367	\$ 829 (a)	\$ --	\$1,196 (e)
Trade payables.....	357	--	--	357
Other current liabilities.....	336	--	--	336
	-----	-----	-----	-----
Total current liabilities.....	1,060	829	--	1,889
Long-term debt.....	1,494	(494) (a)	--	1,000 (e)
Deferred income taxes.....	380	(52) (a)	34 (c)	362
Other liabilities and deferred credits.....	198	--	--	198
Minority interest.....	14	--	--	14
Equity:				
Combined equity.....	1,340	(224) (a)	119 (b) 51 (c) (1,286) (d)	--
Common stock.....	--	--	2 (d)	2
Paid-in capital.....	--	--	1,284 (d)	1,284

Retained earnings.....	---	--	-- (d)	--
Total liabilities and equity.....	\$4,486	\$ 59	\$ 204	\$4,749
	=====	=====	=====	=====

</TABLE>

See the accompanying Notes to Unaudited Pro Forma Combined Financial Statements.

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PACKAGING
UNAUDITED PRO FORMA COMBINED STATEMENT OF INCOME

SIX MONTHS ENDED JUNE 30, 1999

(MILLIONS EXCEPT SHARE AND PER SHARE AMOUNTS)

<TABLE>
<CAPTION>

	PRO FORMA ADJUSTMENTS			
	PACKAGING HISTORICAL	DEBT REALIGNMENT	SPIN-OFF AND RELATED TRANSACTIONS	PACKAGING PRO FORMA COMBINED
<S>	<C>	<C>	<C>	<C>
REVENUES				
Net sales and operating revenues.....	\$ 1,404	\$--	\$--	\$ 1,404
Other income, net.....	(18)	--	--	(18)
	-----	-----	-----	-----
	1,386	--	--	1,386
	-----	-----	-----	-----
COSTS AND EXPENSES				
Cost of sales (exclusive of depreciation shown below).....	924	--	--	924
Engineering, research, and development....	18	--	--	18
Selling, general, and administrative.....	206	--	(3) (c)	203
Depreciation and amortization.....	94	--	--	94
	-----	-----	-----	-----
	1,242	--	(3)	1,239
	-----	-----	-----	-----
INCOME BEFORE INTEREST EXPENSE, INCOME TAXES, AND MINORITY INTEREST.....	144	--	3	147
Interest expense.....	68	12 (f)	--	80 (e) (f)
Income tax expense.....	24	(5) (g)	1 (g)	20
Minority interest.....	--	--	--	--
	-----	-----	-----	-----
INCOME FROM CONTINUING OPERATIONS.....	\$ 52	\$ (7)	\$ 2	\$ 47 (e)
	=====	=====	=====	=====
EARNINGS PER SHARE				
Average shares of common stock --				
Basic.....	166,937,362			166,937,362
Diluted.....	167,319,412			167,319,412
Income from continuing operations				
Basic.....	\$.31			\$.28
Diluted.....	\$.31			\$.28

</TABLE>

See the accompanying Notes to Unaudited Pro Forma Combined Financial Statements.

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PACKAGING
UNAUDITED PRO FORMA COMBINED STATEMENT OF INCOME

YEAR ENDED DECEMBER 31, 1998

(MILLIONS EXCEPT SHARE AND PER SHARE AMOUNTS)

<TABLE>
<CAPTION>

	PRO FORMA ADJUSTMENTS			
	PACKAGING HISTORICAL	DEBT REALIGNMENT	SPIN-OFF AND RELATED TRANSACTIONS	PACKAGING PRO FORMA COMBINED

<S>	<C>	<C>	<C>	<C>
REVENUES				
Net sales and operating revenues.....	\$ 2,791	\$ --	\$ --	\$ 2,791
Other income, net.....	(3)	--	--	(3)
	-----	----	----	-----
	2,788	--	--	2,788
	-----	----	----	-----
COSTS AND EXPENSES				
Cost of sales (exclusive of depreciation shown below).....	1,870	--	--	1,870
Engineering, research, and development.....	33	--	--	33
Selling, general, and administrative.....	427	--	(5) (c)	422
Depreciation and amortization.....	175	--	--	175
	-----	----	----	-----
	2,505	--	(5)	2,500
	-----	----	----	-----
INCOME BEFORE INTEREST EXPENSE, INCOME TAXES, AND MINORITY INTEREST.....				
Taxes, and minority interest.....	283	--	5	288
Interest expense.....	133	27 (f)	--	160 (e) (f)
Income tax expense.....	67	(11) (g)	2 (g)	58
Minority interest.....	1	--	--	1
	-----	----	----	-----
INCOME FROM CONTINUING OPERATIONS.....	\$ 82	\$ (16)	\$ 3	\$ 69 (e)
	=====	=====	=====	=====
EARNINGS PER SHARE				
Average shares of common stock --				
Basic.....	168,505,573			168,505,573
Diluted.....	168,834,531			168,834,531
Income from continuing operations --				
Basic.....	\$.49			\$.41
Diluted.....	\$.49			\$.41

</TABLE>

See the accompanying Notes to Unaudited Pro Forma Combined Financial Statements.

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PACKAGING
NOTES TO UNAUDITED PRO FORMA
COMBINED FINANCIAL STATEMENTS

(a) To reflect debt allocated to Packaging in the debt realignment. The adjustment to equity reflects the net impact of the debt realignment, the recording of debt issue costs and deferred income taxes related to the exchange offers and other transaction costs. Pro forma long-term debt includes \$980 million of new securities (\$ million aggregate principal amount) assumed to be exchanged in the exchange offers, and \$20 million of long-term debt of Packaging subsidiaries. Pro forma short-term debt includes \$1,187 million borrowed under Packaging's new credit facilities to be entered into as part of this debt realignment and \$9 million of short-term debt of Packaging subsidiaries. At this time, Packaging and Tenneco cannot determine the ultimate amount of the original securities which will be exchanged into new securities, and this amount could vary significantly. These pro forma adjustments assume that 100% of the original securities subject to the exchange offers will be exchanged for new securities and the new securities will be recorded at the net carrying amount of the original securities (in other words, the new securities are assumed not to be "substantially different;" see "Accounting Treatment of the Exchange Offers"). The results of the exchange offers could vary based on a number of factors, including the level of acceptance of the exchange offers, the interest rate of the exchanged securities and whether the exchanges will be considered extinguishments for accounting purposes. Based on current interest rate markets, Packaging expects that the exchange offers will not be extinguishments for accounting purposes. Therefore, Packaging does not expect to recognize an extraordinary loss attributable to the debt exchange. Other costs, including transaction costs related to the spin-off and contractual employment obligations, are expected to be incurred by Packaging in connection with the corporate restructuring transactions and the spin-off which Packaging estimates will be approximately \$70 million after-tax. The effects on Packaging's debt of these costs has been reflected in this pro forma adjustment. However, these charges have not been included in the unaudited pro forma combined statement of income.

(b) To reflect the purchase of Packaging accounts receivable at fair value which had previously been sold to a third party.

- (c) To reflect the transfer to Packaging of prepaid pension costs attributable to Automotive employees and the corresponding reduction in net periodic pension costs and the increase in prepaid pension cost attributable to the curtailment of the pension benefits related to Automotive employees. Automotive employees will no longer participate in the Tenneco Retirement Plan following the spin-off and Packaging will become the sponsor of this plan. These prepaid pension costs will be transferred to Packaging in connection with the corporate restructuring transactions. Packaging estimates that a curtailment gain of approximately \$30 million will be recognized relating to the freezing of Automotive employees' pension benefits in connection with the spin-off. This gain has not been included in the unaudited pro forma combined statements of income.
- (d) To reflect the spin-off of Packaging common stock to holders of Tenneco common stock at an exchange ratio of one share of Packaging common stock for each share of Tenneco common stock.
- (e) The Packaging pro forma debt balances do not give effect to the application of any proceeds from the planned sale of Packaging's remaining interest in Packaging's containerboard joint venture. Packaging expects the sale to be completed before the spin-off, with the proceeds used to repay the Tenneco debt that would otherwise be allocated to Packaging in the debt realignment. If the sale occurs after the spin-off, the net proceeds will be used to retire Packaging debt. Estimated proceeds ranging from \$ to \$ are anticipated to be received from the sale of Packaging's remaining interest in its containerboard joint venture. For each \$50 million of after-tax proceeds received from the sale, pro forma interest expense would be reduced by approximately \$3 million on an annual basis and pro forma income from continuing operations would be increased by approximately \$2 million on an annual basis, or \$0.01 per diluted common share.

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PACKAGING
NOTES TO UNAUDITED PRO FORMA
COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

- (f) To reflect the adjustment to interest expense from the allocation of Tenneco debt to Packaging in the debt realignment as follows:

<TABLE>
<CAPTION>

	SIX MONTHS ENDED JUNE 30, 1999	YEAR ENDED DECEMBER 31, 1998
	-----	-----
	(IN MILLIONS)	
<S>	<C>	<C>
Interest expense on historical debt(1).....	\$ (68)	\$ (133)
Interest expense on the new securities(2)....	39	78
Interest expense on Packaging's new credit facilities(3).....	37	75
Amortization of debt financing costs(4).....	4	7
	----	----
Adjustment to interest expense.....	\$ 12	\$ 27
	====	=====

</TABLE>

(1) Weighted average outstanding debt and average annual effective interest rates were \$1,836 million and 7.3% for the six months ended June 30, 1999, and \$1,900 million and 7.0% for the year ended December 31, 1998.

(2) Weighted average outstanding debt and average annual effective interest rate for the new securities were assumed to be approximately \$980 million and 7 3/4% for the six months ended June

(3) Weighted average outstanding debt and average annual effective rate for Packaging's new credit facilities were assumed to be \$1,187 million and 6 1/4% for the six months ended June 30, 1999 and the year ended December 31, 1998.

(4) Represents the amortization of deferred debt financing costs.

A 1/8% change in the assumed interest rates would change annual pro forma interest expense by approximately \$3 million, before the effect of income taxes.

(g) To reflect the income tax expense effects of pro forma adjustments at an assumed statutory tax rate of 40%.

SUPPLEMENTAL FINANCIAL INFORMATION OF PACKAGING

RESULTS OF OPERATIONS

Packaging's historical and pro forma earnings before interest expense, income taxes, and minority interest ("EBIT") are shown in the following table:

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31, 1998	SIX MONTHS ENDED JUNE 30, 1999
	(MILLIONS)	
<S>	<C>	<C>
Historical EBIT.....	\$283	\$144
Pro forma EBIT.....	\$288	\$147

</TABLE>

These historical and pro forma results include certain items that Packaging believes require additional explanation. These items include costs which Tenneco incurred at the corporate level but did not fully allocate to its operating divisions, such as administrative services, corporate overhead, and costs related to Tenneco's operation as a public company. Because these functions will become part of Packaging following the spin-off, these costs have been included in Packaging's historical and pro forma EBIT. These items also included a restructuring charge recorded in the fourth quarter of 1998. The following information discusses these items in detail and their financial impact on Packaging's EBIT.

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31, 1998	SIX MONTHS ENDED JUNE 30, 1999
	(MILLIONS)	
<S>	<C>	<C>
- Restructuring charge -- Packaging recorded a restructuring charge in the fourth quarter of 1998 designed to reduce administrative and operational costs. Refer to Note 4, "Restructuring and Other Charges," on page F-14 of The Combined Financial Statements of the Businesses of Tenneco Packaging for further information.....	\$32	\$29
- Restructuring savings -- The portion of the restructuring plan designed to reduce operational costs is expected to result in lower costs of sales.		

See "Restructuring and Other Charges" in Packaging's Management's Discussion and Analysis for a discussion of expected savings from restructuring.....	\$13	\$ 6
- Corporate overhead reductions -- Packaging's smaller, less complex corporate structure is expected to result in corporate overhead costs that are lower by approximately \$12 million than Tenneco incurred historically. Also, Packaging's EBIT includes costs associated with Tenneco's administrative services operations. Although the administrative services operations provide a number of services to Tenneco's operating units, some of these corporate level costs were not previously allocated to Tenneco's operating segments. Had all the administrative services operations costs been allocated based on a usage charge, Packaging estimates that approximately \$28 million would have been billed to Automotive. See page F-11, "General and Administrative Expenses" in Note 3 to the Combined Financial Statements of the Businesses of Tenneco Packaging.....	\$40	\$20

</TABLE>

COMBINED SELECTED FINANCIAL DATA OF PACKAGING

The following combined selected financial data as of December 31, 1998 and 1997, and for the years ended December 31, 1998, 1997, and 1996, were derived from the audited Combined Financial Statements of The Businesses of Tenneco Packaging. The following combined selected financial data as of December 31, 1996, 1995, and 1994, and for the years ended December 31, 1995 and 1994, are unaudited and were derived from Tenneco's accounting records. The following combined selected financial data as of and for each of the six months ended June 30, 1999 and 1998 were derived from the unaudited Combined Financial Statements of The Businesses of Tenneco Packaging.

In the opinion of Packaging's management, the combined selected financial data of Packaging as of December 31, 1996, 1995, and 1994, and for the years ended December 31, 1995 and 1994, and as of and for the six months ended June 30, 1999 and 1998, include all adjusting entries, consisting only of normal recurring adjustments, necessary to present fairly the information set forth. You should not regard the results of operations for the six months ended June 30, 1999 as indicative of the results that may be expected for the full year.

There is other information Packaging believes is relevant to understanding its results of operations following the spin-off. These items relate to corporate overhead incurred by Tenneco and its administrative services operations that Packaging expects will differ following the spin-off. For further information you should see "Supplemental Financial Information of Packaging" included elsewhere in this document.

You should read all of this information in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" of Packaging and the Combined Financial Statements of The Businesses of Tenneco Packaging, and related notes, included elsewhere in this document.

<TABLE>
<CAPTION>

	Years Ended December 31,				
	1998 (a)	1997 (a)	1996 (a)	1995	1994
	-----	-----	-----	----	----
	(Dollars in millions except per share amounts)				
<S>	<C>	<C>	<C>	<C>	<C>
STATEMENTS OF INCOME					
DATA (b) :					
Net sales and operating revenues --					
Specialty.....	\$ 2,785	\$ 2,553	\$ 1,987	\$ 845	\$ 636
Other.....	6	10	--	--	--
	-----	-----	-----	-----	-----
Total.....	\$ 2,791	\$ 2,563	\$ 1,987	\$ 845	\$ 636
	=====	=====	=====	=====	=====
Income from continuing					

<CAPTION>

		Years Ended December 31,				
		1998 (a)	1997 (a)	1996 (a)	1995	1994
		(Dollars in millions except per share amounts)				
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Average number of shares of common stock outstanding (h) --						
Basic.....		168,505,573	170,264,731	169,609,373	172,764,198	162,307,189
Diluted.....		168,834,531	170,801,636	170,526,112	173,511,654	162,912,425
Earnings (loss) per average share of common stock (h) --						
Basic:						
Continuing operations...	\$	.49	\$.63	\$.38	\$ (.32)	\$.11
Discontinued operations (e).....		.34	.12	.42	1.30	.46
Extraordinary loss (f)...		--	--	(.01)	--	--
Cumulative effect of changes in accounting principles (g).....		--	(.23)	--	--	--
	\$	.83	\$.52	\$.79	\$.98	\$.57
Diluted:						
Continuing operations...	\$	.49	\$.63	\$.38	\$ (.32)	\$.11
Discontinued operations (e).....		.34	.12	.42	1.29	.46
Extraordinary loss (f)...		--	--	(.01)	--	--
Cumulative effect of changes in accounting principles (g).....		--	(.23)	--	--	--
	\$	.83	\$.52	\$.79	\$.97	\$.57
BALANCE SHEET DATA (b):						
Net assets of discontinued operations (e).....	\$	366	\$ 423	\$ 459	\$ 393	\$ 236
Total assets.....		4,798	4,618	4,028	3,358	1,630
Short-term debt (d).....		595	158	123	205	49
Long-term debt (d).....		1,312	1,492	1,073	880	478
Debt allocated to discontinued operations (d).....		548	473	394	369	285
Minority interest.....		14	15	--	--	--
Combined equity.....		1,776	1,839	1,843	1,531	703
STATEMENT OF CASH FLOWS DATA (b):						
Net cash provided (used) by operating activities.....	\$	577	\$ 405	\$ 263	\$ 479	\$ 283
Net cash provided (used) by investing activities.....		(514)	(654)	(669)	(1,791)	(146)
Net cash provided (used) by financing activities.....		(67)	239	399	1,327	(142)
Capital expenditures for continuing operations...		(194)	(229)	(216)	(265)	(134)
OTHER DATA:						
EBITDA (i).....	\$	458	\$ 469	\$ 365	\$ 78	\$ 121
Ratio of earnings to fixed charges (j).....		1.99	2.31	2.15	NM	1.72

<CAPTION>

		Six Months Ended June 30,	
		1999 (a)	1998 (a)
		(Dollars in millions except per share amounts)	
<S>	<C>	<C>	<C>
Average number of shares of common stock outstanding (h) --			
Basic.....		166,937,362	169,341,555
Diluted.....		167,319,412	169,936,676
Earnings (loss) per average share of common stock (h) --			

Basic:			
Continuing operations...	\$	.31	\$.41
Discontinued operations(e).....		(.98)	.22
Extraordinary loss(f)...		(.04)	--
Cumulative effect of changes in accounting principles(g).....		(.19)	--
	\$	(.90)	\$.63
	=====		=====
Diluted:			
Continuing operations...	\$	.31	\$.41
Discontinued operations(e).....		(.98)	.22
Extraordinary loss(f)...		(.04)	--
Cumulative effect of changes in accounting principles(g).....		(.19)	--
	\$	(.90)	\$.63
	=====		=====

BALANCE SHEET DATA (b) :

Net assets of discontinued operations(e).....	\$	133	\$ 382
Total assets.....		4,486	4,788
Short-term debt(d).....		367	335
Long-term debt(d).....		1,494	1,488
Debt allocated to discontinued operations(d).....		--	479
Minority interest.....		14	15
Combined equity.....		1,340	1,829

STATEMENT OF CASH FLOWS DATA (b) :

Net cash provided (used) by operating activities.....	\$	(45)	\$ 288
Net cash provided (used) by investing activities.....		(866)	(221)
Net cash provided (used) by financing activities.....		920	(66)
Capital expenditures for continuing operations...		(75)	(101)

OTHER DATA:

EBITDA(i).....	\$	238	\$ 261
Ratio of earnings to fixed charges(j).....		2.00	2.45

</TABLE>

(a) For a discussion of the significant items affecting comparability of the financial information for the years ended December 31, 1998, 1997, and 1996, and for the six months ended June 30, 1999 and 1998, see "Management's Discussion and Analysis of Financial Condition and Results of Operations of Packaging" included elsewhere in this document.

(b) During the periods presented, Packaging completed numerous acquisitions, the most significant of which were the acquisitions of Mobil Plastics for \$1.3 billion in late 1995, Amoco Foam Products for \$310 million in August 1996, and the protective and flexible packaging business of N.V. Koninklijke KNP BT for \$380 million in April 1997. See Note 6 to the Combined Financial Statements of The Businesses of Tenneco Packaging. See also, "Description of Packaging -- Growth Strategy" and "Description of Packaging -- Management's Discussion and Analysis of Financial Condition and Results of Operations."

(c) Income from continuing operations before interest expense, income taxes and minority interest for "Other" includes costs which were incurred by Tenneco's corporate and administrative services operations which were not allocated to Tenneco's operating segments. Because these functions will be a part of Packaging upon the spin-off, they are included in Packaging's historical

(continued on next page)

combined financial statements. Packaging expects its costs for these functions will differ following the spin-off. See "Supplemental Financial Information of Packaging" included elsewhere in this document for further information.

- (d) Tenneco's historical practice has been to incur indebtedness for its consolidated group at the parent company level or at a limited number of subsidiaries, rather than at the operating company level, and to centrally manage various cash functions. Accordingly, historical amounts include debt and related interest expense allocated to Packaging from Tenneco based on the portion of Tenneco's investment in Packaging which Tenneco deemed to be debt. This allocation is generally based upon the ratio of Packaging's net assets to Tenneco's consolidated net assets plus debt. An allocation of debt and its related interest expense has also been made to Packaging's discontinued operations based on the ratio of the discontinued operations' net assets to Packaging's combined net assets plus debt. Management believes that the historical allocation of corporate debt and interest expense is reasonable. This historical allocation is not, however, indicative of the total amount of debt that Packaging will have upon completion of the debt realignment or of the debt and interest that may be incurred by Packaging as a separate public entity. See the Combined Financial Statements of The Businesses of Tenneco Packaging included elsewhere in this document.
- (e) Discontinued operations for the periods presented consist of Packaging's paperboard packaging segment, which was discontinued in June 1999 following the decision to sell Packaging's remaining interest in Packaging's containerboard joint venture. Loss from discontinued operations for the six months ended June 30, 1999 included an after-tax loss of \$178 million, or \$1.07 per diluted common share, resulting from the contribution of Packaging's containerboard assets to the joint venture. See Note 7 to the Combined Financial Statements of the Businesses of Tenneco Packaging included elsewhere in this document.
- (f) Represents Packaging's costs related to prepayment of debt. See Note 7 to the Combined Financial Statements of The Businesses of Tenneco Packaging included elsewhere in this document.
- (g) In 1999, Packaging implemented the American Institute of Certified Public Accountants Statement of Position No. 98-5, "Reporting on the Costs of Start-Up Activities." In 1997, Packaging implemented the Financial Accounting Standards Board's Emerging Issues Task Force Issue No. 97-13, "Accounting for Costs Incurred in Connection with a Consulting Contract that Combines Business Process Reengineering and Information Technology Transformation." See Note 3 to the Combined Financial Statements of The Businesses of Tenneco Packaging included elsewhere in this document for additional information regarding changes in accounting principles.
- (h) In the spin-off, Tenneco stockholders will receive one share of Packaging common stock for each share of Tenneco common stock outstanding. Accordingly, basic and diluted earnings per share for Packaging were calculated using Tenneco's historical weighted average shares outstanding and weighted average shares outstanding adjusted to include estimates of additional shares that would be issued if potentially dilutive common shares had been issued, respectively.
- (i) EBITDA represents income from continuing operations before interest expense, income taxes, minority interest and depreciation and amortization. EBITDA is not a calculation based upon generally accepted accounting principles. The amounts included in the EBITDA calculation, however, are derived from amounts included in the Combined Statements of Income of The Businesses of Tenneco Packaging included elsewhere in this document. EBITDA should not be considered as an alternative to net income or operating income as an indicator of the operating performance of Packaging, or as an alternative to operating cash flows as a measure of liquidity. Packaging has reported EBITDA because it believes EBITDA is a measure commonly reported and widely used by investors and other interested parties as an indicator of a company's ability to incur and service debt. Packaging believes EBITDA assists investors in comparing a company's performance on a consistent basis without regard to depreciation and amortization, which can vary significantly depending upon accounting methods (particularly when acquisitions are involved) or nonoperating factors. However, the EBITDA measure presented in this document may not always be comparable to similarly titled measures reported by other companies due to differences in the components of the calculation.
- (j) For purposes of computing this ratio, earnings generally consist of income from continuing operations before income taxes and fixed charges excluding

capitalized interest. Fixed charges consist of interest expense, the portion of rental expense considered representative of the interest factor and capitalized interest. The historical ratios are based upon the amount of interest expense on corporate debt allocated to Packaging by Tenneco as discussed in (d) above. For the year ended December 31, 1995, earnings were inadequate to cover fixed charges by \$59 million.

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INDUSTRY OVERVIEW AND KEY TERMS

Many of the markets Packaging serves are growing faster than the overall United States gross domestic product. Most of our revenue comes from products made from different types of plastics, with the balance coming from paper and aluminum products. According to A.C. Nielsen, the unit volume growth trend as of June 12, 1999 for the zippered food storage bag market is 6% per year. Additionally, unit volume in the market for foam disposable foodservice packaging is projected to grow 6-7% annually for the next five years, according to a study prepared by a market research group. Several markets within the protective packaging industry are growing 6-8% per year in sales according to U.S. Industry and Trade Outlook '99.

Specialty packaging is an industry term which generally refers to packaging used by commercial customers that is designed and manufactured for a specific application or product. Examples include:

- rigid, clear plastic containers used in supermarkets to display bakery goods;
- sponge-like foam plastic packaging used to cushion and protect computers, TVs and stereos; and
- flexible plastic bags used for sterile intravenous fluid delivery.

The specialty packaging industry may be divided into sub-categories based on the characteristics of the packaging, the industry in which the packaging is used, or the primary function of the packaging. Examples include flexible packaging, foodservice packaging and protective packaging. Individual packaging products may fall into more than one sub-category of specialty packaging.

Protective packaging is the industry term used to describe specialty packaging that satisfies the protection and transportation needs of commercial customers. Protective packaging is designed and manufactured to ensure the integrity and safety of the customer's product from the point it leaves the manufacturing floor until it reaches its final destination. Flexible packaging is an industry term used to describe the sub-category of specialty packaging for customers whose products or distribution channels require a custom-designed flexible plastic package. Food/foodservice packaging describes specialty packaging designed and manufactured for customers in the food industry. This includes customers who process and prepare food for consumption, known as food packers and processors. It also includes other customers in the food distribution channel such as wholesalers and supermarkets.

Specialty packaging generally is constructed from plastic or paper which is engineered, designed and manufactured to meet the customer's specific need in a particular product or application. The basic raw materials used to make plastic specialty packaging are different types of plastics obtained from chemical companies, often in pelletized form, known as plastic resins. Plastic resins come in three general forms based on their chemical composition: polyolefins, polystyrenes and polyvinyl chloride. Polyolefins include polyethylene and polypropylene.

The plastic resins are subjected to various manufacturing processes that result in intermediate forms of the plastic. It may be solid or a sponge-like material called foam. Depending on its thickness, the material may be called film, sheet or plank.

The plastic films, sheets and planks are then combined, shaped and cut to produce different specialty packaging:

- polypropylene medical bags -- layered plastic films combined to produce plastic bags that hold fluid for intravenous delivery;
- printed barrier films -- flexible printed packaging designed to protect a wide range of products from chemicals to foods;
- modified atmosphere packaging -- packaging that is principally used with foods to preserve freshness and designed to protect the contents from penetration by oxygen;
- foam containers -- lightweight containers designed to package individual

- engineered foam plank and foam sheet -- packaging material of different shapes and thicknesses designed to protect and cushion goods, primarily while in transit;
- polyethylene stretch film -- strong, puncture-resistant packaging used to contain and protect goods for transportation, often used to secure individual goods on pallets; and
- polyolefin foam -- foam packaging that is stronger and more resilient than conventional plastic foam, may be formed into a soft, rubber-like material that is flexible, elastic and resilient.
- converted protective packaging -- packaging designed and configured for a specific product application, such as the plastic foam used to secure home electronics inside the boxes in which they are shipped and foam pipe insulation.

Many of Packaging's products are manufactured using paperboard or other materials created from wood pulp or recycled paper:

- paperboard honeycomb -- paperboard box material designed and engineered using geometrically shaped paperboard between flat layers of linerboard to enhance the cushioning characteristics of the container;
- customized packaging systems -- refers to paper or plastic packaging combined with a unique machine or device to package a specific product or type of products.
- linerboard -- paperboard used for the flat outer face of containerboard packaging.
- molded fiber -- a material created from recycled paper that may be formed into various shapes, such as egg cartons;
- pressed paperboard -- plastic coated paperboard used to make food containers; and
- dual-ovenable paperboard -- plastic coated paperboard that may be heated in either a microwave or a conventional oven.

PRODUCTS AND MARKETS

Packaging manufactures, markets and sells plastic and paper-based consumer products and food/foodservice packaging, as well as protective and flexible packaging. Approximately 80% of Packaging's revenue comes from products made from different types of plastics, with the balance from paper and aluminum products.

CONSUMER PRODUCTS AND FOOD/FOODSERVICE PACKAGING

Packaging manufactures, markets and sells consumer products, such as plastic storage bags for food and household items, plastic waste bags, foam and molded fiber disposable tableware and disposable aluminum cookware. Packaging sells many of these products under such recognized brand names as Hefty(R), Baggies(R), Hefty One-Zip(R), Kordite(TM) and E-Z Foil(R). These products are typically used by consumers in their homes, and Packaging markets and sells them through a variety of retailers, including supermarkets, mass merchandisers and other stores where consumers purchase household goods.

Packaging's food packaging products protect food during distribution, assist retailers in merchandising food and help customers prepare and serve meals in their homes. For food processors, Packaging offers dual-ovenable paperboard products, molded fiber egg cartons, foam meat trays, aluminum containers and modified atmosphere packaging, which extends the shelf life of meat products.

In addition, Packaging provides plastic zipper closures for a variety of flexible packaging applications. Packaging's food packaging products for supermarket in-store use include clear rigid display packaging used in produce, deli and bakery applications, microwaveable containers used for prepared, ready-to-eat meals, plastic foam trays for meat and produce, and bags for produce and bakery applications.

For its foodservice customers, Packaging offers products that help merchandize and serve both on-premises and takeout meals. These products include

and a broad line of takeout service containers made from clear plastic, microwaveable plastic, molded fiber, paperboard, foam and aluminum.

PROTECTIVE AND FLEXIBLE PACKAGING

Packaging manufactures, markets and sells protective packaging for use in the automotive, computer, electronic, furniture, durable goods, building and construction products industries. Packaging's sheet foams and air encapsulated bubble products, for example, are used for cushioning and surface protection. Its paperboard honeycomb and engineered foam plank products protect against shock, vibration and thermal damage. Packaging also offers other converted protective packaging products, including padded mailers, a variety of laminated protective coverings and customized packaging systems.

Packaging's flexible packaging products provide a variety of cost-effective, efficient and attractive solutions for consumer, medical, pharmaceutical, chemical, hygiene and industrial applications. These products include liners for disposable diapers, wrap-around sleeves for glass and plastic bottles, polypropylene medical bags used for sterile intravenous fluid delivery, modified atmosphere films, stand-up pouches, food and hygiene packaging, and disposable surgical kits custom designed for specific procedures.

Packaging also offers polyethylene stretch film, specialty aluminum materials and film and foam products for use in the construction industry.

GROWTH STRATEGY

Packaging has grown, and plans to continue to grow, by pursuing internal growth and strategic acquisitions. By pursuing this growth strategy, Packaging has increased the total revenues of its specialty packaging and consumer products business from \$845 million in 1995 to approximately \$2.8 billion in 1998. During this same period, its income from continuing operations from this business, before interest, income taxes and minority interest, increased from \$39 million to \$328 million, representing a compound annualized growth rate of 103%. See "-- Combined Selected Financial Data of Packaging."

As a separate, publicly traded company, Packaging expects to have greater flexibility to pursue its growth strategy. The increased flexibility will come from greater focus on a single enterprise and the enhanced access to capital markets that comes from the ability of investors and lenders to analyze and understand a single business platform. Packaging expects growth opportunities will come from additional product development and expansion initiatives as well as additional strategic acquisitions, joint ventures and strategic alliances.

INTERNAL GROWTH

Since 1995, Packaging has executed a strategy that focuses its business on markets that have strong underlying growth characteristics and attractive margins. Packaging offers customers "material neutral" solutions. In other words, Packaging's goal is not to sell customers a particular product line. Rather, through its custom design centers and broad product line, Packaging strives to create the best packaging solutions for its customers, tailored precisely to their needs. With this approach and Packaging's worldwide geographical coverage, Packaging has become a primary supplier to national and international manufacturers and distributors and has developed long-term relationships with key players in the consolidating packaging and food service distribution sector. Packaging intends to use these relationships to quickly identify and focus on growth markets with attractive margins as they develop, which should expand its customer base and market share.

Packaging seeks to add to its base business by developing new packaging solutions for markets where it believes its experience and familiarity give it a competitive advantage. In addition, Packaging grows market share for its existing products by taking advantage of (a) its broad product line of superior quality products and its long-term relationships with key manufacturers and distributors, (b) its product development and design services, (c) its investment in developing state-of-the-art service capabilities, and (d) its ongoing effort focused on reducing costs and improving the production of its operations.

Product Breadth/Relationships With Key Manufacturers and Distributors

Packaging's ability to provide "one-stop shopping" through its broad

product line is an important selling point with customers. In addition, Packaging has cultivated long-term relationships with key manufacturers and distributors who recognize Packaging's strong positions in multiple product categories. These relationships, coupled with Packaging's complete product line, are allowing Packaging to grow its market shares for existing products. For example, in foodservice packaging, Packaging holds the number one market share position in the United States and Canada with respect to four of its five main product categories, based on unit volume. Management estimates that products representing 80% of sales in Packaging's protective packaging business hold the number one or two market share position in North America, based on sales revenue.

New Products/Design Services

Packaging further fuels its internal growth by developing and commercializing proprietary new products and by designing value-added product-line extensions. In 1998, Packaging's consumer products and food/foodservice packaging business introduced over 80 new products and product-line extensions. In Packaging's protective and flexible packaging business, where custom design services drive revenues, it developed over 500 custom product applications in 1998. Packaging believes its new product innovation and design services will remain a key factor in driving future internal growth.

- Consumer Products and Food/Foodservice Packaging. During the last twelve months, in its consumer products and food/foodservice packaging business, Packaging added jumbo two-gallon bags and sandwich bags to its existing Hefty One-Zip(R) quart and half-gallon food storage and freezer bag offerings. Packaging is also leveraging its patented One-Zip(R) closure system by expanding into other zipper closure applications, such as SlideRite(TM) retail packaging for baby wipes, fresh produce, supermarket deli bags and other recloseable flexible packaging. In the United States, Packaging has the leading market share with Hefty(R) disposable tableware, and its E-Z Foil(R) brand disposable aluminum cookware line leads its competition by a wide margin in both sales and market share.

Packaging's new product innovations include ActiveTech(TM) packaging, a proprietary modified atmospheric package used by food processors for case-ready meat. ActiveTech(TM) packaging extends the shelf life of fresh, unfrozen red meat in a package that maintains the appearance of freshly packaged meat.

- Protective and Flexible Packaging. In Packaging's protective and flexible packaging business, new protective packaging products include engineered foams, and Profiles(R), a foam-based material used in various markets, such as building products and furniture, and custom designed to provide many benefits, including insulation, cushioning and surface protection. Recent flexible packaging innovations include high-end graphic stand-up pouches for soups and detergents and Propyflex(R) medical bags for fluids. Propyflex(R), a non-polyvinyl chloride barrier film, satisfies the requirements for flexibility and transparency even after sterilization and provides a cost-effective packaging by eliminating the need for secondary wrap.

State-of-the-Art Service Capabilities

To further take advantage of its broad product line offering and strong alignment with national distributors, Packaging has developed and implemented its Customer Linked Manufacturing system ("CLM"). CLM is a state-of-the-art production planning and order fulfillment system which enables Packaging's customers to do business easily and efficiently. CLM eliminates costs from the entire supply chain and provides both its customers and Packaging with a competitive advantage.

Productivity/Cost Reduction

Packaging's strong focus on improving productivity and reducing costs in its manufacturing and logistics operations is key to supporting the growth of its base business. For example, the unit manufacturing costs have continuously declined, net of inflation, for some of Packaging's products, such as

its foam products, rigid display packaging and performance films. This has allowed Packaging to maintain or improve its profit margins.

STRATEGIC ACQUISITIONS

Strategic acquisitions have been, and will continue to be, an important element of Packaging's overall growth strategy. Management has a proven record of identifying and acquiring businesses and rapidly integrating them into one of Packaging's business groups. Packaging pursues acquisitions that offer synergies through, among other things, rationalizing product lines, reconfiguring and upgrading manufacturing capabilities and reducing operating, selling, distribution, purchasing and administrative costs. Packaging also pursues acquisitions that strengthen its brand presence and expand its product offerings and markets.

Consumer Products and Food/Foodservice Packaging. Packaging plans to grow its consumer products and food/foodservice packaging business by acquiring similar businesses whose products and markets will complement Packaging's. Packaging will focus on acquiring specialized engineering and manufacturing capabilities that augment and enhance its existing processes and allow it to produce top-quality products efficiently. Since the beginning of 1995, its consumer products and food/foodservice packaging business has grown through the following acquisitions:

- In 1995, Packaging more than doubled its sales with the acquisition of Mobil Plastics. This acquisition expanded its product offerings to include foam containers, meat and poultry trays, disposable plates and bowls, polyethylene film products, produce bags and stretch film, as well as the well-known consumer products Baggies(R) food bags and Hefty(R) waste bags and tableware. This acquisition also added state-of-the-art manufacturing capabilities and new product technologies, including the One-Zip(R) closure system.
- In August 1996, Packaging acquired Amoco Foam Products Company, which enhanced its distribution capabilities and market coverage, especially among food processors. Amoco Foam's product portfolio included foam tableware, hinged lid containers, food trays and residential and commercial insulation products.
- In September 1998, Packaging augmented its dual-ovenable paperboard manufacturing capacity by acquiring a Champion International facility in Belvidere, Illinois. As a result, Packaging has the capability to manufacture this product, which may be heated in a conventional or a microwave oven, for a broad spectrum of uses in various products.

Protective and Flexible Packaging. Packaging intends to continue its global growth strategy of acquiring custom engineering and design capabilities that will provide multi-material packaging solutions to markets with strong underlying growth characteristics. Management estimates that this strategy has made it one of the largest producers of protective packaging in the United States. Since the beginning of 1995, Packaging's protective and flexible packaging business has grown through the following acquisitions:

- In 1995, continuing its growth strategy of acquiring specialty packaging applications, Packaging entered the protective packaging sector by buying Hexacomb, a manufacturer of paperboard honeycomb products.
- In 1997, Packaging acquired the protective and flexible packaging businesses of KNP BT, which operated in Europe and North America. With this acquisition, Packaging entered the European protective and flexible packaging markets and enhanced its global specialty packaging position. This acquisition also broadened the scope of its protective packaging business to include sheet foam, engineered foam and air encapsulated bubble and mailer applications. Packaging also acquired two honeycomb plants in 1997.
- In April 1998, Packaging acquired Richter Manufacturing, a West Coast manufacturer and distributor of protective packaging products. This acquisition expanded the geographical coverage of its North American protective packaging operation.

- In December 1998, Packaging acquired the foam packaging assets of Sentinel Products, a North American producer of specialty polyolefin foams. This acquisition further diversified its protective packaging product offering and increased its manufacturing capacity. Packaging also formed a global joint venture, Sentinel Polyolefin LLC, with Sentinel to produce and market chemically blown polyolefin foam applications in a wide variety of non-packaging markets, including the automotive, sports and leisure, medical and adhesive tape markets.

MARKETING, DISTRIBUTION AND CUSTOMERS

Packaging's sales and marketing staff of 500 people is organized along three main product groups: consumer products, foodservice and supermarket products, and protective and flexible packaging products.

The consumer product group sells waste bags, food storage bags, disposable plates and bowls and disposable aluminum cookware primarily to grocery stores and mass merchandisers. These products are sold through a direct sales force and a national network of brokers and manufacturers' representatives.

The foodservice, supermarket and food packer and processor sales organizations sell a broad array of disposable, rigid and flexible packaging made from plastic, aluminum, molded fiber and pressed paperboard materials. The products include disposable plates and bowls, carry-out containers, rigid display containers, microwavable and dual-ovenable food containers, food and specialty retail bags and foil wrap. Packaging's foodservice and supermarket sales are made primarily through a network of independent distributors. Food packer and processor sales are made primarily direct to large processors, with some sales through distributors.

The protective and flexible packaging group sells to distributors, fabricators and directly to end-users worldwide.

No material portion of Packaging's business is dependent upon a single customer or even a few customers, and no one customer accounted for more than 10% of Packaging's aggregate net sales for the fiscal year ended December 31, 1998. In general, the backlog of orders is not significant or material to an understanding of Packaging's business.

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ANALYSIS OF REVENUES

The following tables set forth for each of the years 1996 through 1998, and for the six months ended June 30, 1999, information relating to Packaging's sales from continuing operations:

<TABLE>
<CAPTION>

	NET SALES (MILLIONS)			
	SIX MONTHS ENDED	YEAR ENDED DECEMBER 31,		
	JUNE 30, 1999	1998	1997	1996
	<C>	<C>	<C>	<C>
Disposable plastic, fiber, and aluminum packaging products.....	\$1,038	\$2,126	\$2,105	\$1,862
Plastic and fiber protective/flexible packaging products.....	311	607	399	78
Other.....	55	52	49	47
Total.....	\$1,404	\$2,785	\$2,553	\$1,987

</TABLE>

<TABLE>
<CAPTION>

	PERCENTAGE OF NET SALES			
	SIX MONTHS ENDED	YEAR ENDED DECEMBER 31,		
	JUNE 30, 1999	1998	1997	1996
	<C>	<C>	<C>	<C>
TOTAL SALES				
Disposable plastic, fiber, and aluminum packaging products.....	74%	76%	83%	94%
Plastic and fiber protective/flexible packaging products.....	22	22	15	4
Other.....	4	2	2	2
Total.....	100%	100%	100%	100%

SALES BY GEOGRAPHIC AREA(a)				
United States.....	78%	80%	83%	89%
European Union.....	18	17	15	8
Canada.....	2	1	1	2
Other areas.....	2	2	1	1
	---	---	---	---
Total.....	100%	100%	100%	100%
	===	===	===	===

</TABLE>

(a) See Note 14 to the Combined Financial Statements of The Businesses of Tenneco Packaging included elsewhere in this document for information about foreign and domestic operations.

COMPETITION

Packaging operates in markets that are highly competitive and faces substantial competition throughout all of its product lines from numerous global, national and regional companies, ranging from the largest packaging companies to small, emerging companies. Companies that compete with Packaging may have greater financial and other resources than it does, while others are significantly smaller with lower fixed costs and possibly greater operating flexibility. In addition to price, competition with respect to many of Packaging's products is based on quality, service supplier response time and timely and complete order fulfillment. In addition, other packaging producers supply alternative materials and structures and serve different geographic regions through various distribution channels.

INTERNATIONAL

Packaging operates facilities and sells products in countries throughout the world. As a result, Packaging is subject to risks associated with selling and operating in foreign countries, including devaluations and fluctuations in currency exchange rates, imposition of limitations on conversion of foreign currencies into U.S. dollars or remittance of dividends and other payments by foreign subsidiaries, impositions or increase of withholding and other taxes on remittances and other payments by foreign subsidiaries, hyperinflation in foreign countries where Packaging does business, and imposition or increase of investment and other restrictions by foreign governments.

PROPERTIES

HEADQUARTERS LOCATIONS

Packaging leases its executive offices at 1900 West Field Court, Lake Forest, Illinois, 60045, and its telephone number at that address is (847) 482-2000.

MANUFACTURING AND ENGINEERING FACILITIES

In North America, Packaging operates 65 facilities in 18 states, Canada and Mexico. Plastic and aluminum disposable foodservice and consumer products, stretch films and building products are manufactured at 25 plants. The protective packaging operations convert paperboard into honeycomb products at 12 plants. An additional 13 plants apply extrusion, foaming and converting technologies to produce clear, foamed, flexible or rigid plastic protective packaging from polystyrene, polyolefins, such as polyethylene and polypropylene, and kraft papers. Molded fiber packaging is produced at seven locations, and an eighth location manufactures tooling for the molded fiber plants. Finally, ovenable paperboard products are manufactured at two facilities. A research and development center for food packaging and process development is located in a new facility in Canandaigua, New York. Design centers for protective and flexible packaging and process development are located in Buffalo Grove, Illinois, Grand Rapids and Troy, Michigan and Santa Fe Springs, California. In addition, Packaging participates in two North American joint ventures, Sentinel Polyolefin LLC and Tenneco Packaging de Mexico.

Packaging owns 24 international manufacturing operations. Eleven protective packaging plants in Belgium, England, France, Germany, Italy, The Netherlands, Poland, Spain and Hungary make plastic air encapsulated bubble and foam sheet

products, including mailers. Five flexible products plants in Egypt and Germany make high quality flexible films, bags, labels and pouches, printed and converted paper bags and disposable medical packaging. Omni-Pac is a European subsidiary operation that manufactures molded fiber and cushion packaging with manufacturing facilities in Elsfleth, Germany and Great Yarmouth, England. Packaging's Alupak operation in Belp, Switzerland produces smoothwall aluminum portion packs and specialty food packaging applications. Single-use thermoformed plastic food containers and films are manufactured at four facilities in England, Scotland and Wales. Packaging also has a wood products operation in Romania. In addition, Packaging operates or participates in several international joint ventures, including a folding carton plant in Dongguan, China, a recycling venture in Budapest, Hungary and a corrugated converting facility in Shaoxing, China.

Packaging believes that substantially all of its plants and equipment are, in general, well maintained and in good operating condition. They are considered adequate for present needs, and as supplemented by planned construction, are expected to remain adequate for the near future.

Packaging is of the opinion that Packaging, or its subsidiaries, has generally satisfactory title to the properties owned and used in its businesses, subject to liens for current taxes and easements, restrictions and other liens which do not materially detract from the value of the properties or Packaging's interest in the properties or the use of those properties in its businesses.

RAW MATERIALS

Plastic resins, such as polystyrene, polyethylene, polypropylene and polyvinyl chloride, aluminum rollstock, linerboard and recycled fiber constitute the principal raw materials used in the manufacture of most of Packaging's products. Generally, these raw materials are readily available from a wide variety of suppliers. The costs of these materials may be volatile, and are a function of, among other things, the manufacturing capacity for those materials and the costs of their components, which may also vary. Costs for Packaging's plastic resin and recycled fiber tend to fluctuate with economic factors which generally affect Packaging and its competitors. The availability of raw materials was adequate in 1998 and the first three months of 1999 and is expected to remain adequate throughout the remainder of 1999.

ENVIRONMENTAL REGULATION

The packaging industry, in general, and Packaging is subject to existing and potential federal, state, local and foreign legislation designed to reduce air emissions. In addition, various consumer and special

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interest groups have lobbied from time to time for the implementation of these and other similar measures. Although Packaging believes that the legislation and regulations promulgated to date and the initiatives to date have not had a material adverse effect on Packaging, Packaging cannot assure you that any such future legislative or regulatory efforts or future initiatives would not have a material adverse effect on Packaging.

OTHER

As of July 1, 1999, Packaging employed approximately 15,000 people, 14% of whom were covered by collective bargaining agreements. Four of these agreements, covering a total of 247 employees, are scheduled for renegotiation before December 31, 1999. In Europe, approximately 2,240 employees are governed by works councils. Packaging regards its employee relations as generally satisfactory. Packaging owns a number of domestic and foreign patents and trademarks and other intellectual property relating to its products which are important to the manufacture, marketing and distribution of its products. In addition, Packaging's administrative services operations hold numerous software licenses and own computer equipment.

Packaging's administrative services operations design, implement and administer administrative service programs and data processing, providing the following services: (a) financial accounting services; (b) employee benefits administration for all major salaried and hourly benefit plans; (c) human resources and payroll services; (d) mainframes and distributed systems operations; (e) telecommunications and network operations and management; (f) help desk support; and (g) disaster recovery support. After the spin-off, Packaging will continue to provide some of these services to Automotive. See "The Spin-off -- Relationship Between Automotive and Packaging After the Spin-off." Tenneco and Packaging are currently analyzing their alternatives with respect to those operations. See "-- Management's Discussion and Analysis of

LEGAL PROCEEDINGS

See "-- Management's Discussion and Analysis of Financial Condition and Results of Operations" for information about Packaging's potential environmental liability. Packaging and its subsidiaries are parties to various other legal proceedings arising from their operations. Packaging believes that the outcome of these other proceedings, individually and in the aggregate, will not have a material adverse effect on its financial position or results of operations.

CONTAINERBOARD PACKAGING INTEREST

On April 12, 1999, Packaging contributed all of its containerboard packaging business to a new joint venture, in which it now owns a 43% common equity interest. For a description of the contribution and Packaging's plans to sell its remaining joint venture interest, see "-- Unaudited Pro Forma Combined Financial Statements of Packaging" and "-- Management's Discussion and Analysis of Financial Condition and Results of Operations." For a description of the joint venture, see "Summary-- The Companies -- Packaging."

Packaging Corporation of America manufactures corrugated containers, containerboard, and lumber and related wood products. It has four mills and 67 corrugated products facilities. It also participates in the wood products business and has access to approximately 950,000 acres of timberland in the United States through both owned and leased properties. Revenues from the containerboard business in 1998 were \$1.57 billion.

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MANAGEMENT

BOARD OF DIRECTORS

Upon completion of the spin-off, the Packaging Board of Directors will consist of six members. Each director will serve an annual term that will expire at the annual meeting of Packaging stockholders in each year and until his or her successor has been elected and qualified. Information concerning the individuals who will serve as directors of Packaging as of the date of the spin-off is provided below.

DANA G. MEAD, CHAIRMAN OF THE BOARD -- Mr. Mead is currently the Chairman and Chief Executive Officer of Tenneco and has served as an executive officer of Tenneco since April 1992, when he joined Tenneco as Chief Operating Officer. Prior to joining Tenneco, Mr. Mead served as an Executive Vice President of International Paper Company, a manufacturer of paper, pulp, and wood products, from 1988, and served as Senior Vice President of that company from 1981. He is also a director of Packaging Corporation of America, Textron Inc., Zurich Allied AG, Pfizer Inc. and Newport News Shipbuilding Inc. Mr. Mead is 63 years old and has been a director of Tenneco since 1992. Upon completion of the spin-off, he will resign as Chief Executive Officer of Tenneco, but will continue, on a non-executive basis, as the Chairman of the Board of Automotive and Packaging through March 2000.

MARK ANDREWS -- Mr. Andrews has been Chairman of Andrews Associates, Inc., a government consulting firm, since February 1987. From 1963 to 1980, he served in the U.S. House of Representatives, and from 1980 to 1986 he served in the U.S. Senate. He is also a director of Union Storage Co. Mr. Andrews is 73 and has been a director of Tenneco since 1987. Mr. Andrews will continue as a director of Automotive upon the spin-off.

LARRY D. BRADY -- Mr. Brady was President of FMC Corporation, a producer of chemicals and machinery for industry, agriculture, and government, from 1993 to June 1999. In August 1999, he became the President and Chief Operating Officer of UNOVA, Inc., an industrial technologies company. Before 1993, Mr. Brady served in various executive capacities with FMC Corporation for more than five years. Mr. Brady is 56 years old and has been a director of Tenneco since January 1998. Mr. Brady will not be continuing as a director of Automotive after the spin-off.

ROGER B. PORTER -- Mr. Porter is Director of the Center for Business and

Government at Harvard University and is the IBM Professor of Business and Government. Mr. Porter has served on the faculty at Harvard University since 1977. Mr. Porter also held senior economic policy positions in the Ford, Reagan and Bush White Houses, serving as special assistant to the President and executive secretary of the Economic Policy Board from 1974 to 1977, as deputy assistant to the President and director of the White House Office of Policy Development from 1981 to 1985, and as assistant to the President for economic and domestic policy from 1989 to 1993. He is also a director of RightCHOICE Managed Care, Inc., National Life Insurance Company, and Zions Bancorporation. Mr. Porter is 53 years old and has been a director of the Tenneco since January 1998. He will continue as a director of Automotive upon the spin-off.

PAUL T. STECKO -- Mr. Stecko became the Chief Executive Officer of Packaging Corporation of America, Packaging's containerboard joint venture, in connection with the April 1999 formation of that venture. From November 1998 to April 1999, Mr. Stecko served as President and Chief Operating Officer of Tenneco. From January 1997 to that time, Mr. Stecko served as President and Chief Executive Officer of Packaging. Prior to joining Tenneco, Mr. Stecko spent 16 years with International Paper Company. He is also a director of State Farm Mutual Insurance Company and the Chairman of the Board of Packaging Corporation of America. Mr. Stecko is 54 years old and has been a director of Tenneco since November 1998. He will continue as a director of Automotive upon the spin-off.

RICHARD L. WAMBOLD -- Mr. Wambold will be the Chief Executive Officer of Packaging upon the spin-off and has been serving as its President since June 1999. From June 1997 to May 1999, he was Executive Vice President and General Manager of Packaging's specialty packaging and consumer products units. Prior to joining Packaging in 1994, Mr. Wambold was Executive Vice President of Case Corporation's construction equipment and worldwide parts business.

EXECUTIVE OFFICERS

The following table provides information concerning the persons who will serve as executive officers of Packaging upon completion of the spin-off. Each of the named persons has been, or before the spin-off will be, elected to the office indicated opposite his name. The executive officers will serve at the discretion of Packaging's Board. Officers are elected at the annual meeting of directors held immediately following the annual meeting of shareowners.

<TABLE>
<CAPTION>

NAME	AGE AT		POSITION
	JUNE 30, 1999		
----	-----		-----
<S>	<C>	<C>	
Richard L. Wambold.....	47	Chief Executive Officer	
		Senior Vice President -- Protective and Flexible	
Paul J. Griswold.....	47	Packaging	
James V. Faulkner, Jr.	55	Vice President and General Counsel	
James D. Morris.....	45	Vice President and GM Operations	
		Vice President -- Supermarket and Foodservice	
Peter J. Lazaredes.....	48	Packaging	
[To be provided by			
amendment].....		Chief Financial Officer	

</TABLE>

RICHARD L. WAMBOLD -- See "-- Board of Directors," above, for information concerning Mr. Wambold.

PAUL J. GRISWOLD -- Mr. Griswold was named Senior Vice President -- Protective and Flexible Packaging in May 1997. Since joining Packaging in 1994, he has held various senior management positions in Packaging's protective and flexible packaging units. With over 20 years of packaging-related experience, Mr. Griswold began his career at International Paper Company, holding positions in sales, marketing and operations, and was later Vice President, Packaging for Pepsi Cola International.

JAMES V. FAULKNER, JR. -- Mr. Faulkner joined Packaging in 1995 as its Vice President and General Counsel. Prior to that he was Vice President -- Law for Tenneco. Mr. Faulkner began his legal career with Lord, Day & Lord and was later Associate General Counsel of Union Pacific Corporation and Senior Vice President of USPCI, a wholly owned subsidiary of Union Pacific. He has 25 years experience in staff and operational legal positions.

JAMES D. MORRIS -- Mr. Morris will be Vice President and GM Operations upon the spin-off. Since 1995 he has held various senior management positions in Packaging's specialty packaging unit, including oversight of manufacturing, engineering and product development. He also has responsibility for the sales, marketing and business planning of the processor packer operations of the specialty packaging unit. Mr. Morris joined Packaging in connection with its 1995 acquisition of Mobil Plastics. He spent 20 years with Mobil in assignments which included manager of polyethylene manufacturing, regional manufacturing manager and plant manager.

PETER J. LAZAREDES -- Mr. Lazaredes will be Vice President -- Supermarket and Foodservice Packaging upon the spin-off. Since 1996 he has held various senior management positions in Packaging's speciality packaging unit, including responsibility for the marketing and sales of rigid and flexible containers to the foodservice and institutional markets. Mr. Lazaredes joined Packaging in 1996 from Amoco Foam Products where he was General Manager of the tableware business unit from 1992. He spent 15 years with Amoco in sales and marketing positions for packaging, fabrics and fibers divisions.

STOCK OWNERSHIP OF MANAGEMENT

The following table shows, as of June 30, 1999, the number of shares of Tenneco common stock beneficially owned by: (1) each person who will be a director of Packaging upon the spin-off; (2) each person who is named in the Summary Compensation Table for Packaging, below; and (3) all persons who will be directors or executive officers of Packaging upon the spin-off, as a group. The table also shows: (a) Tenneco common stock equivalents held by these directors and executive officers under benefit plans;

and (b) the total number of shares of Tenneco common stock and common stock equivalents held. Upon the spin-off, holders of Tenneco common stock will receive one share of Packaging common stock for each share of Tenneco common stock held.

<TABLE>
<CAPTION>

DIRECTORS	SHARES OF			TENNECO	TOTAL TENNECO
	TENNECO COMMON STOCK			COMMON STOCK	SHARES AND
	OWNED (1)	(2)	(3)	EQUIVALENTS (4)	EQUIVALENTS
<S>	<C>			<C>	<C>
Mark Andrews.....	14,155			1,600	15,755
Larry D. Brady.....	2,000			3,381	5,381
Dana G. Mead.....	765,821			44,737	810,558
Roger B. Porter.....	2,000			3,420	5,420
Paul T. Stecko.....	314,362			--	314,362
Richard L. Wambold.....	90,872			--	90,872
EXECUTIVE OFFICERS					
Paul J. Griswold.....	31,460			--	31,460
James V. Faulkner, Jr.....	22,086			--	22,086
James D. Morris.....	27,827			--	27,827
Peter J. Lazaredes.....	17,147			--	17,147
All executive officers and directors as a group.....	1,287,730	(5)		53,138	1,340,868 (5)

</TABLE>

(1) Each director and executive officer has sole voting and investment power over the shares beneficially owned (or has the right to acquire shares as described in note (2) below) as set forth in this column, except for: (a) restricted shares; and (b) shares that executive officers and directors have the right to acquire pursuant to stock options. Generally, Tenneco restricted shares will be vested prior to the spin-off. In connection with the spin-off the Tenneco stock options held by the executive officers listed above will be replaced with Packaging stock options which have equivalent economic terms. Tenneco stock options held by directors will be replaced in the same manner, except that one-half of the options held by Messrs. Mead, Andrews and Porter will continue as Tenneco options, adjusted to maintain equivalent economic terms upon the spin-off, and options held by Mr. Stecko will terminate unless exercised prior to the spin-off.

- (2) Includes restricted shares. At June 30, 1999, Messrs. Andrews, Mead, Wambold, Griswold, Morris and Lazaredes held 6,547; 66,025; 15,000; 10,000; 5,000; and 5,000 restricted shares, respectively. Also includes shares that are subject to options which are exercisable within 60 days of June 30, 1999 for Messrs. Andrews, Brady, Mead, Porter, Stecko, Wambold, Griswold, Faulkner, Morris and Lazaredes to purchase 2,000; 2,000; 616,176; 2,000; 288,814; 49,077; 19,357; 19,312; 14,993; and 8,603 shares, respectively.
- (3) Less than one percent of the outstanding shares of Tenneco common stock.
- (4) Common stock equivalents are distributed in shares of Tenneco common stock or, in some circumstances, cash after the individual ceases to serve as a director or officer. Common stock equivalents held by directors who are not employees of Tenneco will be vested and distributed prior to the spin-off.
- (5) Includes 1,022,332 shares that are subject to options that are exercisable within 60 days of June 30, 1999, by all executive officers and directors as a group, and includes 107,572 restricted shares for all executive officers and directors as a group.

COMMITTEES OF THE BOARD OF DIRECTORS

The Packaging Board will establish three standing committees as permitted by its by-laws, which will have the following described responsibilities and authority:

The Audit Committee, comprised solely of outside directors, will have the responsibility, among other things, to: (1) recommend the selection of Packaging's independent public accountants; (2) review and approve the scope of the independent public accountants' audit activity and extent of non-audit services; (3) review with management and such independent public accountants the adequacy of Packaging's basic accounting system and the effectiveness of Packaging's internal audit plan and activities; (4) review with management and the independent public accountants Packaging's certified financial statements and exercise general oversight of Packaging's financial reporting process; and (5) review with Packaging litigation and other legal matters that may affect Packaging's financial condition and monitor compliance with Packaging's business ethics and other policies.

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The Compensation/Nominating/Governance Committee, comprised solely of outside directors, will have the responsibility, among other things, to: (1) establish the salary rate of officers and employees of Packaging and its subsidiaries; (2) examine periodically the compensation structure of Packaging; and (3) supervise the welfare and pension plans and compensation plans of Packaging. It will also have significant corporate governance responsibilities, among other things, to: (a) review and determine the desirable balance of experience, qualifications and expertise among members of the Packaging Board; (b) review possible candidates for membership on the Packaging Board and recommend a slate of nominees for election as directors at Packaging's annual stockholders' meeting; (c) review the function and composition of the other committees of the Packaging Board and recommend membership on these committees; and (d) review the qualifications and recommend candidates for election as officers of Packaging.

The Three-year Independent Director Evaluation Committee, comprised solely of outside directors, will have the responsibility, among other things, to review Packaging's qualified offer rights plan, which will be adopted prior to the spin-off, at least every three years and, if it deems it appropriate, recommend that the full Packaging Board modify or terminate that plan.

EXECUTIVE COMPENSATION

The following table shows the compensation paid by Tenneco and/or its direct and indirect subsidiaries, including Packaging, for 1998 to: (a) the

person who will become the Chief Executive Officer of Packaging upon the spin-off; and (b) each of the persons who will be included among the four most highly compensated executive officers of Packaging upon the spin-off, based on 1998 compensation, other than the Chief Executive Officer. The table shows the amounts paid to these persons for all services provided to Tenneco and its subsidiaries, including Packaging.

SUMMARY COMPENSATION TABLE

<TABLE>
<CAPTION>

NAME AND PRINCIPAL POSITION	ANNUAL COMPENSATION			LONG-TERM COMPENSATION		
	SALARY (1)	BONUS	OTHER ANNUAL COMPENSATION (2)	RESTRICTED STOCK AWARDS (3)	OPTIONS (4)	ALL OTHER COMPENSATION (5)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Richard L. Wambold..... Chief Executive Officer	\$355,472	\$220,000	\$152,685	\$187,800	45,000	\$11,643
Paul J. Griswold..... Senior Vice President -- Protective and Flexible Packaging	\$275,500	\$125,000	\$ 31,165	\$187,800	20,000	\$ 9,812
James V. Faulkner, Jr. Vice President and General Counsel	\$266,568	\$ 82,000	\$ 25,760	--	10,000	\$17,674
James D. Morris..... Vice President and GM Operations	\$206,004	\$115,000	\$ 29,405	\$187,800	20,000	\$14,139
Peter J. Lazaredes..... Vice President -- Supermarket and Foodservice Packaging	\$182,773	\$ 73,000	\$ 30,730	\$177,800	20,000	\$12,704

</TABLE>

(1) Includes base salary plus amounts paid in lieu of matching contributions to the Tenneco Thrift Plan.

(2) Includes amounts attributable to: (a) the value of personal benefits provided by Tenneco to executive officers, such as the personal use of Tenneco-owned property and relocation expenses; (b) reimbursement for taxes; and (c) amounts paid as dividend equivalents on performance share equivalent units ("Dividend Equivalents"). The amount of each personal benefit that exceeds 25% of the estimated value of the total personal benefits provided by Tenneco, reimbursement for taxes, and amounts paid as Dividend Equivalents to the individuals named in the table for 1998 was as follows: \$58,908 in relocation expenses, \$47,171 for reimbursement of taxes, \$15,600 in Dividend Equivalents and \$30,000 perquisite allowance for Mr. Wambold; \$342 for reimbursement of taxes, \$10,320 in Dividend Equivalents and \$20,000 perquisite allowance for Mr. Griswold; \$5,760 in Dividend Equivalents and \$20,000 perquisite allowance for Mr. Faulkner; \$6,600 in Dividend Equivalents and \$20,000 perquisite

allowance for Mr. Morris; and \$17,530 in relocation expenses, \$1,200 in Dividend Equivalents and \$12,000 perquisite allowance for Mr. Lazaredes.

(3) Includes the dollar value of grants of restricted shares based on the price of Tenneco common stock on the date of grant. At December 31, 1998, Messrs. Wambold, Griswold, Faulkner, Morris and Lazaredes held 28,000; 18,600; 4,800; 10,500; and 6,000 restricted shares and/or performance share equivalent units, respectively. The value at December 31, 1998 (based on a per share/equivalent unit price of \$34.063 on that date) of all restricted shares/performance units held was \$953,764 for Mr. Wambold, \$633,572 for Mr. Griswold, \$163,502 for Mr. Faulkner, \$357,662 for Mr. Morris and \$204,378 for Mr. Lazaredes. Generally, restricted shares and performance share equivalent units will be vested prior to the spin-off. Dividends/Dividend Equivalents will be paid on the restricted shares/performance share equivalent units held by each individual.

(4) In connection with the spin-off, the Tenneco stock options held by the persons listed above will be replaced with options to purchase Packaging common stock, the number and exercise price of which will be adjusted so that the new Packaging options have equivalent economic terms as the old Tenneco options.

(5) Includes amounts attributable during 1998 to benefit plans of Tenneco as follows:

(a) The amounts contributed pursuant to Tenneco's Thrift Plan for the accounts of Messrs. Wambold, Griswold, Faulkner, Morris and Lazaredes were \$10,000; \$6,650; \$8,000; \$10,000; and \$10,000, respectively.

(b) The dollar values paid by Tenneco for insurance premiums under the Tenneco group life insurance plan (including dependent life) for Messrs. Wambold, Griswold, Faulkner, Morris and Lazaredes were \$1,643; \$3,162; \$9,674; \$4,139 and \$2,704, respectively.

OPTIONS GRANTED IN 1998

The following table shows the number of options to purchase Tenneco common stock that were granted by Tenneco during 1998 to the persons named in the Summary Compensation Table above.

<TABLE>
<CAPTION>

NAME	SHARES OF COMMON STOCK UNDERLYING OPTIONS GRANTED (#) (1)	PERCENT OF TOTAL OPTIONS GRANTED TO TENNECO EMPLOYEES IN 1998 (%)	EXERCISE PRICE (\$) (2)	EXPIRATION DATE	GRANT DATE PRESENT VALUE (3)
Mr. Wambold.....	45,000	2.6%	\$36.63	2008	\$463,050
Mr. Griswold.....	20,000	1.1%	\$36.63	2008	\$205,800
Mr. Faulkner.....	10,000	.5%	\$36.63	2008	\$102,900
Mr. Morris.....	20,000	1.1%	\$36.63	2008	\$205,800
Mr. Lazaredes.....	10,000	.5%	\$36.63	2008	\$102,900
	10,000	.5%	\$37.31	2018	\$104,500

</TABLE>

(1) In connection with the spin-off, the Tenneco stock options held by the persons listed above will be replaced with options to purchase Packaging common stock, the number and exercise price of which will be adjusted so that the new Packaging options have equivalent economic terms to the old Tenneco options.

(2) All options were granted with exercise prices equal to 100% of the fair market value of a share of Tenneco common stock on the date of grant.

(3) The Black-Scholes valuation was performed using the following assumptions: 25.6% volatility, 5.7% risk free interest rate, 3.2% expected dividend rate and 10 year option life. Mr. Lazaredes' option grant that expires in 2018 is valued assuming that such options are exercised by the 10th year.

OPTIONS AT 1998 YEAR-END

The following table shows the number of options to purchase Tenneco common stock held as of December 31, 1998 by the persons named in the Summary Compensation Table above. No Tenneco options were exercised in 1998, and there were no in-the-money options as of December 31, 1998.

<TABLE>
<CAPTION>

NAME	TOTAL NUMBER OF UNEXERCISED OPTIONS HELD AT DECEMBER 31, 1998 (1)	
	EXERCISABLE	UNEXERCISABLE
<S>	<C>	<C>
Mr. Wambold.....	29,820	107,023
Mr. Griswold.....	10,949	58,109
Mr. Faulkner.....	14,043	31,501
Mr. Morris.....	6,662	48,330
Mr. Lazaredes.....	5,269	19,634

</TABLE>

(1) In connection with the spin-off, the Tenneco stock options held by the persons listed above will be replaced with options to purchase Packaging common stock, the number and exercise price of which will be adjusted so that the new Packaging options have equivalent economic terms to the old Tenneco options.

LONG-TERM INCENTIVE PLAN

PERFORMANCE SHARE EQUIVALENT UNIT AWARDS IN 1998

The following table shows information concerning performance-based awards made to the persons named in the Summary Compensation Table, above, during 1998 by Tenneco.

<TABLE>
<CAPTION>

NAME	NUMBER OF SHARES, UNITS OR OTHER RIGHTS (1) (2)	PERFORMANCE OR OTHER PERIOD UNTIL MATURATION OR PAYOUT (3)	ESTIMATED FUTURE PAYOUTS UNDER NON-STOCK PRICE BASED PLANS (1)		
			THRESHOLD (4)	TARGET (4)	MAXIMUM (4)
<S>	<C>	<C>	<C>	<C>	<C>
Mr. Wambold.....	6,500	4 years	25%	100%	150%
Mr. Griswold.....	5,000	4 years	25%	100%	150%
Mr. Faulkner.....	2,400	4 years	25%	100%	150%
Mr. Morris.....	3,000	4 years	25%	100%	150%
Mr. Lazaredes.....	1,000	4 years	25%	100%	150%

</TABLE>

(1) Estimated future payouts are based on earnings per share ("EPS") from continuing operations; however, generally, performance share equivalent units will be deemed to be earned at the target level and vested prior to the spin-off.

(2) Each performance share equivalent unit represents one share of Tenneco's common stock that may be earned and the number of performance share

equivalent units listed in this column represents the maximum number of performance share equivalent units that may be earned under this award.

- (3) Performance share equivalent units are earned at the rate of 25% per year based on achievement of annual EPS goals; however, generally performance share equivalent units will be deemed to be earned at the target level and vested prior to the spin-off.
- (4) Represents maximum performance share equivalent units earned where the goals were consistently within the indicated performance range on an individual year and accumulated four-year basis; however, generally performance share equivalent units will be deemed to be earned at the target level and vested prior to the spin-off.

PENSION PLAN TABLE

The following table shows the aggregate estimated annual benefits payable upon normal retirement pursuant to the Tenneco Retirement Plan and the Tenneco Inc. Supplemental Executive Retirement Plan to persons in specified remuneration and years of credited participation classifications. The Tenneco Retirement Plan will be assumed by Packaging in connection with the spin-off, and Packaging will adopt a supplemental executive retirement plan that is substantially identical to Tenneco's current plan.

<TABLE>
<CAPTION>

ANNUAL REMUNERATION	YEARS OF CREDITED PARTICIPATION				
	15	20	25	30	35
<S>	<C>	<C>	<C>	<C>	<C>
\$250,000.....	\$ 58,928	\$ 78,571	\$ 98,214	\$117,857	\$137,500
300,000.....	70,714	94,285	117,857	141,428	165,000
350,000.....	82,500	110,000	137,500	165,000	192,500
400,000.....	94,285	125,714	157,142	188,571	220,000
450,000.....	106,071	141,428	176,785	212,142	247,500
500,000.....	117,857	157,142	196,428	235,714	275,000
550,000.....	129,642	172,857	216,071	259,285	302,500
600,000.....	141,428	188,571	235,714	282,857	330,000
650,000.....	153,214	204,285	255,357	306,428	357,500
700,000.....	165,000	220,000	275,000	330,000	385,000

</TABLE>

- (1) The benefits shown above are computed as a straight life annuity and are based on years of credited participation and the employee's average compensation (salary and bonus). These benefits are not subject to any deduction for Social Security or other offset amounts. The years of credited participation for Messrs. Wambold, Griswold, Faulkner, Morris and Lazaredes are 21, 4, 5, 24 and 18, respectively. See the Summary Compensation Table on page 89 for salary and bonus information for these individuals.
- (2) If Mr. Wambold completes five years of service in the period commencing January 1, 1997, he will be entitled to benefits commencing at age 55 determined by multiplying his average salary plus bonus, determined over a three-year period, by 25% plus 2.5% for each year of service in the period commencing January 1, 1997, up to a maximum of 50%. Mr. Faulkner is entitled to special early retirement benefits and, if he remains with Packaging through December 31, 2002, his benefit will be determined by adding three years of participation and age to his actual participation and age.

COMPENSATION OF DIRECTORS

Fee Structure. Following the spin-off, each director who is not also an

employee of Packaging or its subsidiaries, an "outside director," will be paid a yearly retainer fee of \$35,000 for service on the Packaging Board of Directors. In general, 100% of that fee will be paid in the form of stock-settled common stock equivalents (the "directors' stock equivalents"), as described below. A director may elect, however, to have up to 40%, or \$14,000, of the fee paid in cash. These outside directors will also receive cash attendance fees and committee chair and membership fees, and reimbursement of their expenses for attending meetings of the Board of Directors. Outside directors will receive \$1,000 for each meeting of the Board of Directors attended, and each one who serves as a Chairman of the Audit Committee or the Compensation/Nominating/Governance Committee will be paid a fee of \$7,000 per chairmanship. Outside directors who serve as members of these committees will be paid \$4,000 per committee membership. Members of the Three-year Independent Director Evaluation Committee will receive \$1,000 plus expenses for each meeting of that committee attended.

Common Stock Equivalents/Options. As described above, all or a portion of an outside director's retainer fee will be paid in common stock equivalent units. These directors' stock equivalents will be payable in shares of Packaging's common stock after an outside director ceases to serve as a director of Packaging. Final distribution of these shares may be made either in a lump sum or in installments over a period of years. The directors' stock equivalents are issued at 100% of the fair market value on the date of the grant. Each outside director will also receive an annual grant of an option to purchase up to 3,000 shares of Packaging common stock as additional incentive compensation. Directors options: (a) will be granted with per share exercise prices equal to 100% of the fair market value of a share of Packaging

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common stock on the day the option is granted; (b) will have terms of ten years; and (c) will fully vest six months from the grant date. Once vested, the directors options will be exercisable at any time during the option term.

Packaging expects that restricted shares of Tenneco common stock and directors' stock equivalents held by outside directors will be vested prior to the completion of the spin-off, and these directors will be paid an amount in cash to defray taxes incurred on that vesting.

Deferred Compensation Plan. Packaging will have a voluntary deferred compensation plan for outside directors. Under this plan, an outside director may elect, prior to the commencement of the next calendar year, to have some or all of the cash portion, that is, up to 40% or \$14,000, of his or her retainer fee and some or all of his or her meeting fees credited to a deferred compensation account. The plan will provide these directors with various investment options. The investment options will include stock equivalent units of Packaging common stock, which may be paid out in either cash or shares of Packaging's common stock.

TERMINATION OF EMPLOYMENT AND CHANGE-IN-CONTROL ARRANGEMENTS

Packaging will maintain a key executive change-in-control severance benefit plan similar to the existing Tenneco plan and incorporating some provisions of the Tenneco benefits protection trust. The purpose of the plan is to enable Packaging to continue to attract, retain and motivate highly qualified employees by eliminating, to the maximum practicable extent, any concern on the part of those employees that their job security or benefit entitlements will be jeopardized by a "change-in-control" of Packaging, as that term will be defined in the plan. The plan will be designed to achieve this purpose through the provision of severance benefits for key employees and officers whose positions are terminated following a change-in-control, as provided in the plan. Under the plan, Packaging expects that Messrs. Wambold, Griswold, Faulkner, Morris and Lazaredes would have become entitled to receive payments from Packaging in the amount of \$1,705,200; \$1,215,000; \$1,076,199; \$935,001; and \$774,000, respectively, had their positions been terminated on December 31, 1998 following a change-in-control. In addition, restricted shares held in the name of those individuals under the restricted stock plans Packaging will adopt would have automatically reverted to Packaging, and Packaging would have been obliged to pay those individuals the fair market value of the shares. Their performance share equivalent units would also have been fully vested and paid. The spin-off

does not constitute a "change-in-control" of Tenneco or Packaging for purposes of the Tenneco or Packaging change-in-control severance benefit plans. The Tenneco benefits protection trust will be terminated prior to the spin-off.

BENEFIT PLANS FOLLOWING THE SPIN-OFF

Packaging will succeed to sponsorship of the Tenneco Retirement Plan and the Tenneco Thrift Plan. These plans are qualified under Section 401(a) of the Code. The Tenneco Retirement Plan is a defined benefit pension plan. The Tenneco Thrift Plan is comprised of 401(k) plans with employer matching contributions as specified in the plans. Packaging will also continue its sponsorship of a defined benefit pension plan covering hourly employees.

Packaging will also succeed to sponsorship of two non-qualified deferred compensation plans as to its employees or directors: (1) the 1997 Tenneco Inc. Board of Directors Deferred Compensation Plan; and (2) the Tenneco Inc. Deferred Compensation Plan. Packaging will succeed to liabilities for benefits under the Tenneco Inc. Supplemental Executive Retirement Plan as to all participants other than those who are employees or former employees of Automotive. The 1997 Tenneco Inc. Board of Directors Deferred Compensation Plan and the Tenneco Inc. Deferred Compensation Plan will be merged as of the spin-off. All of these plans are unfunded; however, Packaging will establish one or more rabbi trusts, from which assets may be available to pay benefits in specified circumstances.

Packaging will adopt an executive incentive compensation plan similar to Tenneco's plan to provide annual cash bonuses to eligible employees.

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Packaging will adopt an employee stock purchase plan similar to the one maintained by Tenneco, under which approximately 4,000,000 shares of Packaging common stock will be available for purchase. Tenneco will approve this plan as Packaging's sole stockholder prior to the spin-off.

Packaging will adopt a plan calling for the grant of stock options, restricted stock, performance share equivalent units and other stock rights patterned after the 1996 Tenneco Inc. Stock Ownership Plan. Approximately 20,000,000 shares of Packaging common stock will be available for grant under this plan. This plan will be approved by Tenneco as Packaging's sole stockholder prior to the spin-off.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following review of Packaging's financial condition and results of operations should be read in conjunction with the Combined Financial Statements of The Businesses of Tenneco Packaging, and the related notes, presented on pages F-1 through F-31. Packaging includes the assets, liabilities and operations of Tenneco's specialty packaging and paperboard packaging businesses as well as Tenneco's corporate and administrative service operations.

STRATEGIC ALTERNATIVES ANALYSIS

In July 1998, Tenneco's Board of Directors authorized management to develop a broad range of strategic alternatives which could result in the separation of the automotive, paperboard packaging, and specialty packaging businesses. As part of that strategic alternatives analysis, Tenneco has taken the following actions:

- In January 1999, Packaging reached an agreement to contribute the containerboard assets of its paperboard packaging segment to a new joint venture with an affiliate of Madison Dearborn Partners, Inc. The

contribution to the joint venture was completed in April 1999. Packaging received consideration of cash and debt assumption totaling approximately \$2 billion and a 45 percent common equity interest in the joint venture valued at approximately \$200 million. Packaging now owns a 43 percent common equity interest due to subsequent management equity issuances.

- In April 1999, Packaging reached an agreement to sell the paperboard packaging segment's other assets, its folding carton operation, to Caraustar Industries. This transaction closed in June 1999.
- Also in April 1999, Tenneco announced that its Board of Directors had approved the separation of its automotive and packaging businesses into two separate, independent companies.
- In June 1999, Tenneco's Board of Directors approved a plan to sell Packaging's remaining interest in its containerboard joint venture. Packaging expects the sale to be completed before the spin-off discussed below.

The containerboard assets contributed to the new joint venture represented substantially all of the assets of Packaging's paperboard packaging segment and included four mills, 67 corrugated products plants, and an ownership or leasehold interest in approximately 950,000 acres of timberland. Before to the transaction, Packaging borrowed approximately \$1.8 billion and used approximately \$1.2 billion of those borrowings to acquire assets used by the containerboard business under operating leases and timber cutting rights and to purchase containerboard business accounts receivable that had previously been sold to a third party. The remainder of the borrowings was remitted to Tenneco and used to repay a portion of short-term debt. Packaging then contributed the containerboard business assets, subject to the new indebtedness and the containerboard business liabilities, to the joint venture in exchange for \$247 million in cash and the 45 percent interest in the joint venture. As a result of the sale transaction, Packaging recognized a pre-tax loss of \$293 million (\$178 million after-tax, or \$1.07 per diluted common share). This loss was included in discontinued operations in the first quarter of 1999.

As a result of the decision to sell Packaging's remaining interest in the containerboard joint venture, Packaging's paperboard packaging segment is presented as a discontinued operation in the Combined Financial Statements of The Businesses of Tenneco Packaging contained elsewhere in this document. Refer to Note 7 for further information.

The separation of Tenneco's automotive and packaging businesses will be accomplished by the spin-off of the common stock of Packaging to Tenneco shareowners. At the time of the spin-off, Packaging will include Tenneco's specialty packaging business ("Speciality"), Tenneco's administrative services operations, and the remaining interest in the containerboard joint venture if the sale has not been completed. Tenneco and Packaging are, however, currently analyzing the alternatives with respect to the administrative services operations.

Before the spin-off, Tenneco will realign substantially all of its existing debt through some combination of tender offers, exchange offers, prepayments and other refinancings. See "The Spin-off -- Debt Realignment." Tenneco currently expects that, subject to discussions with debt rating agencies, Packaging's debt will be rated investment grade and Automotive's debt will be rated non-investment grade.

The spin-off is subject to various conditions, as described under "The Spin-off -- Conditions to the Spin-off."

RESTRUCTURING AND OTHER CHARGES

In the fourth quarter of 1998, Tenneco's Board of Directors approved an extensive restructuring plan designed to reduce administrative and operational overhead costs in every part of Tenneco's business. As a result, Packaging recorded a pre-tax charge to income from continuing operations of \$32 million (\$20 million after-tax or \$.12 per diluted common share). Of the pre-tax charge, \$10 million relates to operational restructuring plans and \$22 million relates to a staff and cost reduction plan.

Net Sales and Operating Revenues

<TABLE>
<CAPTION>

	SIX MONTHS ENDED JUNE 30,		
	1999	1998	% CHANGE
	(MILLIONS)		
Specialty.....	\$1,404	\$1,361	3%
Intergroup sales and other.....	--	10	NM
	\$1,404	\$1,371	2%

</TABLE>

Packaging's revenue in its specialty segment increased by 3 percent over the first half of 1998. The second half 1998 acquisitions of Sentinel and Champion International's Belvidere, Illinois dual-ovenable paperboard tray manufacturing facility generated \$21 million of the revenue increase. Lower prices due to lower raw material costs were offset by overall unit volume growth of 8 percent. The largest increases were in North American protective packaging, Hefty OneZip(R) bags, foodservice containers, disposable tableware and industrial products.

Income Before Interest Expense, Income Taxes and Minority Interest
("Operating Income")

<TABLE>
<CAPTION>

	SIX MONTHS ENDED JUNE 30,		
	1999	1998	% CHANGE
	(MILLIONS)		
Specialty.....	\$ 190	\$ 175	9%
Other.....	(46)	(2)	NM
	\$ 144	\$ 173	(17%)

</TABLE>

Packaging's operating income in its specialty segment increased by \$15 million over the comparable period of 1998. The second half 1998 acquisitions of Sentinel and Champion International's Belvidere, Illinois dual-ovenable paperboard tray manufacturing facility produced \$4 million of operating income during the first half of 1999. First half operating income also reflected \$5 million of non-recurring Year 2000 and systems implementation costs, and \$3 million of overhead costs related to the separation of the paperboard segment. Adjusting for these two items, Specialty Packaging's operating income improved by 13 percent. This improvement was driven by lower manufacturing costs and strong unit volumes, partially offset by lags in passing through rising raw material costs.

Packaging's "Other" operating loss for both periods reflects unallocated corporate overhead and costs at Packaging's data center and administrative services operations. In addition, the first half of 1999 includes a \$29 million charge recorded in the first quarter to realign Tenneco's headquarters functions as discussed above in the "Restructuring and Other Charges" section.

Operating income as a percentage of revenue for the first six months of 1999 and 1998 were as follows:

<TABLE>
<CAPTION>

	SIX MONTHS ENDED JUNE 30,		
	1999	1998	% CHANGE
<S>	<C>	<C>	<C>
Specialty.....	13.5%	12.9%	5%
Total.....	10.3%	12.6%	(18%)

</TABLE>

Specialty's operating income as a percentage of revenue increased as the operating income of the segment grew at three times the rate of revenue growth. On a consolidated basis, total operating income as a percentage of revenue declined as the operating income decreased 17 percent while revenue grew 2 percent.

Excluding the first quarter 1999 restructuring charge, operating income as a percentage of revenue was as follows:

<TABLE>
<CAPTION>

	SIX MONTHS ENDED JUNE 30,		
	1999	1998	% CHANGE
<S>	<C>	<C>	<C>
Specialty.....	13.5%	12.9%	5%
Total.....	12.3%	12.6%	(2%)

</TABLE>

Interest Expense (net of interest capitalized)

Interest expense for the first half of 1999 was even with the first half of 1998. Tenneco's historical practice has been to incur indebtedness for its consolidated group at the parent company level or at a limited number of subsidiaries. Accordingly, interest expense in each period includes an allocation of interest on Tenneco corporate debt. This allocation was based, in general, on the ratio of Packaging's net assets to Tenneco's consolidated net assets plus debt. See Note 5 to the Combined Financial Statements of The Businesses of Tenneco Packaging for a further discussion of the allocation of Tenneco consolidated debt and interest expense to Packaging.

Income Taxes

Packaging's effective tax rate for the first half of 1999 was 31 percent, compared to 35 percent in last year's period.

DISCONTINUED OPERATIONS AND EXTRAORDINARY CHARGE

Loss from discontinued operations in the first half of 1999 was \$163 million, net of an income tax benefit of \$102 million, or \$.98 per diluted common share. This included a loss on the contribution of the containerboard assets of \$178 million, net of an income tax benefit of \$115 million, or \$1.07 per diluted common share.

Discontinued operations generated income of \$37 million, net of income tax expense of \$25 million, or \$.22 per diluted common share, during the first half of 1998.

The current year's first six months also includes an extraordinary charge to cover the cost of early retirement of debt in connection with the contribution of the containerboard assets of \$7 million, net of income tax

expense of \$4 million, or \$.04 per diluted common share.

See Note 7 to the Combined Financial Statements of The Businesses of Tenneco Packaging for a further discussion of discontinued operations.

OUTLOOK

See "Summary -- Recent Developments" for information concerning Packaging's expectations for third quarter 1999 results of operations.

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CHANGES IN ACCOUNTING PRINCIPLES

In March 1998, the American Institute of Certified Public Accountants ("AICPA") issued Statement of Position ("SOP") 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," which establishes new accounting and reporting standards for the costs of computer software developed or obtained for internal use. This statement requires prospective application, for fiscal years beginning after December 15, 1998. Packaging adopted SOP 98-1 on January 1, 1999. The impact of this new standard did not have a significant effect on Packaging's financial position or results of operations.

In April 1998, the AICPA issued SOP 98-5, "Reporting on the Costs of Start-Up Activities," which requires costs of start-up activities to be expensed as incurred. This statement was effective for fiscal years beginning after December 15, 1998. This statement requires previously capitalized costs related to start-up activities to be expensed as a cumulative effect of a change in accounting principle when the statement is adopted. Packaging previously capitalized costs related to the start-up of new foreign operations and its administrative service operations. Packaging adopted SOP 98-5 on January 1, 1999, and recorded an after-tax charge for the cumulative effect of this change in accounting principle upon adoption of \$32 million, net of a \$9 million tax benefit, or \$.19 per diluted common share. The change in accounting principle decreased the loss before cumulative effect of change in accounting principle by \$4 million, net of \$2 million in income tax expense, or \$.02 per diluted common share, for the six months ended June 30, 1999. If the new accounting method had been applied retroactively, net income for the six months ended June 30, 1998, and the years ended December 31, 1998, 1997, and 1996, would have been lower by \$7 million, net of a \$5 million income tax benefit, or \$.04 per diluted common share, \$14 million, net of an \$8 million tax benefit, or \$.08 per diluted common share, \$7 million, net of a \$3 million tax benefit, or \$.04 per diluted common share, and \$7 million, net of a \$4 million tax benefit, or \$.04 per diluted share, respectively.

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement establishes new accounting and reporting standards requiring that all derivative instruments, including derivative instruments embedded in other contracts, be recorded in the balance sheet as either an asset or liability measured at its fair value. The statement requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement and requires that a company must formally document, designate and assess the effectiveness of transactions that receive hedge accounting treatment. This statement cannot be applied retroactively and is effective for all fiscal years beginning after June 15, 2000. Packaging is currently evaluating the new standard but has not yet determined the impact it will have on its financial position or results of operations.

EARNINGS PER SHARE

Packaging's income from continuing operations was \$.31 per diluted common share for the first half of 1999, compared to \$.41 per diluted common share for last year's first half. All references to earnings per share in this Management's Discussion and Analysis of Financial Condition and Results of Operations are on a diluted basis unless otherwise noted. The current year's period also included a loss from discontinued operations of \$.98 per diluted common share, a \$.04 per share extraordinary loss on early retirement of debt in

connection with the contribution of the containerboard assets, and \$.19 per diluted common share of charges related to the cumulative effect of changes in accounting principles noted above. First half 1998 included \$.22 per diluted common share of income from discontinued operations. Net income per diluted common share was \$.63 in the first half of 1998, as compared to a loss of \$.90 per diluted common share in this year's period.

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LIQUIDITY AND CAPITAL RESOURCES

Capitalization

<TABLE>

<CAPTION>

	JUNE 30, 1999	DECEMBER 31, 1998	% CHANGE
(MILLIONS)			
<S>	<C>	<C>	<C>
Short-term debt and current maturities.....	\$ 367	\$ 595	
Long-term debt.....	1,494	1,312	
Debt allocated to discontinued operations.....	--	548	
Total debt.....	1,861	2,455	(24%)
Minority interest.....	14	14	--%
Combined equity.....	1,340	1,776	(25%)
Total capitalization.....	\$3,215	\$4,245	(24%)

</TABLE>

Packaging's debt to total capitalization ratio was 57.8 percent at both June 30, 1999, and December 31, 1998. Debt allocated from Tenneco to Packaging declined due to the contribution by Packaging of its containerboard assets to the joint venture.

Equity declined primarily as a result of the net loss for the first six months, which included the loss on the containerboard assets as well as the charge associated with the plan to realign the Greenwich, Connecticut headquarters facility. See the Statements of Changes in Combined Equity in the Combined Financial Statements of The Businesses of Tenneco Packaging contained elsewhere in this document for a description of factors affecting equity.

In June 1999, Tenneco's Board of Directors approved a plan to sell Packaging's remaining interest in its containerboard joint venture. Packaging expects the sale to be completed before the spin-off, with the net proceeds used to retire Tenneco debt that would otherwise be allocated to Packaging in the debt realignment. If the sale occurs after the spin-off, the net proceeds will be used to retire Packaging debt.

Cash Flows

<TABLE>

<CAPTION>

	SIX MONTHS ENDED JUNE 30,	
	1999	1998
(MILLIONS)		
<S>	<C>	<C>
Cash provided (used) by:		
Operating activities.....	\$ (45)	\$ 288
Investing activities.....	(866)	(221)
Financing activities.....	920	(66)

</TABLE>

Cash flow provided by continuing operating activities declined by \$163 million for the first six months of 1999 compared to the same period in 1998, primarily due to higher working capital levels. This was mainly attributable to higher receivables, lower payables and a seasonal build in inventories during

the 1999 period.

Cash flow from Tenneco's discontinued paperboard operations declined by \$170 million in the first six months of 1999 compared to the 1998 period. This is primarily attributable to the purchase of containerboard business accounts receivable in contemplation of the contribution of the containerboard business to the joint venture in April 1999. Additionally, lower linerboard and medium prices resulted in lower operating cash flow for the containerboard business.

Excluding the effects of the discontinued paperboard operations, cash used by investing activities was lower during the first six months of 1999 by \$127 million compared to the first six months of 1998. Reduced capital spending, lower systems related expenditures and lower acquisition activity contributed to the decline.

As described above, Packaging borrowed approximately \$1.8 billion in the second quarter in connection with the formation of the containerboard joint venture and used approximately \$1.2 billion of

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that amount to purchase leased assets and timber cutting rights of that business. The remaining proceeds of these borrowings, plus additional cash proceeds of approximately \$306 million from the containerboard and folding carton transactions, were used to retire Tenneco's short-term debt in the second quarter. Accordingly, absent the borrowings described above, cash used by financing activities was \$840 million for the first six months of 1999.

Packaging contributed the containerboard business to the new joint venture subject to the approximately \$1.8 billion in new debt. The debt reduction which resulted from this contribution is shown on the statements of cash flows as a non-cash financing activity.

Capital Commitments

Packaging estimates that expenditures aggregating approximately \$110 million will be required after December 31, 1998, to complete facilities and projects authorized at that date, and substantial commitments have been made in connection with those projects.

Liquidity

Historically, Packaging's excess net cash flows from operating and investing activities have been used by its parent, Tenneco, to meet consolidated debt and other obligations. Conversely, when Packaging's cash requirements have been in excess of cash flows from operations, Tenneco has utilized its consolidated credit facilities to fund Packaging's obligations. Also, depending on market and other conditions, Packaging has utilized external sources of capital to meet specific funding requirements. Packaging's management believes that, after the spin-off, Packaging's cash flows from operations combined with available borrowing capacity under the new credit facilities described below, will generally be sufficient to meet its future capital requirements for the following year.

As described under "The Spin-off-Debt Realignment," Tenneco intends to realign its debt before the spin-off. As part of this debt realignment, Packaging will (1) issue the new securities in the exchange offers and (2) make new borrowings under new credit facilities to be entered into in connection with the spin-off. Cash proceeds will be remitted to Tenneco to fund the debt realignment.

Definitive agreements for these financings are being negotiated and have not been completed. Accordingly, the terms of such arrangements described below are preliminary and may change as a result of the negotiation of definitive

agreements. In addition, funding under the financings described below will be subject to the satisfaction of numerous conditions.

The terms of the new public debt securities will be substantially identical to the terms of the corresponding series of Tenneco's original securities for which they are exchanged, except that (1) Packaging will be the issuer and (2) the interest rates will be different. The terms of the new securities will not restrict Packaging's ability to make dividends or capital expenditures or incur additional unsecured debt. See "Description of The New Securities."

In addition, Packaging intends to enter into a five-year, \$750 million long-term revolving credit facility and a \$250 million 364-day revolving credit facility in connection with the spin-off. Initial borrowings under these facilities will be used to fund a portion of the debt realignment. After the spin-off, additional borrowings may be used for general corporate purposes. Although the terms of these facilities have not been finalized, Packaging does not expect these facilities to include any general restrictions on its ability to pay dividends or make capital expenditures, although they may include limitations on incurring liens, or incurring debt and guarantee obligations at the subsidiary level. Packaging does expect, however, that these facilities will require it to comply with specified financial ratios, as well as other customary covenants and agreements. Borrowings under these facilities are expected to bear interest at a floating rate based on LIBOR, adjusted for reserve requirements, plus a specified margin or based on a specified prime or reference rate plus a specified margin, at Packaging's option. Borrowings under these facilities may also bear interest based on competitive bids. See "Description of Packaging -- New Financing" for further information.

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A lender has committed to provide Packaging up to \$1.5 billion of term loan financing, which Packaging intends to use in the event it does not sell its containerboard joint venture interest before the spin-off for general corporate and other purposes. Although the terms of this financing have not been finalized, Packaging expects that borrowings under this facility would be due 18 months after funding and bear interest at a floating rate based on LIBOR, adjusted for reserve requirements, plus a specified margin or based on a specified prime or reference rate plus a specific margin, at Packaging's option. Packaging expects this financing would include covenants similar to those described above for the revolving credit facilities. See "Description of Packaging -- New Financing" for further information.

Before the spin-off Packaging expects to enter into a \$175 million syndicated lease facility with a third party lessor and various lenders, the proceeds of which will be used to restructure or replace certain existing operating leases and public warehouse arrangements and to facilitate additional leasing arrangements for other operating facilities. Packaging expects that the syndicated lease facility will contain customary terms and conditions, including a residual value guarantee, default provisions and financial covenants.

ENVIRONMENTAL MATTERS

Packaging and a number of its subsidiaries and affiliates are parties to environmental proceedings. Expenditures for ongoing compliance with environmental regulations that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations and which do not contribute to current or future revenue generation are expensed. Liabilities are recorded when environmental assessments indicate that remedial efforts are probable and the costs can be reasonably estimated. Estimates of the liability are based upon currently available facts, existing technology, and presently enacted laws and regulations taking into consideration the likely effects of inflation and other societal and economic factors. All available evidence is considered including prior experience in remediation of contaminated sites, other companies' clean-up experience and data released by the United States Environmental Protection Agency or other organizations. These estimated liabilities are subject to revision in future periods based on actual costs or new information. These liabilities are included in the combined balance sheet at their undiscounted amounts. Recoveries are evaluated separately from the liability and, when assured, are recorded and reported separately from the associated liability in the combined financial statements.

As of July 1, 1999, Packaging has been designated as a potentially responsible party at three Superfund sites and it has estimated its share of the liability at these sites to be approximately \$2 million in the aggregate. In addition, Packaging also may have liability to remediate several current or former facilities and it has estimated its share of the remediation costs at these facilities to be approximately \$4 million in the aggregate. For both the Superfund sites and its current and former facilities, Packaging has established reserves that it believes are adequate for these costs. Although Packaging believes its estimates of remediation costs are reasonable and based on the latest information, the clean-up costs are estimates and are subject to revision as more information becomes available about the extent of remediation required. At certain sites, Packaging expects that other parties will contribute to the remediation costs. In addition, at the Superfund sites, the Comprehensive Environmental Response, Compensation and Liability Act provides that Packaging's liability could be joint and several meaning that Packaging could be required to pay in excess of its share of remediation costs. Packaging's understanding of the financial strength of other potentially responsible parties at both the Superfund sites and at its current and former facilities has been considered, where appropriate, in Packaging's determination of its estimated liability. Packaging believes that any adjustment to the costs associated with its current status as a potentially responsible party at the Superfund sites or as a liable party at its current or former facilities will not be material to its consolidated financial position or results of operations.

Packaging estimates that its capital expenditures for environmental matters for 1999 and 2000 will not be material.

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DERIVATIVE FINANCIAL INSTRUMENTS

Foreign Currency Exchange Rate Risk

Packaging currently manages its exposure to changes in foreign currency rates by making loans with a Tenneco affiliate in the functional currency of the operating company concerned. The Tenneco affiliate then integrates all of Tenneco's foreign currency denominated intercompany loans and enters into foreign currency forward purchase and sale contracts to mitigate its net exposure to changes in foreign exchange rates. This reduces Packaging's need to enter into forward contracts with third parties. Packaging expects that, following the spin-off, its use of foreign currency forward purchase and sale contracts will increase.

Additionally, Packaging from time to time enters into foreign currency forward purchase and sale contracts to mitigate its exposure to changes in exchange rates on intercompany and third party trade receivables and payables. Packaging does not currently enter into derivative financial instruments for speculative purposes.

The administration of these activities is concentrated at a London-based Tenneco affiliate. This affiliate enters into forward purchase and sell contracts with Tenneco's operating divisions to hedge the divisions' exposure to changes in foreign currency exchange rates. The affiliate then enters into contracts with third parties to hedge Tenneco's consolidated exposure. At December 31, 1998, Packaging had purchase contracts with this affiliate of approximately one million dollars, primarily in U.S. dollars, and sell contracts of approximately one million dollars, primarily in British pounds. At December 31, 1997, Packaging had purchase contracts of approximately two million dollars, primarily in Belgian francs and German marks, and sell contracts of approximately two million dollars, primarily in British pounds and French francs. Packaging's purchase and sell contracts as of June 30, 1999 and December 31, 1998 were not materially different.

Interest Rate Risk

Tenneco's historical practice has been to incur indebtedness for its consolidated group at the parent company level or at a limited number of subsidiaries. Tenneco's financial instruments that are sensitive to market risk for changes in interest rates are its debt securities. Tenneco primarily uses commercial paper to finance its short-term capital requirements. Since commercial paper generally matures in three months or less, Tenneco pays a current market rate of interest on these borrowings. Tenneco finances its long-term capital requirements with long-term debt with original maturity dates ranging up to 30 years. All of Tenneco's existing long-term debt obligations have fixed interest rates. Consequently, Tenneco is not exposed to cash flow or fair value risk from market interest rate changes on its long-term debt portfolio.

Packaging's interest expense in each period includes an allocation of interest on Tenneco corporate debt. The allocated interest expense carries with it exposure to Tenneco's interest rate risk. The table below provides information about Tenneco's financial instruments that are sensitive to interest rate risk as of December 31, 1998.

<TABLE>
<CAPTION>

	Estimated Maturity Dates						Total (b)	Fair Value at December 31, 1998 (a)
	1999	2000	2001	2002	2003	THEREAFTER		
	(Millions)	Except	Effective	Interest	Rates)			
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	
Short-term (excluding current maturities).....	\$821	\$--	\$ --	\$ --	\$--	\$ --	\$ 821	
Average effective interest rate.....	5.9%	--%	--%	--%	--%	--%	\$ 821	
Long-term debt (including current maturities).....	\$250	\$10	\$187	\$498	\$ 7	\$1,583	\$2,606	
Average effective interest rate.....	6.4%	12.0%	6.8%	6.8%	11.2%	7.6%		

</TABLE>

(a) Fair value of short-term debt was considered to be the same as or was not determined to be materially different from the carrying amount. The fair value of fixed-rate long term debt was generally based on the market value of Tenneco debt offered in open market exchanges at December 31, 1998.

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(b) At December 31, 1998, short-term and long-term Tenneco debt allocated to Packaging was \$583 million and \$1,291 million, respectively. Corporate debt allocated to Packaging's discontinued operations was \$548 million at December 31, 1998.

Tenneco's financial instruments that are sensitive to interest rate risk as of June 30, 1999 are not materially different from the table presented above. In connection with the debt realignment, Packaging will enter into a new credit facility which will be subject to interest rate risks.

In connection with the spin-off, the above described instruments, which are sensitive to interest rate risk, are expected to be refinanced.

The statements and other information, including the tables, in this "Derivative Financial Instruments" section constitute "forward-looking statements."

YEAR 2000

Many computer software systems, as well as some hardware and equipment utilizing date-sensitive data, were designed to use a two-digit date field. Consequently, these systems, hardware and equipment will not be able to properly recognize dates beyond the year 1999 (the "Year 2000 issue"). Packaging's significant technology transformation projects have addressed the Year 2000 issue in those areas where replacement systems are being installed for other business reasons. Where existing systems and equipment are expected to remain in place beyond 1999, Packaging has a detailed process in place to identify and assess Year 2000 issues and to remediate, replace or establish alternative procedures addressing non-Year 2000 compliant systems, hardware and equipment.

Packaging has substantially completed inventorying its systems and equipment, including computer systems and business applications, as well as date-sensitive technology embedded in its equipment and facilities. Packaging continues to plan for and undertake remediation, replacement or establishment of alternative procedures for non-compliant Year 2000 systems and equipment; and test remediated, replaced or alternative procedures for systems and equipment.

Packaging believes that approximately 70 percent of its major business applications systems and approximately 90 percent of its manufacturing equipment had achieved Year 2000 compliance as of June 30, 1999. Packaging has confirmed that none of its products are date-sensitive. Remediation, replacement or establishment of alternative procedures for systems and equipment have been and are being undertaken on a business priority basis. This is ongoing and was

completed at some locations in 1998 with the remainder expected to be completed through the third quarter of 1999. Testing will occur in the same time frame.

Based upon current estimates, Packaging believes that costs to address Year 2000 issues and implement the necessary changes to its existing systems and equipment, including costs incurred to date, will range from \$25 to \$30 million. As of June 30, 1999, approximately \$17 million of the costs had been incurred. These costs are being expensed as they are incurred, except that in some instances Packaging may determine that replacing existing computer systems or equipment may be more effective and efficient, particularly where additional functionality is available. These replacements would be capitalized and would reduce the estimated expense associated with Year 2000 issues.

Packaging has also contacted its major suppliers, financial institutions, and others with whom it conducts business to determine whether they will be able to resolve in a timely manner Year 2000 problems possibly affecting Packaging. A majority of these entities, including critical suppliers, have responded by advising as to the status of their efforts and by stating that they expect to become Year 2000 compliant in a timely manner. Based on these responses, critical suppliers have been assigned a risk rating. This process is ongoing. Packaging intends to continue corresponding with critical high risk third parties to obtain information and updates on their Year 2000 efforts, and to assess new suppliers, financial institutions and others with whom it begins to conduct business.

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If Packaging is unable to complete on a timely and cost-effective basis the remediation or replacement of critical systems or equipment not yet in compliance, or develop alternative procedures, or if those with whom Packaging conducts business are unsuccessful in implementing timely solutions, Year 2000 issues could have a material adverse effect on Packaging's financial condition or results of operations. Possible worst case scenarios include interruptions in Packaging's ability to manufacture its products, process and ship orders, and bill and collect accounts receivable due to internal system failures or the system failures of its suppliers or customers. Packaging believes it will be able to timely resolve its own Year 2000 issues.

As part of its planning and readiness activities, Packaging is developing Year 2000 contingency plans for critical business processes such as banking, data center operations and just-in-time manufacturing operations. Contingency plans are being developed on a business unit basis, where needed, to respond to previously undetected Year 2000 problems and business interruption from suppliers. Contingency plans will include alternative suppliers, as necessary, as well as assuring the availability of key personnel at year end to address unforeseen Year 2000 problems.

Prior to the spin-off, Tenneco's administrative services operation has been assisting both Packaging and Automotive with their Year 2000 remediation, replacement and testing activities. Except for mainframe testing, substantially all of these Year 2000 assistance activities have been completed for Automotive. Shortly after the spin-off, Packaging is scheduled to assist Automotive with the completion of the mainframe testing.

EURO CONVERSION

The European Monetary Union resulted in the adoption of a common currency, the "Euro," among eleven European nations. The Euro is being adopted over a three-year transition period beginning January 1, 1999. In October 1997, Tenneco established a cross-functional Euro Committee, comprised of representatives of Tenneco's operational divisions, including Packaging, as well as its corporate offices. That Committee had two principal objectives: (1) to determine the impact of the Euro on Tenneco's business operations; and (2) to recommend and facilitate implementation of those steps necessary to ensure that Tenneco would be fully prepared for the Euro's introduction. As of January 1, 1999, Packaging had implemented those Euro conversion procedures that it had determined to be necessary and prudent to adopt by that date, and is on track to becoming fully "Euro ready" on or before the conclusion of the three-year Euro transition period. Packaging believes that the costs associated with transitioning to the Euro will not be material to its combined financial position or the results of its operations.

YEARS 1998 AND 1997

RESULTS OF CONTINUING OPERATIONS

Packaging reported income from continuing operations of \$82 million for the year ended December 31, 1998, compared to \$106 million for the same period in 1997. The 1998 figure includes a \$20 million after-tax charge to reduce overhead and manufacturing costs throughout every part of Packaging's business. Excluding the restructuring charge, Packaging's income from continuing operations for the 1998 period was \$102 million. The decline resulted from costs related to Packaging's data center consolidation effort, offset by record results in the Specialty segment. Higher interest expense and a higher tax rate also contributed to the earnings decline.

Net Sales and Operating Revenues

<TABLE>
<CAPTION>

	1998	1997	% CHANGE
	-----	-----	-----
	(MILLIONS)		
<S>	<C>	<C>	<C>
Specialty.....	\$2,785	\$2,553	9%
Intergroup sales and other.....	6	10	(40%)
	-----	-----	
	\$2,791	\$2,563	9%
	=====	=====	

</TABLE>

Packaging's revenue increase in its Specialty segment of \$232 million resulted primarily from full-year inclusion of the protective and flexible packaging businesses acquired from N.V. Koninklijke KNP BT ("KNP") in 1997 and from the May 1998 acquisition of Richter Manufacturing. The KNP businesses contributed \$160 million of incremental revenue in 1998 measured through the first anniversary of their acquisition in late April 1997. Richter Manufacturing revenue during 1998 was \$39 million. The remaining revenue increase reflects higher unit volumes in numerous product lines which more than offset lower pricing.

Operating Income

The following table presents operating income by segment for the years 1998 and 1997:

<TABLE>
<CAPTION>

	1998	1997	% CHANGE
	----	----	-----
	(MILLIONS)		
<S>	<C>	<C>	<C>
Specialty.....	\$328	\$308	6%
Other.....	(45)	(2)	NM
	----	----	
	\$283	\$306	(8%)
	=====	=====	

</TABLE>

As described earlier in this Management's Discussion and Analysis of Financial Condition and Results of Operations, Packaging recorded a pre-tax restructuring charge to income from continuing operations of \$32 million (\$20 million after-tax) in the fourth quarter of 1998. The restructuring charge affected Packaging's segments as follows: Specialty -- \$18 million and Other -- \$14 million.

Excluding these restructuring charges, a comparison of Packaging's 1998 and 1997 operating income is as follows:

<TABLE>
<CAPTION>

	1998	1997	% CHANGE
	----	----	-----
	(MILLIONS)		

<S>	<C>	<C>	<C>
Specialty.....	\$346	\$308	12%
Other.....	(31)	(2)	NM
	----	----	
	\$315	\$306	3%
	=====	=====	

</TABLE>

Packaging's operating income increase in its Specialty segment reflected \$24 million from acquired businesses measured through the one-year anniversary of their acquisitions, as well as higher unit volumes, primarily in Hefty One-Zip(R), food service foam, and consumer tableware products. Lower raw material costs approximately offset price reductions to customers. In addition, Specialty incurred approximately \$7 million in one-time costs related to an information systems project in North America.

Packaging's operating loss in its "Other" segment increased in 1998 over 1997 levels primarily as a result of higher costs related to Packaging's data center consolidation effort, which more than offset lower unabsorbed costs at Packaging's administrative services operation.

Operating Income as a Percentage of Revenue

Operating income as a percentage of revenue for 1998 and 1997, including the fourth quarter 1998 restructuring charge, were as follows:

<TABLE>
<CAPTION>

	1998	1997	% CHANGE
	----	----	-----
<S>	<C>	<C>	<C>
Specialty.....	11.8%	12.1%	(2%)
Total.....	10.1%	11.9%	(15%)

</TABLE>

The Specialty segment's operating income as a percentage of revenue contracted as the growth rate of operating income, including the restructuring charge, was 6 percent compared with the 9 percent growth rate of revenues. On a consolidated basis, total operating income as a percentage of revenue contracted

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even further, as the operating income, including both the restructuring charge and the increased costs in the other segment, decreased 8 percent while revenue grew 9 percent.

Excluding the fourth quarter 1998 restructuring charge, operating income as a percentage of revenue for the same periods were as follows:

<TABLE>
<CAPTION>

	1998	1997	% CHANGE
	----	----	-----
<S>	<C>	<C>	<C>
Specialty.....	12.4%	12.1%	2%
Total.....	11.3%	11.9%	(5%)

</TABLE>

Interest Expense (net of interest capitalized)

Interest expense for 1998 was \$9 million, or 7 percent, higher than for 1997. As described above, interest expense in each period includes an allocation of interest on Tenneco corporate debt. This allocation was based, in general, on the ratio of Packaging's net assets to Tenneco consolidated net assets plus debt. See Note 5 to the Combined Financial Statements of The Business of Tenneco Packaging contained elsewhere in this document for a further discussion of the allocation of Tenneco consolidated debt and interest expense to Packaging.

Income Taxes

Packaging's effective tax rate for 1998 was 45 percent, compared to 41 percent for 1997. The effective tax rate was higher than the statutory rate in both periods primarily as a result of state and local income taxes.

DISCONTINUED OPERATIONS

Discontinued operations generated income of \$57 million, net of income tax expense of \$38 million, or \$.34 per diluted common share for 1998.

Discontinued operations generated income of \$21 million, net of income tax expense of \$14 million, or \$.12 per diluted common share during 1997.

Fourth quarter 1998 results from discontinued operations for the paperboard packaging business includes a pre-tax charge of \$14 million related to Packaging's restructuring plan to reduce administrative and operational overhead costs. The paperboard packaging restructuring plan involves closing four box plants and the elimination of 78 positions at those plants.

Income from the discontinued paperboard packaging business in 1998 also included a \$15 million pre-tax gain on the sale of its remaining 20 percent interest in a recycled paperboard joint venture with Caraustar Industries and a \$17 million pre-tax gain on the sale of non-strategic timberland assets. In 1997, income from discontinued operations included a \$38 million pre-tax gain on refinancing of two containerboard mill leases and a \$5 million pre-tax gain from a timberland management transaction.

See Note 7 to the Combined Financial Statements of The Businesses of Tenneco Packaging contained elsewhere in this document for a further discussion of discontinued operations.

CHANGES IN ACCOUNTING PRINCIPLES

As required by the FASB's Emerging Issues Task Force ("EITF") Issue 97-13, "Accounting for Costs Incurred in Connection with a Consulting Contract that Combines Business Process Reengineering and Information Technology Transformation," Packaging recorded an after-tax charge of \$38 million, net of a tax benefit of \$24 million, or \$.23 per diluted common share, in the fourth quarter of 1997. EITF Issue 97-13 establishes the accounting treatment and an allocation methodology for consulting and other costs incurred in connection with information technology transformation efforts. This charge was reported as a cumulative effect of change in accounting principle.

EARNINGS PER SHARE

Income from continuing operations was \$.49 per diluted common share for 1998, compared to \$.63 per diluted common share in 1997. Discontinued operations provided income of \$.34 and \$.12 per diluted common share, for 1998 and 1997, respectively. In 1997, Packaging also recorded a charge for the cumulative effect of a change in accounting principle noted above of \$.23 per diluted common share, resulting in net income of \$.52 per diluted common share, compared to \$.83 per diluted common share in 1998.

LIQUIDITY AND CAPITAL RESOURCES

Capitalization

<TABLE>
<CAPTION>

	1998	1997	% CHANGE
	----	----	-----
	(MILLIONS)		
<S>	<C>	<C>	<C>
Short-term debt and current maturities.....	\$ 595	\$ 158	
Long-term debt.....	1,312	1,492	
Debt allocated to discontinued operations.....	548	473	
	-----	-----	
Total debt.....	2,455	2,123	16%

Minority interest.....	14	15	(7%)
Combined equity.....	1,776	1,839	(3%)
	-----	-----	
Total capitalization.....	\$4,245	\$ 3,977	7%
	=====	=====	

</TABLE>

Packaging's debt to capitalization ratio was 57.8 percent at December 31, 1998, compared to 53.4 percent at December 31, 1997. The increase in the ratio is attributable to additional corporate debt allocated to Packaging from Tenneco during 1998, as well as a decline in equity. See Note 5 to the Combined Financial Statements of The Businesses of Tenneco Packaging for a further discussion of the allocation of Tenneco consolidated debt and interest expense to Packaging. See the Statements of Changes in Combined Equity of The Businesses of Tenneco Packaging for a description of factors affecting equity.

Cash Flows

<TABLE>

<CAPTION>

	1998	1997
	----	----
	(MILLIONS)	
	<C>	<C>
Cash provided (used) by:		
Operating activities.....	\$ 577	\$ 405
Investing activities.....	(514)	(654)
Financing activities.....	(67)	239

</TABLE>

Cash flow from operating activities increased by \$172 million from 1997 to 1998. Of this amount, \$74 million was produced by continuing operations and \$98 million was produced by discontinued operations. The increase from continuing operations was primarily attributable to working capital, which increased significantly during 1997 to support the growth in revenues over 1996 levels. Working capital decreased slightly during 1998 as revenue growth moderated. Cash flow from discontinued operations improved due to higher earnings in 1998 resulting from improved containerboard pricing.

Investing activities used \$140 million less cash during 1998 than in 1997. A significantly reduced level of acquisitions was partially offset by a higher level of capital spending for discontinued operations. This increased spending was primarily to acquire some leased timberlands in contemplation of the separation of the containerboard assets from Packaging's other businesses. Acquisitions in 1998 included: Champion International's dual-ovenable paperboard tray manufacturing facility in Belvidere, Illinois; Richter Manufacturing and Sentinel Products. In 1997, acquisitions related primarily to the protective and flexible packaging businesses of KNP.

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Financing activities used \$67 million in 1998, compared to providing \$239 million in 1997, a change of \$306 million. Packaging retired \$82 million less debt during 1998. During 1998, Packaging remitted \$56 million to Tenneco. During 1997, Tenneco contributed \$331 million to Packaging.

YEARS 1997 AND 1996

RESULTS OF CONTINUING OPERATIONS

Net Sales and Operating Revenues

<TABLE>

<CAPTION>

	1997	1996	%
	----	----	CHANGE
	(MILLIONS)		
	<C>	<C>	<C>
Specialty.....	\$2,553	\$1,987	28%
Intergroup sales and other.....	10	--	NM
	-----	-----	
	\$2,563	\$1,987	29%
	=====	=====	

</TABLE>

Packaging experienced increases in revenues from its Specialty segment of

\$566 million during 1997 over 1996. This growth was primarily generated by unit volume sales growth and revenues earned by companies acquired in 1996 and 1997. The protective and flexible packaging businesses acquired from KNP in late April 1997, along with revenues from the Amoco Foam products business calculated through the first anniversary of its August 1996 acquisition, contributed \$491 million to this revenue growth during 1997. Unit volume sales increases, primarily in the consumer markets and clear plastic containers, accounted for significant revenue increases as well. Partially offsetting revenue growth from acquisitions and volumes was lower product pricing, reflecting lower raw material prices, which negatively impacted revenues by \$53 million.

Operating Income

<TABLE>
<CAPTION>

	1997	1996	% CHANGE
	----	----	-----
	(MILLIONS)		
<S>	<C>	<C>	<C>
Specialty.....	\$308	\$249	24%
Other.....	(2)	(15)	NM
	----	----	
	\$306	\$234	31%
	====	====	

</TABLE>

Packaging's higher operating income from its Specialty segment in 1997 resulted primarily from \$76 million in operating income generated by the protective and flexible packaging businesses acquired from KNP in late April 1997 and the Amoco Foam products acquisition calculated through the first anniversary of its August 1996 acquisition. A portion of the 1997 earnings increase from the foam products acquisition resulted from cost savings realized by the integration of the acquired company into the Specialty segment's existing business.

Packaging's operating loss in its "Other" segment increased in 1997 compared to 1996 before a charge of \$17 million related to the acceleration of employee benefits in connection with Tenneco's December 1996 corporate reorganization. The increase resulted from a higher level of unallocated administrative costs related to Packaging's administrative services operation, which began operation in late 1996.

Operating Income as a Percentage of Revenue

Operating income as a percentage of revenue for 1997 and 1996 were as follows:

<TABLE>
<CAPTION>

	1997	1996	% CHANGE
	----	----	-----
<S>	<C>	<C>	<C>
Specialty.....	12.1%	12.5%	(3%)
Total.....	11.9%	11.8%	1%

</TABLE>

Specialty segment's operating income as a percentage of revenue contracted from 1996 to 1997 as the growth rate of operating income was 24 percent compared with the 28 percent growth rate of revenues. On a consolidated basis, total operating income as a percentage of revenue expanded slightly, as the operating income grew 31 percent while revenue grew 29 percent.

Interest Expense (net of interest capitalized)

Interest expense for 1997 was \$22 million or 22 percent higher than for 1996. As described above, interest expense in each period includes an allocation of interest on Tenneco corporate debt. This allocation was based, in general, on

the ratio of Packaging's net assets to Tenneco consolidated net assets plus debt. See Note 5 to the Combined Financial Statements of The Businesses of Tenneco Packaging included elsewhere in this document for a further discussion of the allocation of Tenneco consolidated debt and interest to Packaging.

Income Taxes

Packaging's effective tax rate for 1997 was 41 percent, compared to 51 percent for 1996. The 1997 and 1996 effective tax rate was higher than the statutory rate as a result of state and local income taxes.

DISCONTINUED OPERATIONS AND EXTRAORDINARY LOSS

Discontinued operations generated income of \$21 million, net of income tax expense of \$14 million, or \$.12 per diluted common share, during 1997.

Discontinued operations generated income of \$71 million, net of income tax expense of \$47 million, or \$.42 per diluted common share, for 1996.

Income from discontinued operations in 1997 included a \$38 million pre-tax gain which resulted from the refinancing of two containerboard mill leases. Income from the discontinued paperboard packaging business in 1996 included a \$50 million pre-tax gain on the sale of certain recycled paperboard assets to a joint venture with Caraustar Industries and a pre-tax charge of \$6 million to reorganize Packaging's folding carton operations.

The extraordinary loss reported in 1996 of \$2 million, net of an income tax benefit of \$1 million, or \$.01 per diluted common share, relates to premium paid on early retirement of debt in anticipation of the corporate reorganization effected in the fourth quarter of 1996.

See Note 7 to the Combined Financial Statements of The Businesses of Tenneco Packaging included elsewhere in this document for a further discussion of discontinued operations.

EARNINGS PER SHARE

Income from continuing operations was \$.63 per diluted common share in 1997, up from \$.38 per diluted common share in 1996. Discontinued operations produced income of \$.12 and \$.42 per diluted common share, for 1997 and 1996, respectively. Packaging recorded the cumulative effect of a change in accounting principle discussed above of \$.23 per diluted common share, resulting in net income of \$.52 per diluted common share for 1997. Packaging also recorded an extraordinary loss of \$.01 per diluted common share in 1996, related to early retirement of debt, resulting in net income per diluted common share of \$.79. Average shares of common stock outstanding increased slightly during 1997. For further information regarding the calculation of earnings per share, see Note 3 to the Combined Financial Statements of The Businesses of Tenneco Packaging.

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LIQUIDITY AND CAPITAL RESOURCES

Capitalization

<TABLE>

<CAPTION>

	1997	1996	% CHANGE
	----	----	-----
	(MILLIONS)		
<S>	<C>	<C>	<C>
Short-term debt and current maturities.....	\$ 158	\$ 123	
Long-term debt.....	1,492	1,073	
Debt allocated to discontinued operations.....	473	394	
	-----	-----	
Total debt.....	2,123	1,590	34%
Minority interest.....	15	--	NM
Combined equity.....	1,839	1,843	--
	-----	-----	
Total capitalization.....	\$3,977	\$3,433	16%
	=====	=====	

</TABLE>

Packaging's debt to capitalization ratio was 53.4 percent at December 31, 1997, compared to 46.3 percent at December 31, 1996. The increase in the ratio is attributable to additional corporate debt allocated to Packaging from Tenneco during 1997. See Note 5 to the Combined Financial Statements of The Businesses of Tenneco Packaging for a further discussion of the allocation of Tenneco consolidated debt and interest expense to Packaging.

Cash Flows

<TABLE>

<CAPTION>

	1997	1996
	----	----
	(MILLIONS)	
	<C>	<C>
Cash provided (used) by:		
Operating activities.....	\$ 405	\$ 263
Investing activities.....	(654)	(669)
Financing activities.....	239	399

</TABLE>

Operating activities provided \$405 million in 1997 and \$263 million in 1996. Discontinued operations provided \$110 million of the increase. Continuing operations benefited from higher income and cash flow benefits from tax refunds during 1997, resulting primarily from tax benefits derived from the December 1996 reorganization and debt realignment, and a 1996 tax net operating loss, which was carried back to earlier years. These positive benefits were largely offset by increased working capital associated with higher revenue levels and increased cash outflows associated with the fourth quarter 1996 restructuring initiatives.

Investing activities used \$15 million less cash in 1997 than in 1996. Lower capital expenditures for discontinued operations and lower acquisitions for both continuing and discontinued operations were largely offset by lower proceeds from the sale of discontinued operations.

Financing activities generated \$160 million less cash in 1997 than in 1996. Packaging retired \$69 million more debt and Tenneco contributed \$91 million less cash to Packaging in 1997 than in 1996.

PRINCIPAL STOCKHOLDERS

All of the capital stock of Packaging is currently owned by Tenneco. In the spin-off, Tenneco stockholders will receive one share of Packaging common stock per share of Tenneco common stock. The following table provides information about these persons that Packaging expects to own more than 5% of Packaging's common stock upon completion of the spin-off. It is based on Packaging's knowledge of those persons who owned more than 5% of Tenneco's common stock on June 30, 1999.

<TABLE>

<CAPTION>

NAME AND ADDRESS OF BENEFICIAL OWNER(1) -----	SHARES OF PACKAGING COMMON STOCK OWNED(1) -----	PERCENT OF COMMON STOCK OUTSTANDING(1) -----
	<C>	<C>
Barrow, Hanley, Mewhinney & Strauss, Inc. One McKinney Plaza 3232 McKinney Avenue 15th Floor Dallas, Texas 75204-2429	20,761,040 (2)	12.18% (2)
Morgan Stanley Dean Witter & Co. 1585 Broadway New York, New York 10036	10,662,171 (3)	6.26% (3)

</TABLE>

(1) This information is based on information contained in filings made with the Securities and Exchange Commission regarding the ownership of Tenneco common stock.

(2) Barrow, Hanley, Mewhinney & Strauss, Inc. has indicated that it has sole voting power over 5,104,460 shares, shared voting power over 16,227,200 shares, and sole dispositive power over 20,761,040 shares. Barrow, Hanley

also advised Tenneco that it is a registered investment advisor and these shares are held on behalf of various clients.

(3) Morgan Stanley Dean Witter & Co. has indicated that it has sole voting power over 10,504,928 shares.

DESCRIPTION OF TENNECO AFTER THE SPIN-OFF/AUTOMOTIVE

Tenneco is a global manufacturing company whose major businesses currently consist of Automotive and Packaging. See "Incorporation of Information by Reference" and "Summary." Upon completion of the spin-off, Packaging will be an independent, publicly traded company and Tenneco's remaining operations will consist solely of Automotive. See "The Spin-off."

Automotive, with 1998 revenues of over \$3.2 billion, is one of the world's largest producers of emissions control and ride control systems and products. The company serves both original equipment (OE) manufacturers and replacement markets world wide through leading brands, including Monroe(R) brand ride control and Walker(R) brand emissions control products. Automotive, on an independent basis, would have ranked as number 457 based on revenues on the 1998 Fortune 500 listing of U.S. companies.

As an automotive parts supplier, Automotive designs, markets and sells 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 the vast majority of vehicle manufacturers and throughout all aftermarket distribution channels.

CAPITALIZATION

The following table sets forth the unaudited historical capitalization of Tenneco as of June 30, 1999, and the unaudited pro forma capitalization of Tenneco as of June 30, 1999, after giving effect to the debt realignment, spin-off and related transactions, each as if they occurred on that date. You should read this table in conjunction with the financial statements of Tenneco Inc. and Consolidated Subsidiaries and related notes, and Tenneco's Management Discussion and Analysis of Financial Condition and Results of Operations, each included in the Tenneco Current Report on Form 8-K dated August 20, 1999. The Form 8-K is incorporated by reference in this document. You should also read this table in conjunction with the "Unaudited Pro Forma Consolidated Financial Statements of Tenneco," included elsewhere in this document.

<TABLE>
<CAPTION>

	TENNECO	
	JUNE 30, 1999	
	HISTORICAL	PRO FORMA
	(IN MILLIONS)	
<S>	<C>	<C>
Short-term debt, including current maturities of long-term debt.....	\$ 206	\$ --
Long-term debt.....	832	1,673 (a)
Debt allocated to discontinued operations.....	1,861 (b)	--
Total debt.....	2,899	1,673
Minority interest of continuing operations.....	411	17
Minority interest of discontinued operations.....	14	--
Total minority interest.....	425	17
Shareowners' equity.....	2,122	659
Total capitalization.....	\$5,446	\$2,349
	=====	=====

</TABLE>

(a) Represents amounts expected to be outstanding under the new Tenneco borrowings to be incurred in connection with the debt realignment. The pro

forma capitalization assumes that 100% of the original securities are exchanged for new securities in the exchange offers and that these new securities are not "substantially different" from the original securities. See "Accounting Treatment of the Exchange Offers."

- (b) Tenneco's historical practice has been to incur debt for its consolidated group at the parent company level or at a limited number of subsidiaries, rather than at the operating company level, and to centrally manage various cash functions. Consequently, corporate debt of Tenneco has been allocated to the net assets of Tenneco's discontinued paperboard packaging segment based on the portion of Tenneco's investment in the paperboard packaging segment which Tenneco deemed to be debt. This allocation is generally based upon the ratio of paperboard packaging's net assets to Tenneco's consolidated net assets plus debt.

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UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS OF TENNECO

The following Unaudited Pro Forma Consolidated Balance Sheet of Tenneco as of June 30, 1999, and the Unaudited Pro Forma Consolidated Statements of Income for the six months ended June 30, 1999 and the year ended December 31, 1998, reflect the effects of:

- the debt realignment;

- the spin-off of Packaging and related transactions; and

- the unaudited pro forma consolidated statement of income data set forth below also reflects the April 1999 contribution of Packaging's containerboard assets to a new joint venture and the June 1999 sale of Packaging's folding carton assets.

The Unaudited Pro Forma Consolidated Statements of Income have been prepared as if these transactions occurred as of January 1, 1998. The Unaudited Pro Forma Consolidated Balance Sheet has been prepared as if the debt realignment, spin-off and related transactions occurred on June 30, 1999. The Unaudited Pro Forma Consolidated Financial Statements for these periods are not necessarily indicative of the results that would have actually occurred if these transactions had been consummated as of June 30, 1999 or January 1, 1998, or results which may be attained in the future.

The spin-off represents the pro rata distribution of Packaging common stock to the holders of Tenneco common stock. Consequently, no gain or loss will be recognized as a result of the spin-off.

The pro forma adjustments, as described in the Notes to the Unaudited Pro Forma Consolidated Financial Statements, are based upon available information and upon certain assumptions that management believes are reasonable.

You should read the Unaudited Pro Forma Consolidated Financial Statements in conjunction with the Financial Statements of Tenneco Inc. and Consolidated Subsidiaries for the year ended December 31, 1998 and the six months ended June 30, 1999 contained in the Tenneco Current Report on Form 8-K dated August 20, 1999, which is incorporated by reference into this document.

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TENNECO

UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET

JUNE 30, 1999

(MILLIONS)

<TABLE>

<CAPTION>

	PRO FORMA ADJUSTMENTS			
	TENNECO AS REPORTED	DEBT REALIGNMENT	SPIN-OFF AND RELATED TRANSACTIONS	CONSOLIDATED TENNECO PRO FORMA
<S>	<C>	<C>	<C>	<C>
ASSETS				
Current assets:				
Cash and temporary cash investments.....	\$ 40	\$ --	\$ --	\$ 40
Receivables.....	606	--	100 (c) 79 (b)	785
Inventories.....	401	--	--	401
Other current assets.....	129	31 (a)	--	160
	-----	-----	-----	-----
Total current assets.....	1,176	31	179	1,386
Plant, property, and equipment, net.....	1,049	--	--	1,049
Goodwill and intangibles, net.....	510	--	--	510
Other assets and deferred charges.....	260	41 (a)	(54) (h)	247
Net assets of discontinued operations.....	1,421	--	(1,421) (d)	--
	-----	-----	-----	-----
Total assets.....	\$4,416	\$ 72	\$ (1,296)	\$3,192
	=====	=====	=====	=====
LIABILITIES AND SHAREOWNERS' EQUITY				
Current liabilities:				
Short-term debt (including current maturities on long-term debt).....	\$ 206	\$ (206) (a)	\$ --	\$ --
Trade payables.....	351	--	20 (c)	371
Other current liabilities.....	287	--	--	287
	-----	-----	-----	-----
Total current liabilities.....	844	(206)	20	658
Long-term debt.....	832	841 (a)	--	1,673
Deferred income taxes.....	39	--	(22) (h)	17 (f)
Other liabilities and deferred credits.....	168	--	--	168
Minority interest.....	411	(394) (a)	--	17
Shareowners' equity.....	2,122	(169) (a)	(1,421) (d) 80 (c) (32) (h) 79 (b)	659
	-----	-----	-----	-----
Total liabilities and shareowners' equity.....	\$4,416	\$ 72	\$ (1,296)	\$3,192
	=====	=====	=====	=====

</TABLE>

See the accompanying Notes to Unaudited Pro Forma Combined Financial Statements.

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TENNECO
UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 1999
(MILLIONS EXCEPT SHARE AND PER SHARE AMOUNTS)

<TABLE>
<CAPTION>

	PRO FORMA ADJUSTMENTS				
	TENNECO AS REPORTED	PAPERBOARD TRANSACTIONS	DEBT REALIGNMENT	SPIN-OFF AND RELATED TRANSACTIONS	CONSOLIDATED TENNECO PRO FORMA
<S>	<C>	<C>	<C>	<C>	<C>
REVENUES					
Net sales and operating revenues.....	\$ 1,657	\$ --	\$ --	\$ --	\$ 1,657
Other income, net.....	8	--	--	--	8
	-----	-----	-----	-----	-----
	1,665	--	--	--	1,665
	-----	-----	-----	-----	-----
OPERATING COSTS AND EXPENSES					
Cost of sales (exclusive of depreciation shown below).....	1,212	--	--	--	1,212
Engineering, research, and development.....	27	--	--	--	27
Selling, general, and administrative.....	203	--	--	3 (h)	206

Depreciation and amortization.....	71	--	--	--	71
	-----	-----	-----	-----	-----
	1,513	--	--	3	1,516
INCOME BEFORE INTEREST EXPENSE, INCOME TAXES, AND MINORITY INTEREST.....	152	--	--	(3)	149
Interest expense.....	42	(15) (e)	53 (g)	--	80 (g)
Income tax expense.....	44	6 (i)	(21) (i)	(1) (i)	28
Minority interest.....	13	--	(13) (j)	--	--
	-----	-----	-----	-----	-----
INCOME (LOSS) FROM CONTINUING OPERATIONS.....	\$ 53	\$ 9	\$ (19)	\$ (2)	\$ 41
	=====	=====	=====	=====	=====
EARNINGS PER SHARE					
Average shares of common stock --					
Basic.....	166,937,362				166,937,362
Diluted.....	167,319,412				167,319,412
Income from continuing operations --					
Basic.....	\$.32				\$.25
Diluted.....	\$.32				\$.25

</TABLE>

See the accompanying Notes to Unaudited Pro Forma Combined Financial Statements.

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TENNECO

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 1998
(MILLIONS EXCEPT SHARE AND PER SHARE AMOUNTS)

<TABLE>
<CAPTION>

	PRO FORMA ADJUSTMENTS				
	TENNECO AS REPORTED	PAPERBOARD TRANSACTIONS	DEBT REALIGNMENT	SPIN-OFF AND RELATED TRANSACTIONS	CONSOLIDATED TENNECO PRO FORMA
<S>	<C>	<C>	<C>	<C>	<C>
REVENUES					
Net sales and operating revenues.....	\$ 3,237	\$ --	\$ --	\$ --	\$ 3,237
Other income, net.....	(25)	--	--	--	(25)
	-----	-----	-----	-----	-----
	3,212	--	--	--	3,212
	-----	-----	-----	-----	-----
OPERATING COSTS AND EXPENSES:					
Cost of sales (exclusive of depreciation shown below).....	2,332	--	--	--	2,332
Engineering, research, and development.....	31	--	--	--	31
Selling, general, and administrative.....	472	--	--	5 (h)	477
Depreciation and amortization.....	150	--	--	--	150
	-----	-----	-----	-----	-----
	2,985	--	--	5	2,990
	-----	-----	-----	-----	-----
INCOME BEFORE INTEREST EXPENSE, INCOME TAXES, AND MINORITY INTEREST.....	227	--	--	(5)	222
Interest expense.....	69	(53) (e)	145 (g)	--	161 (g)
Income tax expense (benefit)....	13	21 (i)	(58) (i)	(2) (i)	(26)
Minority interest.....	29	--	(29) (j)	--	--
	-----	-----	-----	-----	-----
INCOME (LOSS) FROM CONTINUING OPERATIONS.....	\$ 116	\$ 32	\$ (58)	\$ (3)	\$ 87
	=====	=====	=====	=====	=====
EARNINGS PER SHARE					
Average shares of common stock --					
Basic.....	168,505,573				168,505,573
Diluted.....	168,834,531				168,834,531
Income from continuing operations --					
Basic.....	\$.69				\$.52

See the accompanying Notes to Unaudited Pro Forma Combined Financial Statements.

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TENNECO
NOTES TO THE UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

- (a) To reflect adjustments to Tenneco's debt for the debt realignment and the assumed payment of interest on Tenneco consolidated debt tendered or exchanged as part of the pre-spin-off debt realignment. The adjustment to equity reflects the net impact of the debt realignment, the recording of debt issue costs and deferred income taxes related to the debt realignment. Tenneco will acquire certain subsidiary preferred stock as part of the debt realignment. At this time, Tenneco cannot determine the ultimate amount of securities which will be purchased in the cash tender offers, or the ultimate amount of the original securities which will be exchanged for new securities in the exchange offers, and the amounts could vary significantly. These pro forma adjustments assume that 100% of the securities subject to the cash tender offers are purchased and 100% of the original securities are exchanged for new securities. These pro forma adjustments also assume that the new securities will be recorded at the net carrying amount of the original securities (in other words, the new securities are assumed not to be "substantially different;" see "Accounting Treatment of the Exchange Offers"). The results of the exchange offers could vary based on a number of factors, including the level of acceptance of the exchange offers, the ultimate interest rate of the exchanged securities and whether the exchanges will be considered extinguishments for accounting purposes. Based on current interest rate markets, it is expected that the exchange offers will not be extinguishments for accounting purposes. Tenneco expects to incur an extraordinary charge as a result of the debt realignment related to the cash tender offers. Tenneco estimates that this cost will be approximately \$20 to \$25 million after-tax based on current market rates of interest. Other costs, including transaction costs related to the acquisition of certain subsidiary preferred stock and costs associated with foreign tax restructuring initiatives, will be incurred by Tenneco in connection with the corporate restructuring transactions and the spin-off which Tenneco estimates will be approximately \$50 million after-tax. The effect on Tenneco's debt of these costs has been reflected in this pro forma adjustment. However, these charges have not been included in the unaudited pro forma consolidated statements of income.
- (b) To reflect the purchase of Automotive accounts receivable at fair value which had previously been sold to a third party.
- (c) To reflect affiliated receivables and payables with Packaging that were eliminated in the Tenneco consolidated balance sheet.
- (d) To reflect the spin-off of Packaging common stock to holders of Tenneco common stock at an exchange ratio of one share of Packaging common stock for each share of Tenneco common stock.
- (e) To reflect the adjustment to interest expense resulting from the use of \$854 million of proceeds from (1) the contribution of the containerboard assets of Tenneco's paperboard packaging segment to a new joint venture with an affiliate of Madison Dearborn Partners, Inc. and (2) the sale of Tenneco's folding carton operations. For the purpose of this pro forma adjustment, the \$854 million of Tenneco short-term debt, with an average annual effective interest rate of 6 1/4%, was assumed to be repaid.
- (f) Deferred income taxes at June 30, 1999 include \$79 million of net operating loss carryforwards which will be utilized by Packaging upon the planned sale of Packaging's remaining interest in its containerboard joint venture.

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- (g) To reflect the adjustment to interest expense from the allocation of Tenneco debt to Packaging in the debt realignment as follows:

<TABLE>
<CAPTION>

	SIX MONTHS ENDED JUNE 30, 1999	YEAR ENDED DECEMBER 31, 1998
	(IN MILLIONS)	
<S>	<C>	<C>
Interest expense on historical debt(1).....	\$ (42)	\$ (69)
Reduction of interest expense from paperboard transactions(2).....	15	53
Interest expense on the new Tenneco borrowings(3).....	76	153
Commitment fees and amortization of debt financing costs.....	4	8
	----	----
Adjustment to interest expense.....	\$ 53	\$145
	====	====

</TABLE>

(1) Weighted average outstanding historical debt and average annual effective interest rates were \$985 million and 7.3% for the six months ended June 30, 1999 and \$1,155 million and 7.0% for the year ended December 31, 1998.

(2) See Note (e) above.

(3) Weighted average outstanding debt and average annual effective interest rate for the new Tenneco borrowings were assumed to be \$1,673 million and 9 1/8% for the six months ended June 30, 1999 and the year ended December 31, 1998.

(4) Represents commitment fees on the unused borrowing capacity of the new financing arrangements to be entered into prior to the spin-off and the amortization of deferred debt financing costs.

A 1/8% change in the assumed interest rates would change annual pro forma interest expense by approximately \$2 million, before the effect of income taxes.

- (h) To reflect the increase in net periodic pension costs resulting from the transfer to Packaging of prepaid pension costs attributable to Automotive employees. Automotive employees will no longer participate in the Tenneco Retirement Plan following the spin-off and Packaging will become the sponsor of this plan. These prepaid pension costs will be transferred to Packaging in connection with the corporate restructuring transactions.
- (i) To reflect the income tax expense effects of pro forma adjustments at an assumed statutory tax rate of 40%.
- (j) To eliminate the minority interest related to the acquisition of subsidiary preferred stock in connection with the debt realignment.

SUPPLEMENTAL FINANCIAL INFORMATION OF TENNECO

RESULTS OF OPERATIONS

Tenneco's historical and pro forma EBIT are shown in the following table:

	YEAR ENDED DECEMBER 31, 1998	SIX MONTHS ENDED JUNE 30, 1999
	-----	-----
<S>	<C>	<C>
Historical EBIT.....	\$227	\$152
Pro forma EBIT.....	\$222	\$149

Tenneco has historically incurred costs at the corporate level, including administrative services, corporate overhead, and costs related to operation as a public company, which have not been fully allocated to the operating segments. Because these functions will become part of Packaging following the spin-off, the costs have been included in Packaging's historical operating results and are not in Automotive's historical or pro forma EBIT. Tenneco must be able to obtain these functions in order to operate as a public company following the spin-off. Additionally, Automotive's EBIT includes charges for restructuring and sales of receivables which Tenneco believes require additional explanation. The following information discusses these items in detail and their financial impact on Tenneco.

	YEAR ENDED DECEMBER 31, 1998	SIX MONTHS ENDED JUNE 30, 1999
	-----	-----
	(MILLIONS)	
<S>	<C>	<C>
- Costs for shared services -- Packaging will own the administrative services operations after the spin-off. Tenneco must acquire the services from Packaging under a transition services agreement which Tenneco and Packaging will negotiate before the spin-off. Had the administrative services operations been allocated based on a usage charge, approximately \$28 million would have been billed to Automotive....	\$ (28)	\$ (14)
- Public company costs -- Tenneco will not have the benefit of corporate operations such as treasury, corporate secretary, tax reporting, internal audit, board of directors and other public company functions following the spin-off. Tenneco must replace these functions so that it can operate as a public company following the spin-off. Tenneco estimates that had it operated as a stand-alone, separate entity it would have incurred additional costs for these functions.....	\$ (19)	\$ (8)
- Sale of receivables -- Tenneco's results of operations include costs related to a receivables sale program operated by Tenneco prior to the spin-off. The debt realignment contemplates the termination of this program. The pro forma financial statements of Tenneco calculate interest on debt balances assuming these receivables have not been sold.....	\$ 19	\$ 2
- Restructuring charge -- Tenneco recorded a restructuring charge in the fourth quarter of 1998 for the costs of a plan designed to reduce administrative and operational costs. Refer to Note 3 to the Financial Statements of Tenneco Inc. and Consolidated Subsidiaries incorporated into this document by reference from Tenneco's Current Report on Form 8-K dated August 20, 1999.....	\$ 54	\$ --
- Cost savings -- The restructuring plan contemplates closing certain facilities and terminating employees to reduce cost of sales. Refer to Management's Discussion and Analysis of Tenneco incorporated by		

reference into this document from Tenneco's Current Report on Form 8-K dated August 20, 1999 for further information on the expected savings.....

\$ 25

\$ 6

</TABLE>

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TENNECO AND CONSOLIDATED SUBSIDIARIES SELECTED FINANCIAL DATA

The following consolidated selected financial data as of and for each of the fiscal years in the five years ended December 31, 1998, were derived from the audited financial statements of Tenneco and its consolidated subsidiaries. The following consolidated selected financial data as of and for each of the six months ended June 30, 1999 and 1998, were derived from Tenneco's unaudited condensed financial statements and its consolidated subsidiaries. In the opinion of Tenneco's management, the selected financial data of Tenneco as of and for the six months ended June 30, 1999 and 1998, include all adjusting entries, consisting only of normal recurring adjustments, necessary to present fairly the information set forth. You should not regard the results of operations for the six months ended June 30, 1999 as indicative of the results that may be expected for the full year.

There is other information Tenneco believes is relevant to understanding its results of operations following the spin-off. These items relate to corporate overhead costs incurred by Tenneco and its administrative services operations that Tenneco expects will differ following the spin-off. For further information you should see "Supplemental Financial Information of Tenneco" included elsewhere in this document.

You should read all of this information in conjunction with the Financial Statements of Tenneco Inc. and Consolidated Subsidiaries for the year ended December 31, 1998 and for the six months ended June 30, 1999, contained in the Tenneco Current Report on Form 8-K, dated August 20, 1999. The Form 8-K is incorporated by reference into this document.

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<TABLE>
<CAPTION>

	Years Ended December 31,					Six Months Ended June 30,	
	1998 (a)	1997 (a)	1996 (a)	1995	1994	1999 (a)	1998 (a)
	(DOLLARS IN MILLIONS EXCEPT SHARE AND PER SHARE AMOUNTS)						
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
STATEMENTS OF INCOME DATA (b):							
Net sales and operating revenues from continuing operations.....	\$ 3,237	\$ 3,226	\$ 2,980	\$ 2,479	\$ 1,989	\$ 1,657	\$ 1,664
Income from continuing operations before interest expense, income taxes, and minority interest --							
Automotive.....	\$ 248	\$ 407	\$ 249	\$ 240	\$ 223	\$ 156	\$ 219
Other.....	(21)	(12)	(7)	8	7	(4)	(12)
Total.....	227	395	242	248	230	152	207
Interest expense (net of interest capitalized) (c).....	69	58	60	44	33	42	30
Income tax expense.....	13	80	79	91	52	44	55
Minority interest.....	29	23	21	23	--	13	16
Income (loss) from continuing operations.....	116	234	82	90	145	53	106
Income (loss) from discontinued operations, net of income tax (d).....	139	127	564	645	307	(111)	106

Extraordinary loss, net of income tax(e).....	--	--	(236)	--	(5)	(7)	--
Cumulative effect of changes in accounting principles, net of income tax(f).....	--	(46)	--	--	(39)	(134)	--
Net income (loss).....	255	315	410	735	408	(199)	212
Preferred stock dividends.....	--	--	12	12	60	--	--
Net income (loss) to common stock.....	\$ 255	\$ 315	\$ 398	\$ 723	\$ 348	\$ (199)	\$ 212
Average number of shares of common stock outstanding							
Basic.....	168,505,573	170,264,731	169,609,373	172,764,198	162,307,189	166,937,362	169,341,555
Diluted.....	168,834,531	170,801,636	170,526,112	173,511,654	162,912,425	167,319,412	169,936,676
Earnings (loss) per average share of common stock --							
Basic:							
Continuing operations.....	\$.69	\$ 1.37	\$.49	\$.52	\$.90	\$.32	\$.62
Discontinued operations (d).....	.83	.75	3.25	3.67	1.52	(.67)	.63
Extraordinary loss(e).....	--	--	(1.39)	--	(.03)	(.04)	--
Cumulative effect of changes in accounting principles (f).....	--	(.27)	--	--	(.24)	(.80)	--
	\$ 1.52	\$ 1.85	\$ 2.35	\$ 4.19	\$ 2.15	\$ (1.19)	\$ 1.25
Diluted:							
Continuing operations.....	\$.68	\$ 1.36	\$.49	\$.52	\$.89	\$.32	\$.62
Discontinued operations (d).....	.83	.75	3.23	3.65	1.52	(.67)	.63
Extraordinary loss(e).....	--	--	(1.38)	--	(.03)	(.04)	--
Cumulative effect of changes in accounting principles (f).....	--	(.27)	--	--	(.24)	(.80)	--
	\$ 1.51	\$ 1.84	\$ 2.34	\$ 4.17	\$ 2.14	\$ (1.19)	\$ 1.25
Cash dividends per common share.....	\$ 1.20	\$ 1.20	\$ 1.80	\$ 1.60	\$ 1.60	\$.60	\$.60

(continued on next page)

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<TABLE>
<CAPTION>

	Years Ended December 31,					Six Months Ended June 30,	
	1998 (a)	1997 (a)	1996 (a)	1995	1994	1999 (a)	1998 (a)
	(Millions Except Per Share Amounts)						
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
BALANCE SHEET DATA (b):							
Net assets of discontinued operations (d).....	\$ 1,739	\$ 1,771	\$ 1,883	\$ 1,469	\$ 700	\$ 1,421	\$ 1,793
Total assets.....	4,759	4,682	4,653	3,635	2,315	4,416	4,829
Short-term debt (c).....	304	75	74	109	31	206	168
Long-term debt (c).....	671	713	639	469	303	832	747
Debt allocated to discontinued operations (c).....	2,456	2,123	1,590	1,454	813	1,861	2,302
Minority interest.....	407	408	304	301	301	411	407
Shareowners' equity.....	2,504	2,528	2,646	3,148	2,900	2,122	2,559
STATEMENT OF CASH FLOWS DATA (b)							
Net cash provided (used) by operating activities.....	\$ 532	\$ 519	\$ 253	\$ 1,443	\$ 450	\$ (181)	\$ 178
Net cash used by investing activities.....	(754)	(887)	(685)	(1,162)	(113)	(976)	(314)
Net cash provided (used) by financing activities.....	216	354	147	(356)	(151)	1,170	125
Capital expenditures for continuing operations.....	(195)	(221)	(188)	(208)	(114)	(70)	(80)
OTHER DATA:							
EBITDA (g).....	\$ 377	\$ 505	\$ 336	\$ 331	\$ 282	\$ 223	\$ 279
Ratio of earnings to fixed charges (h).....	2.16	4.80	2.33	2.62	5.36	2.28	3.82

NOTE: The Financial Statements of Tenneco Inc. and Consolidated Subsidiaries discussed in the following notes are included in and incorporated by reference from the Tenneco Current Report on Form 8-K dated August 20, 1999. They cover the three years ended December 31, 1998 and the six months ended June 30, 1999 and 1998.

- (a) For a discussion of the significant items affecting comparability of the financial information for the years ended 1998, 1997, and 1996, and for the six months ended June 30, 1999 and 1998, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in Tenneco's Current Report on Form 8-K dated August 20, 1999.
- (b) During the periods presented, Tenneco completed numerous acquisitions. The most significant acquisition was Automotive's acquisition of Clevite for \$328 million in July 1996. See Notes to the Financial Statements of Tenneco Inc. and Consolidated Subsidiaries for additional information. See also "Description of Tenneco After the Spin-off/Automotive -- Strategic Acquisitions and Alliances" included elsewhere in this document.
- (c) Debt amounts for 1998, 1997, and 1996, and for June 30, 1999 and 1998, are net of allocations of corporate debt to the net assets of Tenneco's discontinued specialty packaging and paperboard packaging segments. Debt amounts for 1995 and 1994 are net of allocations of corporate debt to the net assets of Tenneco's discontinued specialty packaging, paperboard packaging, energy, and shipbuilding segments. Interest expense for periods presented is net of interest expense allocated to income from discontinued operations. These allocations of debt and related interest expense are based on the ratio of Tenneco's investment in the specialty packaging, paperboard packaging, energy, and shipbuilding segments' respective net assets to Tenneco consolidated net assets plus debt. See Notes to the Financial Statements of Tenneco Inc. and Consolidated Subsidiaries for additional information.
- (d) Discontinued operations reflected in the above periods consist of Tenneco's (1) specialty packaging segment, which was discontinued in August 1999, (2) paperboard packaging segment, which was discontinued in June 1999, (3) energy and shipbuilding segments, which were discontinued in December 1996, (4) farm and construction equipment segment, which was discontinued in March 1996, and (5) chemicals and brakes operations, which were discontinued during 1994. See Notes to the Financial Statements of Tenneco Inc. and Consolidated Subsidiaries for additional information.
- (e) Represents Tenneco's costs related to prepayment of debt, including the 1996 loss recognized in the realignment of Tenneco's debt preceding its 1996 corporate reorganization and the 1999 loss recognized in connection with the contribution of the containerboard assets to a new joint venture. See the Notes to the Financial Statements of Tenneco Inc. and Consolidated Subsidiaries.
- (f) In 1999, Tenneco implemented the American Institute of Certified Public Accountants Statement of Position 98-5, "Reporting on the Costs of Start-up Activities." In addition, effective January 1, 1999, Tenneco changed its method of accounting for customer acquisition costs from a deferred method to an expense-as-incurred method. In 1997, Tenneco implemented the Financial Accounting Standards Board's Emerging Issues Task Force Issue 97-13, "Accounting for Costs Incurred in Connection with a Consulting Contract that Combines Business Process Reengineering and Information Technology Transformation." In 1994, Tenneco adopted Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits." See the Notes to the Financial Statements of Tenneco Inc. and Consolidated Subsidiaries for additional information regarding changes in accounting principles.
- (g) EBITDA represents income from continuing operations before interest expense, income taxes, minority interest and depreciation and amortization. EBITDA is not a calculation based upon generally accepted accounting principles. The

amounts included in the EBITDA calculation, however, are derived from amounts included in the historical statements of income data. In addition, EBITDA should not be considered as an alternative to net income or operating income as an indicator of the operating

(continued on next page)

performance of Tenneco, or as an alternative to operating cash flows as a measure of liquidity. Tenneco has reported EBITDA because it believes EBITDA is a measure commonly reported and widely used by investors and other interested parties as an indicator of a company's ability to incur and service debt. Tenneco believes EBITDA assists investors in comparing a company's performance on a consistent basis without regard to depreciation and amortization, which can vary significantly depending upon accounting methods (particularly when acquisitions are involved) or nonoperating factors. However, the EBITDA measure presented in this document may not always be comparable to similarly titled measures reported by other companies due to differences in the components of the calculation.

(h) For purposes of computing this ratio, earnings generally consist of income from continuing operations before income taxes and fixed charges, excluding capitalized interest. Fixed charges consist of interest expense, the portion of rental expense considered representative of the interest factor and capitalized interest. For purposes of computing these ratios, have been included in the calculations on a pre-tax basis.

OVERVIEW OF AUTOMOTIVE PARTS INDUSTRY

The automotive parts industry is generally separated into two categories: (1) "original equipment" or "OE" sales, in which parts are sold in large quantities directly to original equipment vehicle manufacturers; and (2) "aftermarket" sales, in which parts are sold as replacement parts in varying quantities to a wide range of wholesalers, retailers and installers. In the OE market, parts suppliers are generally divided into tiers -- "Tier 1" suppliers, who provide their products directly to original equipment manufacturers, and "Tier 2" or "Tier 3" suppliers, who sell their products principally to other suppliers for combinations into the other suppliers' own product offerings.

Demand for automotive parts in the OE market is driven by the number of new vehicle sales, which in turn is largely determined by prevailing economic conditions. Although OE demand is tied to planned vehicle production, parts suppliers also have the opportunity to grow through increasing product content and customer and market penetration. Companies with global presence in advanced technology, engineering, manufacturing and support capabilities, such as Automotive, are in the best position to take advantage of these opportunities.

Demand for aftermarket products is fundamentally driven by the quality of OE parts, the number of vehicles in operation, the average age of the vehicle fleet and vehicle usage. Innovative aftermarket products that upgrade the performance or safety of an automobile's original parts, as several of Automotive's products do, can also drive aftermarket demand.

ANALYSIS OF AUTOMOTIVE'S REVENUES

The following table provides for each of the years 1996 through 1998, and for the six months ended June 30, 1999, information relating to Automotive's net sales, by primary product lines and markets:

<TABLE>
<CAPTION>

	NET SALES (MILLIONS)			
	SIX MONTHS ENDED	YEAR ENDED DECEMBER 31,		
	JUNE 30, 1999	1998	1997	1996
<S>	<C>	<C>	<C>	<C>
EMISSIONS CONTROL SYSTEMS & PRODUCTS				
Aftermarket.....	\$ 268	\$ 590	\$ 686	\$ 710

OE Market.....	696	1,224	1,067	989
	-----	-----	-----	-----
	964	1,814	1,753	1,699
	-----	-----	-----	-----
RIDE CONTROL SYSTEMS & PRODUCTS				
Aftermarket.....	316	685	782	768
OE Market.....	377	738	691	513
	-----	-----	-----	-----
	693	1,423	1,473	1,281
	-----	-----	-----	-----
Total Automotive.....	\$1,657	\$3,237	\$3,226	\$2,980
	=====	=====	=====	=====

</TABLE>

CUSTOMERS

Automotive has developed long-standing business relationships with its customers around the world. It works together with its customers in all stages of production, including design, development, component sourcing, quality assurance, manufacturing and delivery. With a balanced mix of OE and aftermarket products and facilities in major markets worldwide, Automotive is well-positioned to meet customer needs. Automotive has a strong, established reputation with its customers for providing high-quality products at competitive prices, as well as for timely delivery and customer service.

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Automotive serves more than 25 different original equipment manufacturers on a global basis, and its products are included on six of the 10 top cars and eight of the 10 top trucks produced globally in 1998. Automotive's current OE customers include:

<TABLE>

<S>	<C>	<C>
NORTH AMERICA	EUROPE	INDIA
CAMI	BMW	Maruti Suzuki
DaimlerChrysler	DaimlerChrysler	TELCO
Ford	DAF	Bajaj
Freightliner	Daihatsu	
General Motors	Fiat	AUSTRALIA
Honda	Ford	Ford
Mazda	Jaguar	General Motors/Holden
Mitsubishi	Lada	Mitsubishi
Navistar	Leyland	Toyota
Nissan	Mitsubishi	
NUMMI	Nissan	JAPAN
Toyota	Opel	Mazda
Volkswagen	Peugeot/Citroen	Nissan
	Porsche	Suzuki
SOUTH AMERICA	Renault/Matra	Toyota
DaimlerChrysler	Rover/Land Rover	
Fiat	Saab/Scania	CHINA
Ford	Toyota	DaimlerChrysler
General Motors	Volkswagen/Audi/SEAT/Skoda	Citroen
Honda	Volvo	Ford
Renault		Toyota
Toyota		Volkswagen
Volkswagen		
		THAILAND
		General Motors
		Isuzu

</TABLE>

Automotive's aftermarket customers are comprised of full-line and specialty warehouse distributors, retailers, jobbers (traditional automotive parts stores that have historically sold primarily to installers), installer chains and car dealers. These customers include such wholesalers and retailers as National Auto Parts Association (NAPA), Monro Muffler and Brake, and Advance Auto Parts in North America and Temot, Autodistribution International and Kwik-Fit in Europe. Automotive has a balanced mix of aftermarket customers, with its top 10 aftermarket customers accounting for less than 30% of Automotive's total aftermarket revenues.

The loss of a principal customer or a material decline in the requirements for Automotive's products from a principal customer, resulting, for example, from a prolonged strike against the customer, could have a material adverse effect on the operating results or financial condition of Automotive. For each of the last three years, less than five customers individually accounted for 5%

or more of Automotive's revenues. Ford accounted for about 11.5%, 13.2% and 12.8% of Automotive's net sales in 1996, 1997 and 1998, and DaimlerChrysler accounted for about 9.6%, 8.9% and 10.9% of Automotive's net sales in 1996, 1997 and 1998, respectively. No other customer accounted for more than 10% of Automotive's revenues for those years.

COMPETITION

Automotive operates in highly competitive markets. Customer loyalty is a key element of competition in these markets and is developed through long-standing relationships, customer service, value-added products and timely delivery. Product pricing and services provided are other important competitive factors.

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In both the OE market and aftermarket, Automotive competes with the vehicle manufacturers, some of which are also customers of Automotive, and numerous independent suppliers. In the OE market, Automotive believes that it is among the top three suppliers in the world for both emissions control and ride control products and systems. In the aftermarket, Automotive believes that it is the market share leader in the supply of both emissions control and ride control products in the world.

EMISSIONS CONTROL SYSTEMS

Vehicle emissions control products and systems play a critical role in safely conveying noxious exhaust gases away from the passenger compartment, reducing the level of pollutants and engine exhaust noise to an acceptable level. Precise engineering of the exhaust system -- from the manifold that connects an engine's exhaust ports to an exhaust pipe, to the catalytic converter that eliminates pollutants from the exhaust, to the muffler -- leads to a pleasant, tuned engine sound, reduced pollutants and optimized engine performance.

Automotive designs, manufactures and distributes a variety of automotive emissions control systems, which include components such as:

- mufflers,
- resonators -- help the muffler eliminate noise,
- catalytic converters -- devices used to convert harmful gaseous emissions, such as carbon monoxide, from a vehicle's exhaust system into harmless components such as water vapor and carbon dioxide,
- fabricated exhaust manifolds -- made of sheet metal or tubes and collect gases from individual cylinders of a vehicle's engine and direct them into a single exhaust pipe,
- pipes -- connect various parts of an exhaust system,
- hydroformed tubing -- forms into various geometric shapes, such as Y-pipes or T-pipes, and provide flexibility in design, and
- electronic noise cancellation products.

Automotive entered this product line in 1967 with the acquisition of Walker Manufacturing Company, which was founded in 1888. When the term "Walker" is used in this document, it refers to the affiliates of Automotive that produce emissions control products and systems.

Walker supplies emissions control products used in six of the 10 top globally produced cars and five of the 10 top globally produced light trucks for 1998. With the acquisition of Heinrich Gillet GmbH & Co. ("Gillet") in 1994, Walker also became one of Europe's leading OE emissions control systems suppliers.

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The following table provides for each of the years 1996 through 1998, and for the six months ended June 30, 1999, information relating to Automotive's sales of emissions control systems:

<TABLE>
<CAPTION>

	PERCENTAGE OF NET SALES			
	SIX MONTHS ENDED	YEAR ENDED DECEMBER 31,		
	JUNE 30, 1999	1998	1997	1996
<S>	<C>	<C>	<C>	<C>
UNITED STATES MARKET				
Aftermarket.....	30%	37%	43%	46%
OE Market.....	70%	63%	57%	54%
	-----	-----	-----	-----
	100%	100%	100%	100%
	=====	=====	=====	=====
FOREIGN SALES				
Aftermarket.....	27%	30%	36%	38%
OE Market.....	73%	70%	64%	62%
	-----	-----	-----	-----
	100%	100%	100%	100%
	=====	=====	=====	=====
TOTAL SALES BY GEOGRAPHIC AREA				
United States.....	39%	41%	44%	44%
European Union.....	45%	44%	41%	43%
Canada.....	8%	7%	7%	6%
Other areas.....	8%	8%	8%	7%
	-----	-----	-----	-----
	100%	100%	100%	100%
	=====	=====	=====	=====

</TABLE>

RIDE CONTROL SYSTEMS

Superior ride control is governed by a vehicle's suspension system, including its shock absorbers and struts. Shock absorbers and struts help maintain vertical loads placed on a vehicle's tires to help keep the tires in contact with the road. A vehicle's ability to steer, brake and accelerate depends on the contact between the vehicle's tires and the road. Worn shocks and struts can allow excess weight transfer from side to side (roll), from front to rear (pitch) and up and down (bounce). Variations in tire-to-road contact can affect a vehicle's handling and braking performance and the safe operation of a vehicle. Shock absorbers are designed to control vertical loads placed on tires by providing resistance to vehicle roll, pitch and bounce. Thus, by maintaining the tire-to-road contact, ride control products are designed to function as safety components of a vehicle, in addition to providing a comfortable ride.

Automotive designs, manufactures and distributes a variety of ride control products and systems. Its ride control offerings include:

- shock absorbers,
- struts,
- electronically adjustable suspension systems that change performance based on inputs like steering and braking,
- vibration control components, including rubber-like bushings and mountings that reduce vibration between metal parts of a vehicle,
- springs, and
- modular assemblies which are combinations of parts that are provided to customers as a unit.

Automotive manufactures and markets replacement shock absorbers for virtually all North American, European and Asian makes of automobiles. In addition, Automotive manufactures and markets shock absorbers and struts for use on passenger cars and trucks, as well as for other uses such as exercise and recreational equipment. Monroe supplies ride control products used in three of the 10 top globally produced cars and eight of the 10 top globally produced light trucks for 1998. Automotive entered the ride control product line in 1977 with the acquisition of Monroe Auto Equipment, which was founded in 1916 and introduced the world's first automotive shock absorber in 1926. When the term "Monroe" is used in this document it refers to the affiliates of Automotive that produce ride control products and systems.

The following table provides for each of the years 1996 through 1998, and for the six months ended June 30, 1999, information relating to Automotive's sales of ride control equipment:

<TABLE>
<CAPTION>

	PERCENTAGE OF NET SALES			
	SIX MONTHS ENDED	YEAR ENDED DECEMBER 31,		
	JUNE 30, 1999	1998	1997	1996
<S>	<C>	<C>	<C>	<C>
UNITED STATES MARKET				
Aftermarket.....	40%	43%	50%	62%
OE Market.....	60%	57%	50%	38%
	-----	-----	-----	-----
	100%	100%	100%	100%
	=====	=====	=====	=====
FOREIGN SALES				
Aftermarket.....	51%	53%	56%	59%
OE Market.....	49%	47%	44%	41%
	-----	-----	-----	-----
	100%	100%	100%	100%
	=====	=====	=====	=====
TOTAL SALES BY GEOGRAPHIC AREA				
United States.....	50%	47%	48%	48%
European Union.....	29%	32%	27%	34%
Canada.....	5%	3%	3%	3%
Other areas.....	16%	18%	22%	15%
	-----	-----	-----	-----
	100%	100%	100%	100%
	=====	=====	=====	=====

</TABLE>

SALES AND MARKETING

Automotive sells directly to original equipment manufacturers. To maintain its customer focus, Automotive's OE sales force is organized into customer-dedicated teams. These sales teams service the original equipment manufacturers at a regional facility level, with global coordination and support from Automotive's headquarters.

For the aftermarket, Automotive uses a dedicated sales force and consumer brand marketing professionals to sell and market its products. This group provides extensive marketing support to aftermarket customers, including trade and consumer marketing, promotions and general advertising. Automotive maintains an aftermarket customer order fill rate of 95%, which reflects the percentage of the average customer order Automotive is able to fill from inventory. Automotive sells its aftermarket products through five primary channels of distribution: (1) the traditional three-step distribution system: full-line warehouse distributors, jobbers and installers; (2) the specialty two-step distribution system: specialty warehouse distributors that carry only specified automotive product groups and installers; (3) direct sales to retailers; (4) direct sales to installer chains; and (5) direct sales to car dealers.

MANUFACTURING AND ENGINEERING

Automotive uses state-of-the-art manufacturing to achieve superior product quality at the lowest operating costs possible. Automotive's manufacturing strategy centers on a lean production system that reduces overall costs -- especially indirect costs -- while maintaining quality standards and reducing manufacturing cycle time. Automotive deploys new technology where it makes sense to differentiate its processes from its competitors' or to achieve balance in one piece flow-through production lines.

EMISSIONS CONTROL

Walker operates 11 manufacturing facilities in the U.S. and six engineering and technical facilities worldwide. Walker also operates 32 manufacturing facilities outside of the U.S. and has a controlling interest in six joint ventures that own manufacturing facilities in China, Germany, India, and Sweden. See "-- Properties."

Walker attempts to locate original equipment manufacturing facilities close to its OE customers to provide products on demand, or "just-in-time." Eleven of Walker's plants are just-in-time facilities.

During the 1990's, Walker expanded its converter and emission system design, development, test and manufacturing capabilities. Walker's engineering capabilities now include advanced predictive design tools, advanced prototyping processes and state-of-the-art testing equipment. This expanded technological capability makes Walker a "full system" integrator, supplying complete emissions control systems from the manifold to the tailpipe, to provide full emission and noise control. It also allows Walker to provide just-in-time delivery and, when feasible, sequence delivery of emissions control systems to meet customer production requirements.

RIDE CONTROL

Monroe operates seven manufacturing facilities in the U.S. and ten engineering and technical facilities worldwide. Monroe also operates 16 manufacturing facilities outside of the U.S. and has a controlling interest in three joint ventures that own manufacturing facilities in China and India. Monroe is attempting to locate original equipment manufacturing facilities close to customers to provide products on demand, or just-in-time. See "-- Properties."

In designing its shock absorbers and struts, Monroe uses advanced engineering and test capabilities to provide product reliability, endurance and performance. Monroe's engineering capabilities feature advanced computer-aided design equipment and testing facilities. Monroe's dedication to innovative solutions has led to such technological advances as:

- adaptive damping systems -- adapts to the vehicle's motion to better control undesirable vehicle motions;
- electronically adjustable suspensions -- changes suspension performance based on a variety of inputs such as steering, braking, vehicle height, and velocity; and
- air leveling systems -- manually or automatically adjust the height of the vehicle.

Conventional shock absorbers and struts generally compromise either ride comfort or vehicle control. Monroe's innovative grooved-tube, gas-charged shock absorbers and struts provide both ride comfort and vehicle control, resulting in improved handling (less roll), reduced vibration and a wider range of vehicle control. This technology can be found in Monroe's premium quality Sensa-Trac(R) shock absorbers. In late 1997, Monroe further enhanced this technology by adding the Safe-Tech(TM) fluon banded piston, which improves shock absorber performance and durability.

INDUSTRY TRENDS

Currently, several significant existing and emerging trends are dramatically reshaping the automotive industry. As the dynamics of the automotive industry change, so do the roles, responsibilities and relationships of its participants. Key trends that Automotive believes are affecting automotive parts suppliers include:

CUSTOMER AND SUPPLIER CONSOLIDATION

The customer base for automotive parts is consolidating in both the OE market and aftermarket. Because of recent business combinations among vehicle manufacturers -- such as the DaimlerChrysler merger and Ford's acquisition of Volvo -- and in the aftermarket -- such as AutoZone's acquisition of Chief Auto Parts and CSK Auto's acquisition of Big Wheel/Rossi -- suppliers are competing for the business of fewer customers. The cost focus of these major customers is causing suppliers to reduce prices.

Consolidation is also occurring among automotive parts suppliers, particularly those who supply vehicle makers. The approximate number of Tier 1 suppliers is projected to decrease from 1,500 to 600 between 1998 and 2005. The primary reasons for this consolidation include: (1) an increasing desire by original equipment manufacturers to work with fewer, larger suppliers that can provide fully-integrated

systems; and (2) the inability of smaller suppliers to compete on price with the larger companies who benefit from purchasing and distribution economies of scale. A supplier's viability in this consolidating market depends, in part, on its continuing ability to maintain and increase operating efficiencies by reducing costs and improving productivity. Also important is a supplier's ability to provide value-added services such as materials management, specialized engineering capabilities and integration of individual components into modules and systems. With its strong market positions in emissions control and ride control products and its demonstrated ability to integrate and deliver

modules and systems, Automotive is well-positioned to respond to increasing customer consolidation.

INCREASED OE OUTSOURCING AND DEMAND FOR FULL-SYSTEM INTEGRATION BY SUPPLIERS

Original equipment manufacturers are moving towards outsourcing automotive parts and systems to simplify the vehicle assembly process, lower costs and reduce vehicle development time. Outsourcing allows original equipment manufacturers to take advantage of the lower cost structure of the automotive parts suppliers and to benefit from multiple suppliers engaging in simultaneous development efforts. Development of advanced electronics has enabled formerly independent vehicle components to become "interactive," leading to a shift in demand from individual parts to fully-integrated systems. As a result, automotive parts suppliers offer original equipment manufacturers component products individually, as well as in a variety of integrated forms such as modules and systems:

- "Modules" are groups of component parts arranged in close physical proximity to each other within a vehicle. Modules are often assembled by the supplier and shipped to the original equipment manufacturer for installation in a vehicle as a unit. Seats, instrument panels, axles and door panels are examples.
- "Systems" are groups of component parts located throughout a vehicle which operate together to provide a specific vehicle function. Anti-lock braking systems, safety restraint systems, emissions control and power train systems are examples.

This shift has created the role of the Tier 1 systems integrator. These systems integrators will increasingly have the responsibility to execute a number of activities, such as design, product development, engineering, testing of component systems and purchasing from Tier 2 suppliers. Automotive is an established Tier 1 supplier with ten years of product integration experience and 28 modular vehicle platforms in production worldwide. For example, Automotive supplies ride control modules for the Chrysler JA Cirrus/Stratus/Breeze and the emissions control system for the Porsche Boxster.

GLOBALIZATION OF THE AUTOMOTIVE INDUSTRY

Original equipment manufacturers are increasingly requiring suppliers to provide parts on a global basis. As the customer base of original equipment manufacturers changes, and emerging markets become more important to achieving growth, suppliers must be prepared to provide products any place in the world. This requires a worldwide approach to supply chain management, engineering, sales and distribution:

- Growing Importance of Emerging Markets. Because the North American and Western European automotive markets are relatively mature, original equipment manufacturers are increasingly focusing on emerging markets for growth opportunities, particularly China, Eastern Europe, India and Latin America. This increased OE focus has, in turn, increased the growth opportunities in the aftermarkets in these regions.
- Governmental Tariffs and Local Parts Requirements. Many governments around the world require that vehicles sold within their country contain specified percentages of locally produced parts. Additionally, some governments place high tariffs on imported parts.
- Location of Production Closer to End Markets. Original equipment manufacturers and parts suppliers have relocated production globally on an "on-site" basis that is closer to end markets. This

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international expansion allows suppliers to pursue sales in developing markets and take advantage of relatively lower labor costs.

With facilities around the world, including the key regions of North America, South America, Europe and Asia, Automotive can supply its customers on a global basis.

GLOBAL RATIONALIZATION OF OE VEHICLE PLATFORMS

Original equipment manufacturers are increasingly designing "world car" platforms. A "world car" platform is a basic mechanical structure of a vehicle that can accommodate different features. Thus, original equipment manufacturers can design one platform for a number of similar vehicle models. This allows manufacturers to realize significant economies of scale through limiting variations across items such as steering columns, brake systems, transmissions, axles, exhaust systems, support structures and power window and door lock mechanisms. Automotive believes that this shift towards standardization will

have a large impact on automotive parts suppliers, who should experience a reduction in production costs as original equipment manufacturers reduce variations in components. Automotive also expects parts suppliers to experience higher production volumes per unit and greater economies of scale, as well as reduced total investment costs for molds, dies and prototype development. Automotive currently works with original equipment manufacturers on 33 "world car" platforms.

INCREASING ELECTRONIC COMPONENTS AND TECHNOLOGICAL INNOVATION

As consumers continue to demand competitively priced vehicles with increased performance and functionality, the number of electronic components utilized in vehicles is increasing. By replacing mechanical functions with electronics and by integrating mechanical and electronic functions within a vehicle, original equipment manufacturers are achieving improved emissions control, improved safety and more sophisticated features at lower costs.

In addition, automotive parts customers are increasingly demanding technological innovation from suppliers to address more stringent emissions and other regulatory standards and to improve vehicle performance. To continue developing innovative products, systems and modules, Automotive maintains 16 research and development facilities and has entered into several strategic alliances focused on advanced technology designs. For example, Automotive has developed several adaptive damping systems which reduce undesirable vehicle motion. Also, Automotive has developed the self-lubricating elastomer which has the additional capability to reduce friction between moving components in a suspension-system thereby reducing audible noise and vibration.

INCREASING ENVIRONMENTAL STANDARDS

Automotive parts suppliers and original equipment manufacturers are designing products and developing materials to comply with increasingly stringent environmental requirements. Government regulations adopted over the past decade require substantial reductions in automobile tailpipe emissions, longer warranties on parts of an automobile's pollution-control equipment and additional equipment to control fuel-vapor emissions. Some of these regulations also mandate more frequent emissions and safety inspections for the existing fleet of vehicles. Manufacturers have responded by focusing their efforts towards technological development to minimize pollution. As a leading supplier of emissions control systems with strong technical capabilities, Automotive is well-positioned to benefit from more rigorous environmental standards.

EXTENDED PRODUCT LIFE OF AUTOMOTIVE PARTS

The average useful life of automotive parts -- both OE and replacement -- has been steadily increasing 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. Accordingly, a supplier's future viability in the aftermarket will depend, in part, on its ability to reduce costs and leverage its advanced technology and recognized brand names to maintain or

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achieve additional sales. As a Tier 1 OE supplier, Automotive is well-positioned to leverage its products and technology into the aftermarket. Furthermore, an opportunity exists for replacement of automobile parts to increase as the average age of vehicles on the road increases. For example, from 1990 to 1997 the average age of cars in the U.S. increased from 7.8 to 8.7 years.

GROWING RETAIL AFTERMARKET DISTRIBUTION

During the last decade, the number of retail automotive parts chains, such as AutoZone and Advance Auto Parts, has been growing while the number of traditional automotive parts stores that sell to installers ("jobbers") has been declining. Since 1990, the number of retail automotive parts stores has increased from approximately 10,000 to approximately 14,000, while the number of jobbers has decreased from approximately 25,000 to approximately 21,000. In addition, since retailers are attempting to grow their commercial sales to automotive parts installers, they are increasingly adding premium brands to their product portfolios. This enables them to offer the option of a premium brand, which is often preferred by their commercial customers, or a standard product, which is often preferred by their retail customers. Automotive is well-positioned to respond to this changing aftermarket situation because of its focus on cost reduction and high-quality, premium brands.

BUSINESS STRATEGY

Automotive's primary goal is to grow and enhance its global position in the manufacture of emissions control and ride control products and systems. Automotive intends to apply its competitive strengths and balanced mix of products, markets, customers and distribution channels to capitalize on many of the significant existing and emerging trends in the automotive industry. The key components of Automotive's business strategy are described below.

CAPITALIZE ON PRODUCT LIFE CYCLES

Using its global engineering capabilities and its advanced technology position, Automotive is pursuing opportunities to design unique, value-added products for vehicle manufacturers that yield higher margins in the OE market. Automotive expects to take advantage of its OE technology investments by moving these differentiated products into the aftermarket, where they should continue to generate future revenue streams through the entire life of the vehicle. Innovative products such as Sensa-Trac(R) shocks and Quiet-Flow(TM) mufflers are examples of where Automotive's market balance between OE and aftermarket sales allows Automotive to leverage its cost structure over the entire product life cycle to produce sustained, higher-margin returns.

DEVELOP AND COMMERCIALIZE INNOVATIVE, VALUE-ADDED PRODUCTS

Automotive intends to continue to focus on the development of highly engineered systems and complex assemblies and modules which provide value-added solutions to customers and generally carry higher profit margins than individualized components. Furthermore, Automotive intends to expand its product lines by continuing to identify and fill new fast-growing niche markets, by developing new products for existing markets, by acquiring companies with product portfolios that complement the products currently supplied by Automotive and by establishing strategic alliances with other suppliers.

One example of Automotive's focus on innovation is its acquisition in early 1999 of Kinetic Ltd., an Australian advanced suspension engineering company with advanced roll-control technology. This technology also provides enhanced on-road handling while improving off road performance. In addition, in an effort to further enhance its electronic competencies Automotive entered into an agreement with Siemens Automotive S.A. in late 1998 to cooperate in the development and commercialization of advanced electronically controlled ride control and suspension technologies. Also in late 1998, Automotive reached an agreement with Ohlins Racing A.B. to jointly develop advanced, electronically controlled suspension damping systems, which decreases spring movement.

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LEVERAGE AFTERMARKET BRAND NAMES

Automotive manufactures and markets leading brand-name products. Monroe(R) ride control products and Walker(R) emissions control products, which have been offered to consumers for over 50 years, are two of the most recognized brand-name products in the automotive parts industry. Automotive continues to emphasize product value differentiation with these brands and its other primary brands, including:

- the Monroe Sensa-Trac(R) line of shock absorbers, that has been enhanced by the Safe-Tech(TM) system technology which incorporates a fluon banded piston to improve performance and durability;
- Walker's Quiet-Flow(TM) muffler, which features an open-flow design that increases exhaust flow, improves sound quality and significantly reduces exhaust backpressure when compared to other replacement mufflers;
- Rancho(R) ride control products for the high-performance light truck market;
- DynoMax(R) high-performance emissions control systems;
- Walker Perfection(TM) catalytic converters;
- Clevite(TM) elastomeric vibration control components, which are primarily rubber products used to reduce vibration through "cushioning" a connection or contact point; and
- in European markets, Walker(R) and Aluminox(TM) mufflers.

Automotive is also capitalizing on its brand strength by incorporating newly acquired product lines within existing product families. Automotive's brand equity is an important asset in a time of customer consolidation and merging channels of distribution.

DIVERSIFY END-MARKETS

One of Automotive's goals is to apply its existing design, marketing and

manufacturing capabilities to produce products for a variety of adjacent markets. Automotive believes that these capabilities could be used for heavy duty vehicle and industrial applications, various recreational vehicles, scooters and bicycles. Automotive expects that expanding into markets other than automotive parts will allow it to capitalize on its advancing technical and manufacturing infrastructure to achieve growth in higher margin businesses.

EXPAND FULL-SYSTEM CAPABILITIES

The automotive parts industry is encountering a consolidation of parts suppliers, as original equipment manufacturers require suppliers to provide design assistance and innovation and full-system capabilities rather than just specific parts. In response to this trend, Automotive has developed integrated, electronically linked global engineering and manufacturing facilities to maintain its presence on top selling vehicles. Automotive has over 10 years of experience as an integrator of systems and modules, and is currently supplying modules for 28 vehicle platforms worldwide. Automotive also plans to continue to dedicate more resources towards strengthening technical capability and design expertise and to pursue appropriate strategic acquisitions, joint ventures, strategic alliances and cooperative development agreements to increase its ability to deliver full-system capabilities.

MAINTAIN OPERATING COST LEADERSHIP

Automotive intends to continue to reduce costs by:

- standardizing its products and processes throughout its operations,
- further developing its global supply chain management capabilities,
- improving its information technology,
- increasing efficiency through employee training,
- investing in more efficient machinery, and

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- enhancing the global coordination of costing and quoting procedures.

In the fourth quarter of 1998, Automotive began a restructuring designed to reduce administrative and operational overhead costs. The largest part of the \$53 million pre-tax restructuring charge which was recorded in income from continuing operations related to the restructuring of its North American aftermarket operations. The operational restructuring, designed to better match Automotive's capacity to market demand, involves closing two plant locations and five distribution centers, with the elimination of 302 positions at those locations. Automotive expects to complete this by mid-2000. The administrative restructuring involves the reduction of approximately 450 administrative staff positions. Automotive expects to complete this by the end of 1999.

Automotive has also adopted Business Operating System ("BOS") as a disciplined system to promote and manage continuous improvement. BOS focuses on the assembly and analysis of data for quick and effective problem resolution to create more efficient and profitable operations.

Automotive has also adopted a management process of measuring the economic value of its operations to help ensure returns exceed capital costs. Automotive is planning to link the successful application of this management discipline to its incentive compensation program.

EXECUTE FOCUSED ACQUISITIONS AND ALLIANCES

In the past, Automotive has been successful in identifying and capitalizing on strategic acquisitions and alliances to achieve growth. Through these acquisitions and alliances, Automotive has: (a) expanded its product portfolio; (b) realized incremental business with existing customers; (c) gained access to new customers; and (d) achieved leadership positions within new geographic markets.

Where appropriate, Automotive intends to continue to pursue strategic acquisitions that complement its existing technology and systems development efforts. This focused strategy will assist Automotive to identify and acquire smaller-scale companies with proven proprietary technology and recognized research capabilities necessary to help develop further leadership in systems integration. Any potential acquisition will be expected to meet strict financial criteria to ensure it increases economic value. Automotive also plans to continue to pursue its joint venture and alliance opportunities to achieve its

objectives and enhance its profitability.

PROPERTIES

Automotive leases its principal executive offices, which are located in Lake Forest, Illinois.

Walker operates 11 manufacturing facilities in the U.S. and six engineering and technical facilities worldwide. Walker also operates 32 manufacturing facilities outside of the U.S. and has a controlling interest in six joint ventures that own manufacturing facilities in China, Germany, India and Sweden.

Monroe operates seven manufacturing facilities in the U.S. and ten engineering and technical facilities worldwide. Monroe also operates 16 manufacturing facilities outside of the U.S. and has a controlling interest in three joint ventures that own manufacturing facilities in China, South Africa and India.

Automotive's manufacturing locations outside of the U.S. are located in Canada, Mexico, Belgium, Spain, the United Kingdom, the Czech Republic, Turkey, South Africa, France, Denmark, Sweden, Germany, Poland, Portugal, Argentina, Brazil, Australia, and New Zealand. Sales offices are located in Australia, Canada, Italy, Japan, Poland, Russia, and Sweden.

Of Automotive's properties described above, approximately one-half are owned and one-half are leased. Twelve of the properties are held through joint ventures. Automotive also has distribution facilities at its manufacturing sites and at a few offsite locations, substantially all of which are leased.

Automotive's commitment to sound management practices and policies is also demonstrated by its successful participation in the International Standards Organization/Quality Systems certification process (ISO/QS). ISO/QS certifications are yearly audits that certify that a company's facilities meet stringent

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quality and business systems requirements. Without either ISO or QS certification, Automotive would not be able to supply original equipment manufacturers locally or globally. Ninety-nine percent of Automotive's facilities eligible to participate in the ISO program have achieved ISO 9000 certification. Eighty-five percent of Automotive's facilities eligible to participate in the QS program have achieved QS 9000 certification.

Automotive believes that substantially all of its plants and equipment are, in general, well maintained and in good operating condition. They are considered adequate for present needs and, as supplemented by planned construction, are expected to remain adequate for the near future.

Automotive also believes that it and its subsidiaries have generally satisfactory title to the properties owned and used in their respective businesses.

LEGAL AND ENVIRONMENTAL PROCEEDINGS

As of June 1, 1999, Automotive has been designated as a potentially responsible party at four "Superfund" sites and it has estimated its share of the liability at these sites to be approximately \$2 million in the aggregate. In addition, Automotive may have liability to remediate contaminant releases at 18 of its current or former facilities and it has estimated its share of the remediation costs at these facilities to be \$19 million in the aggregate. For both the Superfund sites and its current and former facilities, Automotive has established reserves that it believes are adequate for these costs. Although Automotive believes its estimates of remediation costs are reasonable and are based on the latest available information, the clean-up costs are estimates and are subject to revision as more information becomes available about the extent of remediation required. At some sites, Automotive expects that other parties will contribute to the remediation costs. In addition, at the Superfund sites, the Comprehensive Environmental Response, Compensation and Liability Act provides that Automotive's liability could be joint and several, meaning that Automotive could be required to pay in excess of its share of remediation costs. Automotive's understanding of the financial strength of other potentially responsible parties at both the Superfund sites and at its former facilities has been considered, where appropriate, in Automotive's determination of its estimated liability. Automotive believes that any adjustment to the costs associated with its current status as a potentially responsible party at the Superfund sites or as a liable party at its current or former facilities will

not be material to its consolidated financial position or results of operations.

Automotive estimates that its capital expenditures for environmental matters for 1999 and 2000 will not be material.

Automotive is party to various other legal proceedings arising from its operations. Tenneco believes that the outcome of these other proceedings, individually and in the aggregate, will not have a material adverse effect on Automotive's financial position or results of operations.

STRATEGIC ACQUISITIONS AND ALLIANCES

Strategic acquisitions, joint ventures and alliances have been an important part of Automotive's growth. Through this strategy, Automotive has expanded to meet customers' global requirements. This strategy has also allowed Automotive to acquire or align with companies that possess proven technology and research capabilities, furthering Automotive's leadership in systems integration.

EMISSIONS CONTROL

- In 1996, Automotive established a joint venture in Dalian, China to supply emissions control systems to the Northern Chinese automotive market, expanded its North American heavy duty truck aftermarket business through the acquisition of Stemco Inc. and acquired Minuzzi, the second largest manufacturer of exhaust products in Argentina.
- In 1997, Automotive acquired Autocan, a Mexican catalytic converter and exhaust pipe assembly manufacturer. It also acquired the manufacturing operations of MICHEL, a privately owned,

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Polish-based manufacturer of replacement market emissions control systems for passenger cars in Eastern Europe.

- In 1998, Automotive established a joint venture in Shanghai, China to supply emissions control systems to the Central and Southern Chinese automotive markets. Automotive also established a joint venture in Pune, India to supply emissions control systems to OE customers and the aftermarket.
- In 1999, Automotive began manufacturing emissions control systems at a new facility in Curitiba, Brazil to supply original equipment customers in this growing regional market.

RIDE CONTROL

- In 1995, Automotive acquired a 51% interest in a joint venture that has three ride control manufacturing facilities in India and acquired a 51% interest in a joint venture that has one ride control manufacturing facility in China.
- In July 1996, Automotive acquired The Pullman Company and its Clevite products division ("Clevite"). Clevite is a leading original equipment manufacturer of elastomeric vibration control components, including bushings, engine mounts and control arms, for the auto, light truck and heavy truck markets. These products connect major metal parts and help isolate noise, vibration and shock. With this acquisition, Automotive expanded its capability to deliver ride control systems to original equipment manufacturers. The Clevite acquisition also complemented Automotive's interest in global growth opportunities, since both Clevite and Monroe have manufacturing operations in Mexico and Brazil.
- In September 1996, Automotive acquired full ownership of Monroe Amortisor Imalat ve Ticaret, a Turkish shock absorber manufacturer, in which it previously held a 16.7% ownership interest.
- In December 1996, Automotive acquired 94% of the voting stock of Fric-Rot S.A.I.C., the leading producer and marketer of ride control products in Argentina. In 1997, Automotive increased its interest in Fric-Rot to more than 99% through the purchase of additional shares.
- In 1996, Automotive also expanded its presence in Australia's ride control product market with the acquisition of National Springs.
- In 1997, Automotive entered into a joint venture which resulted in its acquisition of majority ownership of Armstrong, a leading South African manufacturer of ride control products.
- Earlier this year, Automotive completed its acquisition of Kinetic, an Australian advanced suspension engineering company with advanced

roll-control technology. Also this year, Automotive licensed elastomer technology and equipment from Draftex, a French company. Automotive intends to apply this technology to manufacturing engine mounts and ride control products for sale in Mexico, Central America and South America.

OTHER

As of June 1, 1999, Automotive had approximately 23,500 employees, 34% of which were covered by collective bargaining agreements and 16% of which are governed by European works councils. Twenty-three of Automotive's existing labor agreements, covering a total of 3,000 employees, are scheduled for renegotiation in 1999 and 2000. Automotive regards its employee relations as generally satisfactory.

The principal raw material utilized by Automotive is steel. Automotive believes that an adequate supply of steel can presently be obtained from a number of different domestic and foreign suppliers.

Automotive holds a number of domestic and foreign patents and trademarks relating to its products and businesses. It manufactures and distributes its products primarily under the Walker(R) and Monroe(R) brand names, which are well recognized in the marketplace and are registered trademarks of Automotive. The patents, trademarks and other intellectual property owned by or licensed to Automotive are important in the manufacturing, marketing and distribution of its products.

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MANAGEMENT AFTER THE SPIN-OFF

BOARD OF DIRECTORS

In connection with the spin-off, the current Board of Directors of Tenneco Inc. will be restructured. This restructured Board of Directors will govern the management and operations of Automotive upon completion of the spin-off.

The Automotive Board of Directors is currently divided into three classes serving staggered three-year terms. At each annual meeting of stockholders, successors to the directors whose terms expire at that meeting are elected. However, Tenneco intends to submit a proposal for stockholder consideration to eliminate its staggered board structure and provide instead for the annual election of directors. Tenneco plans to submit this proposal at a special stockholders' meeting to be held on October 25, 1999. If this proposal is approved, the staggered board structure will be phased-out over the next three annual stockholders' meetings, with directors being elected annually after the expiration of the current staggered board terms set forth below.

Information concerning the individuals who will serve as directors of Automotive upon completion of the spin-off and their terms is provided below. Any current directors of Tenneco Inc. who will not be continuing as Automotive directors will resign effective upon the spin-off.

Terms Expiring at the 2000 Annual Meeting of Stockholders (Class I)

MARK ANDREWS -- See "Description of Packaging -- Management -- Board of Directors" for information about Mr. Andrews.

DAVID B. PRICE, JR. -- Mr. Price has been an Executive Vice President of the BFGoodrich Company and President and Chief Operating Officer of BFGoodrich Performance Materials, a producer of chemical additives and specialty plastics for use in consumer and industrial products, since July 1997. Prior to joining BFGoodrich, Mr. Price held various executive positions over a 20-year span at Monsanto Company, most recently serving as President of the Performance Materials Division of Monsanto Company. Mr. Price is 53 years old and will be named a director in connection with the spin-off.

Terms Expiring at the 2001 Annual Meeting of Stockholders (Class II)

DANA G. MEAD, CHAIRMAN OF THE BOARD -- See "Description of Packaging -- Management -- Board of Directors" for information about Mr. Mead.

M. KATHRYN EICKHOFF -- Ms. Eickhoff has been President of Eickhoff Economics, Inc., a consulting firm, since 1987. From 1985 to 1987, she was Associate Director for Economic Policy for the U.S. Office of Management and Budget, and prior to 1985, was Executive Vice President and Treasurer of Townsend-Greenspan & Co., Inc., an economic consulting firm. She is also a director of AT&T Corp., Pharmacia & Upjohn, Inc., and Fleet Bank, NA. Ms. Eickhoff is 60 years old, and has been a director of Tenneco since 1987. She previously served as a member of the Tenneco Board of Directors from 1982 until her resignation to join the Office of Management and Budget in 1985.

ROGER B. PORTER -- See "Description of Packaging -- Management -- Board of Directors" for information about Mr. Porter.

Terms Expiring at the 2002 Annual Meeting of Stockholders (Class III)

MARK P. FRISSORA -- Mr. Frissora will be the Chief Executive Officer of Automotive upon the spin-off and has been serving as its President since April 1999. From 1996 to April 1999, he held various positions within Automotive's operations including Senior Vice President and General Manager of North American Original Equipment. Mr. Frissora joined Automotive in 1996 from Aeroquip-Vickers Corporation, where he served from 1991 as Vice President of North American marketing, sales and distribution. Mr. Frissora is 43 years old and will be named a director in connection with the spin-off.

SIR DAVID PLASTOW -- Sir David Plastow was Chairman of the Medical Research Council, which promotes and supports research and post-graduate training in the biomedical and other sciences, from 1990 until his retirement in 1998. He served as Chairman of Inchcape plc, a multi-national marketing and distribution company, from June 1992 to December 1995, and Chairman and Chief Executive Officer of Vickers plc, an engineering and manufacturing company headquartered in London, from January 1987 to May 1992. He is also a director of Lloyds TSB Group plc and FT Everard & Sons Limited. Sir David Plastow is 67 years old and has been a director of Tenneco since May 1996. He previously served as a member of the Board of Directors of Tenneco from 1985 until 1992.

PAUL T. STECKO -- See "Description of Packaging -- Management -- Board of Directors" for information about Mr. Stecko.

EXECUTIVE OFFICERS

The following provides information concerning the persons who will serve as the executive officers of Automotive upon completion of the spin-off. Each of the named persons has been, or before the spin-off will be, elected to the office indicated opposite his name and will serve at the discretion of the Automotive Board of Directors.

<TABLE>

<CAPTION>

NAME	AGE AT		TITLE
	JUNE 30, 1999		
----	-----		-----
<S>	<C>	<C>	
Mark P. Frissora.....	43	Chief Executive Officer	
Richard P. Schneider.....	52	Senior Vice President -- Global Administration	
Mark A. McCollum.....	40	Senior Vice President and Chief Financial Officer	
Timothy R. Donovan.....	43	Senior Vice President and General Counsel	
Timothy E. Jackson.....	45	Senior Vice President and General Manager -- North American Original Equipment and Worldwide Program Management	
David G. Gabriel.....	40	Senior Vice President and General Manager -- North American Aftermarket	

</TABLE>

MARK P. FRISSORA -- See "-- Board of Directors," above, for information about Mr. Frissora.

RICHARD P. SCHNEIDER -- As Senior Vice President -- Global Administration, Mr. Schneider is responsible for the development and implementation of human resources programs and policies and corporate communications activities for Automotive's worldwide operations. He joined Automotive in 1994 from International Paper Company where, during his 20-year tenure, he held key positions in labor relations, management development, personnel administration and equal employment opportunity.

MARK A. MCCOLLUM -- Mr. McCollum joined Automotive in April 1998 from Tenneco, where as Vice President, Corporate Development he was responsible for executing Tenneco's strategic transactions. From January 1995 to April 1998, he served in various capacities with Tenneco, including Vice President, Financial Analysis and Planning and Corporate Controller. Before joining Tenneco, Mr. McCollum spent 14 years with the international public accounting firm of Arthur Andersen LLP, serving as an audit and business advisory partner of the company's worldwide partnership from 1991 to 1994.

TIMOTHY R. DONOVAN -- Mr. Donovan was named Senior Vice President and General Counsel of Automotive in August 1999. Since 1989, Mr. Donovan has been a partner in the law firm of Jenner & Block, where he serves as the Chairman of the Corporate and Securities Group and as a member of the firm's Executive Committee. Mr. Donovan will continue with Jenner & Block through the end of 1999, at which time he will resign.

TIMOTHY E. JACKSON -- Mr. Jackson was named Senior Vice President and General Manager -- North American Original Equipment and Worldwide Program Management in June 1999. Mr. Jackson joined the company from ITT Industries where he was President of the company's Fluid Handling Systems Division. With over 20 years of management experience, 14 within the automotive industry, he was also Chief Executive Officer for HiSAN, a joint venture between ITT Industries and Sanoh Industrial Company.

Mr. Jackson has also served in senior management positions at BFGoodrich Aerospace and General Motors Corporation.

DAVID G. GABRIEL -- Mr. Gabriel was named Senior Vice President and General Manager -- North American Aftermarket in August 1999. From March to August 1999, Mr. Gabriel was the Vice President of Operations for Automotive's North American aftermarket business. From March 1997 to March 1999, he served as Vice President of Manufacturing for Automotive's North American aftermarket business. From February 1995 to March 1997, he served as Executive Director of Supplier Development for Tenneco Business Services. Before joining Tenneco in February 1995, Mr. Gabriel spent 15 years in various operating positions of increasing responsibility with the Pepsi Cola Company and Johnson and Johnson.

STOCK OWNERSHIP OF MANAGEMENT

The following table shows, as of June 30, 1999, the number of shares of Tenneco common stock beneficially owned by: (1) each person who will be a director of Automotive upon the spin-off; (2) each person who is named in the Summary Compensation Table for Automotive, below; and (3) all persons who will be directors or executive officers of Automotive upon the spin-off, as a group. The table also shows: (a) Tenneco common stock equivalents held by these directors and executive officers under benefit plans; and (b) the total number of shares of Tenneco common stock and common stock equivalents held.

<TABLE>
<CAPTION>

	SHARES OF COMMON STOCK OWNED (1) (2) (3)	COMMON STOCK EQUIVALENTS	TOTAL SHARES AND EQUIVALENTS
<S>	<C>	<C>	<C>
DIRECTORS			
Mark Andrews.....	14,155	1,600	15,755
M. Kathryn Eickhoff.....	9,728	1,600	11,328
Mark P. Frissora.....	33,968	--	33,968
Dana G. Mead.....	765,821	44,737	810,558
Sir David Plastow.....	4,700	2,610	7,310

Roger B. Porter.....	2,000	3,420	5,420
David B. Price, Jr.	--	--	--
Paul T. Stecko.....	314,362	--	314,362
EXECUTIVE OFFICERS			
Richard P. Schneider.....	24,751	--	24,751
Mark A. McCollum.....	30,959	--	30,959
Timothy R. Donovan.....	--	--	--
Timothy E. Jackson.....	--	--	--
David G. Gabriel.....	15,742	--	15,742
All executive officers and directors as a group.....	1,216,186(5)	53,967	1,270,153(5)

</TABLE>

- (1) Each director and executive officer has sole voting and investment power over the shares beneficially owned (or has the right to acquire shares as described in note (2) below) as set forth in this column, except for: (a) restricted shares; and (b) shares that executive officers and directors have the right to acquire pursuant to stock options. Generally, Tenneco restricted shares will be vested prior to the spin-off. In connection with the spin-off, Tenneco stock options held by the executive officers listed above will be adjusted so that the options immediately after the spin-off will have equivalent economic terms to the options immediately before the spin-off. Tenneco stock options held by directors will be adjusted in the same manner, except that one-half of the Tenneco options held by Messrs. Mead, Andrews and Porter will be replaced with Packaging options having equivalent economic terms, and options held by Mr. Stecko will terminate unless exercised prior to the spin-off.
- (2) Includes restricted shares. At June 30, 1999, Ms. Eickhoff and Messrs. Andrews, Frissora, Mead, Plastow, Schneider and Gabriel held 3,963; 6,547; 12,000; 66,025; 300; 3,000; and 5,000 restricted shares, respectively. Also includes shares that are subject to options, which are exercisable within 60 days of June 30, 1999 for Ms. Eickhoff and Messrs. Andrews, Frissora, Mead, Plastow, Porter, Stecko, Schneider, McCollum and Gabriel to purchase 2,000; 2,000; 20,887; 616,176; 2,000; 2,000; 288,814; 15,844; 30,959; and 9,848 shares, respectively.
- (3) Less than one percent of the outstanding shares of Tenneco common stock.
- (4) Common stock equivalents are distributed in shares of Tenneco common stock or, in some circumstances, cash after the individual ceases to serve as a director or officer. Common stock equivalents held by directors who are not employees of Tenneco will be vested and distributed prior to the spin-off.
- (5) Includes 990,528 shares that are subject to options that are exercisable within 60 days of June 30, 1999, by all executive officers and directors as a group, and includes 96,835 restricted shares for all executive officers and directors as a group.

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COMMITTEES OF THE BOARD OF DIRECTORS AFTER THE SPIN-OFF

The Automotive Board of Directors will have three standing committees when the spin-off is completed. These committees will have the following described responsibilities and authority:

The Audit Committee, comprised solely of outside directors, will have the responsibility, among other things, to: (1) recommend the selection of Automotive's independent public accountants; (2) review and approve the scope of the independent public accountants' audit activity and extent of non-audit services; (3) review with management and such independent public accountants the adequacy of Automotive's basic accounting system and the effectiveness of Automotive's internal audit plan and activities; (4) review with management and the independent public accountants Automotive's certified financial statements and exercise general oversight of Automotive's financial reporting process; and (5) review with Automotive litigation and other legal matters that may affect Automotive's financial condition and monitor compliance with Automotive's business ethics and other policies.

The Compensation/Nominating/Governance Committee, comprised solely of outside directors, will have the responsibility, among other things, to: (1) establish the salary rate of officers and employees of Automotive and its subsidiaries; (2) examine periodically the compensation structure of Automotive; and (3) supervise the welfare and pension plans and compensation plans of Automotive. It will also have significant corporate governance responsibilities, among other things, to: (a) review and determine the desirable balance of experience, qualifications and expertise among members of the Automotive Board; (b) review possible candidates for membership on the Automotive Board and recommend a slate of nominees for election as directors at Automotive's annual stockholders' meeting; (c) review the function and composition of the other committees of the Automotive Board and recommend membership on these committees; and (d) review the qualifications and recommend candidates for election as officers of Automotive.

The Three-year Independent Director Evaluation Committee, comprised solely of outside directors, will have the responsibility, among other things, to review Automotive's qualified offer rights plan at least every three years and, if it deems it appropriate, recommend that the full Automotive Board modify or terminate that plan.

EXECUTIVE COMPENSATION

The following table shows the compensation paid for 1998 by Tenneco to: (a) the person who will become the Chief Executive Officer of Automotive upon the spin-off; and (b) each of the persons who will be included among the four most highly compensated executive officers of Automotive upon the spin-off, based on 1998 compensation, other than the Chief Executive Officer. The table shows amounts paid to these persons for all services provided to Tenneco and its subsidiaries. Messrs. Donovan and Jackson had no compensation from Tenneco and its subsidiaries prior to 1999.

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SUMMARY COMPENSATION TABLE

<TABLE>
<CAPTION>

NAME AND PRINCIPAL POSITION	ANNUAL COMPENSATION			LONG-TERM COMPENSATION		ALL OTHER COMPENSATION (5)
	SALARY (1)	BONUS	OTHER ANNUAL COMPENSATION (2)	RESTRICTED STOCK AWARDS (3)	OPTIONS (4)	
Mark P. Frissora..... Chief Executive Officer	\$252,300	\$130,000	\$ 31,234	\$450,720	35,000	\$ 9,393
Richard P. Schneider..... Senior Vice President -- Global Administration	\$216,310	\$ 80,000	\$ 39,169	--	15,000	\$12,683
Mark A. McCollum..... Senior Vice President and Chief Financial Officer	\$211,800	\$ 75,000	\$110,678	--	15,000	\$ 584
David G. Gabriel..... Senior Vice President and General Manager -- North American Aftermarket	\$182,353	\$ 60,000	\$ 15,720	\$187,800	10,000	\$ 7,288

</TABLE>

(1) Includes base salary plus amounts paid in lieu of matching contributions to the Tenneco Thrift Plan.

(2) Includes amounts attributable to: (a) the value of personal benefits provided by Tenneco to executive officers, such as the personal use of Tenneco-owned property, and relocation expenses; (b) reimbursement for taxes; and (c) amounts paid as dividend equivalents on performance share equivalent units ("Dividend Equivalents"). The amount of each personal benefit that exceeds 25% of the estimated value of the total personal benefits provided by Tenneco, reimbursement for taxes, and amounts paid as Dividend Equivalents to the individuals named in the table for 1998 was as follows: \$1,013 for reimbursement of taxes; \$8,760 in Dividend Equivalents

and \$20,000 perquisite allowance for Mr. Frissora; \$3,950 for reimbursement of taxes, \$10,200 in Dividend Equivalents and \$20,000 perquisite allowance for Mr. Schneider; \$58,946 in relocation expenses, \$20,745 for reimbursement of taxes, \$8,400 in Dividend Equivalents and \$20,000 perquisite allowance for Mr. McCollum; and \$3,720 in Dividend Equivalents and \$12,000 perquisite allowance for Mr. Gabriel.

- (3) Includes the dollar value of grants of restricted shares based on the price of Tenneco common stock on the date of grant. At December 31, 1998, Messrs. Frissora, Schneider, McCollum and Gabriel held 19,300; 11,500; 7,000; and 8,100 restricted shares and/or performance share equivalent units, respectively. The value at December 31, 1998 (based on a per share/equivalent unit price of \$34.063 on that date) of all restricted shares/performance units held was \$657,416 for Mr. Frissora, \$391,725 for Mr. Schneider, \$238,441 for Mr. McCollum, and \$275,910 for Mr. Gabriel. Generally, restricted shares and performance share equivalent units will be vested prior to the spin-off. Dividends/Dividend Equivalents will be paid on the restricted shares/ performance share equivalent units held by each individual.
- (4) In connection with the spin-off, options will be adjusted so that the options immediately after the spin-off will have equivalent economic terms to the options immediately before the spin-off.
- (5) Includes amounts attributable during 1998 to benefit plans of Tenneco as follows:
 - (a) The amounts contributed pursuant to Tenneco's Thrift Plan for the accounts of Messrs. Frissora, Schneider and Gabriel were \$6,400, \$5,013 and \$5,000, respectively.
 - (b) The dollar values paid by Tenneco for insurance premiums under the Tenneco group life insurance plan (including dependent life) for Messrs. Frissora, Schneider, McCollum, and Gabriel were \$2,993, \$7,670, \$584, and \$2,288, respectively.

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OPTIONS GRANTED IN 1998

The following table shows the number of options to purchase Tenneco common stock granted during 1998 to the persons named in the Summary Compensation Table above.

<TABLE>
<CAPTION>

NAME	SHARES OF COMMON STOCK UNDERLYING OPTIONS GRANTED (#) (1)	PERCENT OF TOTAL OPTIONS GRANTED TO TENNECO EMPLOYEES		EXERCISE PRICE (\$) (2)	EXPIRATION DATE	GRANT DATE PRESENT VALUE (3)
		IN 1998 (%)				
Mr. Frissora.....	35,000	2.0%		\$36.63	7/21/08	\$360,150
Mr. Schneider.....	15,000	.9%		\$36.63	7/21/08	\$154,350
Mr. McCollum.....	15,000	.9%		\$36.63	7/21/08	\$154,350
Mr. Gabriel.....	10,000	.5%		\$36.63	7/21/08	\$102,900

- (1) In connection with the spin-off, the Tenneco stock options held by the persons listed above will be adjusted so that the options immediately after the spin-off will have equivalent economic terms to the options immediately before the spin-off.
- (2) All options were granted with exercise prices equal to 100% of the fair market value of a share of Tenneco common stock on the date of grant.
- (3) The Black-Scholes valuation was performed using the following assumptions:

25.6% volatility, 5.7% risk free interest rate, 3.2% expected dividend rate and 10 year option life.

OPTIONS AT 1998 YEAR-END

The following table shows the number of options to purchase Tenneco common stock held at December 31, 1998 by the persons named in the Summary Compensation Table above. No Tenneco options were exercised in 1998, and there were no in-the-money Tenneco options as of December 31, 1998.

<TABLE>
<CAPTION>

NAME	TOTAL NUMBER OF UNEXERCISED OPTIONS HELD AT DECEMBER 31, 1998 (1)	
	EXERCISABLE	UNEXERCISABLE
<S>	<C>	<C>
Mr. Frissora.....	8,291	65,495
Mr. Schneider.....	9,180	57,862
Mr. McCollum.....	22,476	49,583
Mr. Gabriel.....	5,894	23,346

</TABLE>

(1) In connection with the spin-off, the Tenneco stock options held by the persons listed above will be adjusted so that the options immediately after the spin-off will have equivalent economic terms to the options immediately before the spin-off.

LONG-TERM INCENTIVE PLANS

PERFORMANCE SHARE EQUIVALENT UNIT AWARDS IN 1998

The following table shows information concerning performance-based awards made during 1998 to the persons named in the Summary Compensation Table above.

<TABLE>
<CAPTION>

NAME	NUMBER OF SHARES, UNITS OR OTHER RIGHTS (1) (2)	PERFORMANCE OR OTHER PERIOD UNTIL MATURATION OR PAYOUT (3)	ESTIMATED FUTURE PAYOUTS UNDER NON-STOCK PRICE-BASED PLANS (1)		
			THRESHOLD (4)	TARGET (4)	MAXIMUM (4)
<S>	<C>	<C>	<C>	<C>	<C>
Mr. Frissora.....	5,000	4 years	25%	100%	150%
Mr. Schneider.....	4,500	4 years	25%	100%	150%
Mr. McCollum.....	3,500	4 years	25%	100%	150%
Mr. Gabriel.....	2,000	4 years	25%	100%	150%

</TABLE>

(1) Estimated future payouts are based on earnings per share ("EPS") from continuing operations; however, generally performance share equivalent units will be deemed to be earned at the target level and vested prior to the spin-off.

- (2) Each performance share equivalent unit represents one share of Tenneco's common stock that may be earned under this award and the number of performance share equivalent units listed in this column represents the maximum number of performance share equivalent units that may be earned under this award.
- (3) Performance share equivalent units are earned at the rate of 25% per year based on achievement of annual EPS goals; however, generally performance share equivalent units will be deemed to be earned at the target level and vested prior to the spin-off.
- (4) Represents maximum performance share equivalent units earned where the goals were consistently within the indicated performance range on an individual year and accumulated four-year basis; however, generally performance share equivalent units will be deemed to be earned at the target level and vested prior to the spin-off.

PENSION PLAN TABLE

The following table shows the aggregate estimated annual benefits payable upon normal retirement pursuant to the Tenneco Retirement Plan and the Tenneco Inc. Supplemental Executive Retirement Plan to persons in specified remuneration and years of credited participation classifications. In connection with the spin-off, Packaging will become the sponsor of the Tenneco Retirement Plan. Automotive expects to adopt a salaried defined benefit pension plan patterned after the Tenneco Retirement Plan. The Automotive plan will count service prior to the spin-off for all purposes, including benefit accrual, but there will be an offset for benefits accrued under the Tenneco Retirement Plan. Therefore, as to Automotive employees, the benefits described in the table will be provided by a combination of payments from the Tenneco Retirement Plan and the Automotive plan. Automotive also expects to continue plans similar to the Tenneco Inc. supplemental pension plan.

<TABLE>
<CAPTION>

ANNUAL REMUNERATION	YEARS OF CREDITED PARTICIPATION				
	15	20	25	30	35
<S>	<C>	<C>	<C>	<C>	<C>
\$250,000.....	\$ 58,928	\$ 78,571	\$ 98,214	\$117,857	\$137,500
\$300,000.....	\$ 70,714	\$ 94,285	\$117,857	\$141,428	\$165,000
\$350,000.....	\$ 82,500	\$110,000	\$137,500	\$165,000	\$192,500
\$400,000.....	\$ 94,285	\$125,714	\$157,142	\$188,571	\$220,000
\$450,000.....	\$106,071	\$141,428	\$176,785	\$212,142	\$247,500
\$500,000.....	\$117,857	\$157,142	\$196,428	\$235,714	\$275,000
\$550,000.....	\$129,642	\$172,857	\$216,071	\$259,285	\$302,500
\$600,000.....	\$141,428	\$188,571	\$235,714	\$282,857	\$330,000
\$650,000.....	\$153,214	\$204,285	\$255,357	\$306,428	\$357,500
\$700,000.....	\$165,000	\$220,000	\$275,000	\$330,000	\$385,000

</TABLE>

1. The benefits shown above are computed as a straight life annuity and are based on years of credited participation and the employee's average compensation, which is comprised of salary and bonus. These benefits are not subject to any deduction for Social Security or other offset amounts. The years of credited participation for Messrs. Frissora, Schneider, McCollum and Gabriel are 2, 4, 4 and 4, respectively. See the Summary Compensation Table on page 142 for salary and bonus information for these individuals.
2. If Mr. Frissora completes 10 years of service in the period commencing January 1, 1999, he will be entitled to benefits commencing at age 55 of at least 40% of his average salary plus bonus determined over a three-year period.

COMPENSATION OF DIRECTORS

Fee Structure. Following the spin-off, each director who is not also an employee of Automotive or its subsidiaries, an "outside director," will be paid a yearly retainer fee of \$35,000 for service on the Automotive Board of Directors. In general, 100% of that fee will be paid in the form of stock-settled common stock equivalents, (the "directors' stock equivalents") as described below. A director may elect, however, to have up to 40%, or \$14,000, of the fee paid in cash. These outside directors will also receive cash attendance fees and committee chair and membership fees, and reimbursement of their expenses for attending meetings of the Board of Directors. Outside directors will receive \$1,000 for each meeting of the Board of Directors attended, and each one who serves as a Chairman of the Audit Committee or the Compensation/Nominating/Governance Committee will be paid a fee of \$7,000 per chairmanship. Outside directors who serve as members of these committees will be paid \$4,000 per committee membership.

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Members of the Three-year Independent Director Evaluation Committee will receive \$1,000 plus expenses for each meeting of that committee attended.

Common Stock Equivalents/Options. As described above, all or a portion of an outside director's retainer fee will be paid in common stock equivalent units. These directors' stock equivalents will be payable in shares of Automotive common stock after an outside director ceases to serve as a director of Automotive. Final distribution of these shares may be made either in a lump sum or in installments over a period of years. The directors' stock equivalents will be issued at 100% of the fair market value on the date of the grant. Each outside director will also receive an annual grant of an option to purchase up to 6,500 shares of Automotive common stock as additional incentive compensation. Directors options: (a) will be granted with per share exercise prices equal to 100% of the fair market value of a share of Automotive common stock on the day the option is granted; (b) will have terms of ten years; and (c) will fully vest six months from the grant date. Once vested, the directors options will be exercisable at any time during the option term.

Automotive expects that restricted shares of Tenneco common stock and directors' stock equivalents held by outside directors will be vested prior to the completion of the spin-off, and the directors will be paid an amount in cash to defray taxes incurred on that vesting.

Deferred Compensation Plan. Automotive will have a voluntary deferred compensation plan for outside directors. Under the plan, an outside director may elect, prior to commencement of the next calendar year, to have some or all of the cash portion, that is, up to 40% or \$14,000, of his or her retainer fee and some or all of his or her meeting fees credited to a deferred compensation account. The plan will provide these directors with various investment options. The investment options will include stock equivalent units of Automotive common stock, which may be paid out in either cash or shares of Automotive common stock.

Restricted Stock. In satisfaction of residual obligations of Automotive under the discontinued retirement plan for directors, Ms. Eickhoff and Mr. Andrews will receive a yearly grant of \$15,400 in value of restricted shares of Automotive common stock. The restricted shares may not be sold, transferred, assigned, pledged or otherwise encumbered and are subject to forfeiture if Ms. Eickhoff or Mr. Andrews ceases to serve on the Board prior to the expiration of the restricted period. This restricted period ends upon his or her normal retirement from the Board, unless he or she is disabled, dies, or the Compensation/Nominating/Governance Committee of the Board, at its discretion, determines otherwise. During the restricted period, Ms. Eickhoff and Mr. Andrews will be entitled to vote the shares and receive dividends.

TERMINATION OF EMPLOYMENT AND CHANGE-IN-CONTROL ARRANGEMENTS

Automotive will maintain a key executive change-in-control severance benefit plan similar to the existing Tenneco plan and incorporating some provisions of the benefits protection trust. The purpose of the plan is to enable Automotive to continue to attract, retain and motivate highly qualified

employees by eliminating, to the maximum practicable extent, any concern on the part of such employees that their job security or benefit entitlements will be jeopardized by a "change-in-control" of Automotive, as that term will be defined in the plan. The plan will be designed to achieve this purpose through the provision of severance benefits for key employees and officers whose positions are terminated following a change-in-control as provided in the plan. Under the plan, Automotive expects that Messrs. Frissora, Schneider, McCollum and Gabriel would have become entitled to receive payments from Automotive in the amount of \$1,200,000; \$986,001; \$1,119,399 and \$760,749, respectively, had their positions been terminated on December 31, 1998 following a change-in-control. In addition, restricted shares held in the name of those individuals under restricted stock plans would have automatically reverted to Automotive, and Automotive would have been obliged to pay those individuals the fair market value of those restricted shares. Their performance share equivalent units would also have been fully vested and paid. The spin-off does not constitute a "change-in-control" of Tenneco for purposes of Tenneco's current or the new change-in-control severance benefits plans. The Tenneco benefits protection trust and rabbi trust will be terminated prior to the spin-off.

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TRANSACTIONS WITH MANAGEMENT AND OTHERS

During fiscal year 1998, Tenneco paid the firm Eickhoff Economics, Inc., of which Ms. Eickhoff is the sole owner, approximately \$25,000 for financial consulting services. These services have not been and will not be provided in 1999.

AUTOMOTIVE BENEFIT PLANS FOLLOWING THE SPIN-OFF

Automotive will continue its sponsorship of the defined benefit pension plans covering hourly employees. Automotive expects to adopt a salaried defined benefit pension plan patterned after the Tenneco Retirement Plan, which will count service prior to the spin-off for all purposes including benefit accrual, but there will be an offset for benefits accrued under the Tenneco Retirement Plan. Automotive will adopt thrift plans covering salaried and hourly employees to which the employees' account balances in the existing Tenneco Thrift Plan will be transferred. The Automotive thrift plans will be 401(k) plans, and there will be employer contributions.

Automotive will adopt two non-qualified deferred compensation plans patterned after the existing Tenneco deferred compensation plans and supplemental defined benefit pension plan. These plans will be unfunded.

Automotive will continue the executive incentive compensation plan to provide annual cash bonuses to eligible employees.

Participation in the existing Tenneco employee stock purchase plan has been suspended. Automotive expects to permit resumed participation in that plan after the spin-off.

Automotive will continue the 1996 Tenneco Inc. Stock Ownership Plan. Tenneco options which will continue to be held by Automotive personnel will be adjusted in connection with the spin-off to maintain economic equivalent terms. Shares underlying options previously held by non-Automotive personnel will become available for regrant at the time of the spin-off.

NEW FINANCING

In connection with the spin-off, Automotive intends to (1) enter into a new senior secured credit facility and (2) issue new senior subordinated debt. Automotive plans to use the proceeds of the senior subordinated debt issue and borrowings of approximately \$1,150 million under the new senior credit facility to fund a portion of the debt realignment. See "The Spin-off -- Debt Realignment."

Definitive agreements for the issuance and sale of the senior subordinated notes and the senior secured credit facility are being negotiated and have not been completed. Accordingly, the terms of such arrangements described below are preliminary and may change as a result of the negotiation of definitive agreements. In addition, funding under both of the financings described below will be subject to the satisfaction of numerous conditions.

NEW CREDIT FACILITY

Automotive intends to enter into a senior secured credit facility with a syndicate, or group, of banks and other financial institutions. Automotive expects the total available borrowing capacity under the senior secured credit facility to amount to \$1,650 million, including a \$500 million revolving credit facility, with commitment terms ranging from six to eight and one-half years.

Repayment. Automotive expects that the terms of the senior secured credit facility will require the revolving credit facility to be repaid on or before the date that is the sixth anniversary of the funding date. Prior to that date, funds may be borrowed, repaid and reborrowed without premium or penalty. Automotive expects that the revolving credit facility will terminate in 2005.

Automotive expects the term loans under the senior secured credit facility will have varying maturities from six to eight and one-half years, a portion of which will be payable in quarterly installments beginning 18 months after the funding and the remainder of which will be payable at maturity.

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Guarantee; Security. Automotive expects the senior credit facility to be guaranteed by each of Automotive's direct and indirect wholly-owned domestic subsidiaries. Automotive also expects the senior credit facility to be secured by a perfected security interest in (1) substantially all of the tangible and intangible assets of Automotive and its domestic subsidiaries, (2) the capital stock of Automotive's domestic subsidiaries, and (3) up to 65% of the capital stock of Automotive's first-tier foreign subsidiaries, excluding joint venture interests. Automotive expects that the collateral will be permanently released if Automotive achieves specified long-term debt ratings and a portion of the term loans have been paid in full.

Covenants. Automotive expects the senior credit facility will require Automotive to maintain compliance with the following financial tests:

- minimum interest coverage ratio, which is the ratio of consolidated earnings before interest expense, income taxes, minority interest, depreciation and amortization ("EBITDA") to consolidated cash interest expense;
- minimum fixed charge coverage ratio, which is the ratio of consolidated EBITDA less consolidated capital expenditures to consolidated cash interest expense; and
- maximum leverage ratio, which is the ratio of consolidated indebtedness to consolidated EBITDA.

In addition, the senior credit facility will contain restrictions on Automotive's operations that are customary for similar facilities and transactions, including limitations on: (a) incurring additional liens; (b) liquidations and dissolutions; (c) incurring additional indebtedness or guarantees; (d) sales or other dispositions of assets; (e) capital expenditures; (f) dividends; (g) mergers and consolidations; (h) loans and advances; (i) prepayments and modifications of subordinated and other debt instruments; and (j) sales and leasebacks.

Interest. Automotive expects the borrowings under the senior credit facility to bear interest at floating rates, generally based, at Tenneco's option, on a base rate defined in the senior secured credit facility or the Eurodollar rate, in each case plus an applicable margin that will depend on Automotive's leverage ratio.

Mandatory Prepayments. Automotive expects that the senior secured credit facility will require Automotive to prepay the term loan facilities and reduce commitments under the revolving credit facility with:

- 100% of the net proceeds of any issuance or incurrence of indebtedness after the funding date by Automotive or its subsidiaries, subject to exceptions for permitted debt;
- 50% of the net proceeds of any issuance of equity by Automotive or its subsidiaries, subject to some exceptions;
- 100% of the net proceeds of any sale or other disposition by Automotive or its subsidiaries of any assets, unless such proceeds are reinvested in assets useful in Automotive's business, with some exceptions;
- 75% of excess cash flow, to be defined in the senior credit facility; and
- 100% of the net proceeds of casualty insurance, condemnation awards or other recoveries, to the extent the proceeds are not reinvested in other assets useful in Automotive's business, subject to some exceptions.

Automotive expects that the mandatory prepayment percentages will be reduced if Automotive achieves certain performance measures to be established in the facility.

NEW SUBORDINATED DEBT

In connection with the spin-off, Automotive intends to offer \$500 million of senior subordinated notes in a private placement for resale pursuant to Rule 144A under the Securities Act of 1933. The senior

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subordinated notes will be general unsecured obligations of Automotive, junior to all senior indebtedness of Automotive. While the interest rate, interest payment dates, maturity and other material terms of the senior subordinated notes have not been finalized, Automotive expects that the senior subordinated notes will have terms customary for senior subordinated note offerings of issuers similar to Automotive. Automotive also expects that the senior subordinated notes will:

- mature in 10 years;
- be guaranteed by all of Automotive's material domestic wholly-owned subsidiaries;
- have registration rights;

- be redeemable at the option of the holders upon a change of control; and

- include customary limitations on Automotive for this type of financing, including limitations on indebtedness, liens, dividends, stock repurchases, investments, assets sales, mergers, subsidiary stock issuances and affiliate transactions.

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U.S. FEDERAL INCOME TAX CONSEQUENCES

The following discussion is a summary of U.S. federal income tax consequences of the exchange offers and consent solicitation to holders of original securities. This discussion, to the extent it summarizes matters of law or legal conclusions, is the opinion of Jenner & Block, tax counsel to Tenneco and Packaging in connection with the exchange offers, based on United States federal income tax laws as now in effect. This discussion does not discuss all aspects of U.S. federal income taxation that may be relevant to you in light of the your particular circumstances. For example, special rules may apply to you if you are one of the following types of holders:

- an insurance company,
- a tax-exempt organization,
- an employee stock ownership plan,
- a bank, broker, dealer or financial institution,
- a holder that holds original securities as part of a position in a "straddle" or as part of a "hedging" or "conversion" transaction for U.S. federal income tax purposes,
- a holder that has a "functional currency" other than the United States dollar, or
- a taxpayer that is not a citizen or resident of the United States, or that is a foreign corporation, foreign partnership or foreign estate or trust as to the United States.

In addition, the discussion does not consider the effect of any foreign, state, local, or other tax laws, or any United States tax consequences (for example, estate or gift tax) other than income tax consequences, that may be applicable to you. Further, this summary assumes that you hold the original securities as "capital assets" (generally, property held for investment) within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the "Code"). This summary is based on the Code and applicable Treasury Regulations promulgated and proposed under the Code, rulings, administrative pronouncements and decisions as of the date of this document, all of which are subject to change or differing interpretations at any time with possible retroactive effect.

YOU ARE URGED TO CONSULT YOUR OWN TAX ADVISOR TO DETERMINE THE FEDERAL, STATE, LOCAL, FOREIGN AND OTHER TAX CONSEQUENCES TO YOU OF THE EXCHANGE OFFERS AND CONSENT SOLICITATION.

TAX CONSIDERATIONS IF YOU EXCHANGE

New Securities. In general, if you tender your original securities in the exchange offers, you should not recognize any gain or loss as a result of your receipt of new securities, except on the receipt of accrued and unpaid interest on the original securities and on the receipt of an early exchange premium, as discussed below. Your basis of the new securities immediately after the exchange offers will be the same as the basis of your original securities exchanged for those new securities, increased by the amount of gain you recognized in the applicable exchange offer and decreased by the amount of any related early exchange premium received. The holding period of the new securities received by you in the exchange offers will include the period during which you held the original securities exchanged for those new securities, assuming the original securities were held as capital assets. No ruling has been requested from the Internal Revenue Service regarding the consequences of the exchange offers and, accordingly, Tenneco and Packaging cannot assure you that the IRS will not take a view contrary to those expressed above.

The above conclusions are based on the assumption, among others, that the original securities and new securities are "securities" for federal income tax purposes. Whether a debt instrument constitutes a security for U.S. federal income tax purposes depends on the terms, conditions and other facts and circumstances relating to the instrument. Prominent factors that the courts have relied upon in making this determination include: (a) the term to maturity of the debt; (b) the collateral securing the debt; (c) the degree of subordination of the debt; (d) the ratio of debt to equity of the issuer; (e) the riskiness of the business of the issuer; and (f) the negotiability of the instrument. Generally, notes with terms to maturity

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of ten years or more, such as some of the original securities and some of the new securities, are treated as securities for federal income tax purposes. Securities with terms to maturity of five years or less are generally not treated as securities for federal income tax purposes. Nevertheless, the IRS has taken the position that while the term to maturity is an important factor, the determination of whether a debt instrument is a security should be based upon an evaluation of the overall nature of the debt, including the degree of participation and continuing interest in the business of the debtor obligated for the debt. [Terms to maturity of new securities to be provided by amendment.]

Based on all of the factors discussed above, in the opinion of Jenner & Block, both the original securities and the new securities should be treated as securities for U.S. federal income tax purposes. However, due to the inherently factual nature of the determination of whether a debt instrument is a security for tax purposes, the IRS or a court could determine that the original securities or the new securities do not constitute securities.

The above conclusions are also based on the assumption that the spin-off will qualify as a tax-free distribution under Section 355 of the Code. Tenneco has received a letter ruling from the IRS to that effect. The letter ruling is based on various factual representations and assumptions. If any of these factual representations or assumptions are incomplete or untrue in a material respect, or the facts on which the letter ruling is based are materially different from the facts at the time of the spin-off, the spin-off could become taxable to Tenneco, its stockholders and its other securityholders.

If the spin-off does not qualify as a tax-free distribution under Section 355 of the Code, other than as a result of a 50% ownership shift in Automotive or Packaging, or if either the original securities or new securities are determined not to be securities for U.S. federal income tax purposes, you would recognize capital gain or loss if you participate in the exchange offers equal to the difference between the issue price of the new securities and your tax basis of the original securities exchanged. Any gain may be subject to ordinary income treatment if you acquired the original securities at a market discount. The "issue price" of the new securities will be equal to (a) the fair market value of the original securities or the new securities, if either the original securities or the new securities are traded on an established market, or (b) the stated principal amount of the new securities, if neither the original securities nor the new securities are traded on an established market.

If either the original securities or the new securities are traded on an established market, the new securities may have original issue discount equal to the difference between their issue price and their stated principal amount. You would include any original issue discount in income as it accrued on the basis of a constant yield to the maturity date, and thus would be required to include amounts in income prior to the date such income is actually paid in cash.

Early Exchange Premium. The law is unclear as to how an early exchange premium that is received by you with respect to an Old Exchange Security exchanged in the exchange offers will be treated for U.S. federal income tax purposes. It is possible that an early exchange premium will be treated as: (a) additional consideration received by you in exchange for your original securities; (b) a separate payment in the nature of a fee; or (c) a payment of additional interest. If the early exchange premium is treated as additional interest or a fee, it would result in ordinary income to you. If the early exchange premium is treated as additional consideration received by you in exchange for your original securities, it would result in the recognition of capital gain by you to the extent of the lesser of (1) the early exchange premium received and (2) the gain, if any, realized by you on the exchange of those original securities. Tenneco intends to treat the early exchange premium for U.S. federal income tax purposes as additional consideration received by holders in exchange for original securities and accordingly not subject to

backup withholding. However, no ruling has been requested from the IRS regarding the tax consequences of the payment of the early exchange premium. Thus, no assurance can be given that the position intended to be taken by Tenneco described above will be accepted by the IRS.

Accrued Interest. Any portion of the payment received by you which is attributable to accrued interest on the original securities will be taxable as ordinary income in accordance with your method of accounting for U.S. federal income tax purposes.

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TAX CONSIDERATIONS IF YOU DO NOT EXCHANGE

If you do not exchange your original securities in the exchange offers you should not recognize gain or loss for U.S. federal income tax purposes unless the supplemental indenture with respect to the original indenture (providing for the proposed amendments) becomes effective and is deemed to constitute a significant modification of the original securities under Section 1001 of the Code. The changes in the terms of the original securities to be effected by the supplemental indenture should not constitute a significant modification under the applicable Treasury Regulations, and should not result in a deemed exchange of securities for U.S. federal income tax purposes. Accordingly, if you hold original securities and elect to retain them, you should not recognize gain or loss as a result of the changes to the terms of the original securities effected by the Supplemental Indenture. Alternatively, even if the supplemental indenture were to result in a deemed exchange of securities for U.S. federal income tax purposes, if you do not tender your original securities into the exchange offers, you should not recognize gain or loss on the deemed exchange since the deemed exchange should qualify as a tax-free recapitalization (assuming the original securities constitute securities for federal income tax purposes).

BACKUP WITHHOLDING

Under the U.S. federal income tax backup withholding provisions of the Code and applicable Treasury Regulations, you will be subject to backup withholding at the rate of 31% with respect to interest received by you unless you: (a) are a corporation or come within another exempt category and, when required, demonstrate this fact; or (b) provide a correct taxpayer identification number to the exchange agent, certify as to no loss of exemption from backup withholding, and otherwise comply with the applicable requirements of the backup withholding rules. Any amount withheld under these rules will be credited against your U.S. federal income tax liability. To prevent backup withholding with respect to the payment of interest, you must complete and sign a substitute Form W-9, which is included as part of the consent and letter of transmittal, and return it to the exchange agent. If the exchange agent is not provided with the correct taxpayer identification number, you may also be subject to a penalty imposed by the IRS. If withholding results in an overpayment of taxes, a refund may be obtained by you from the IRS.

LEGAL MATTERS

Legal matters regarding the authorization and issuance of the new securities will be passed upon for Tenneco and Packaging by Jenner & Block, Chicago, Illinois. Matters regarding the federal income tax treatment of the exchange offers and consent solicitation are also being passed upon for Tenneco and Packaging by Jenner & Block. Theodore R. Tetzlaff, General Counsel of Tenneco and a partner of Jenner & Block, beneficially owns 188,406 shares of Tenneco common stock (including options to purchase 89,871 shares of Tenneco common stock, which options are either presently exercisable or exercisable within 60 days). Timothy R. Donovan, also a partner of Jenner & Block, was named Senior Vice President and General Counsel of Automotive in August 1999. Legal matters relating to exchange offers and consent solicitation will be passed upon for the dealer managers by Cahill Gordon & Reindel (a partnership including a professional corporation), New York, New York. Cahill Gordon & Reindel has in the past represented and continues to represent Tenneco in various matters.

EXPERTS

The following financial statements and schedules included or incorporated by reference in this document or elsewhere in this registration statement to the extent and for the periods indicated in their reports, have been audited by Arthur Andersen LLP, independent public accountants, and are included in this document in reliance upon the authority of said firm as experts in accounting

and auditing in giving said reports: (a) Tenneco Inc. and Consolidated Subsidiaries included in Tenneco's Current Report on Form 8-K dated August 20, 1999, incorporated by reference in this document; and (b) The Businesses of Tenneco Packaging, included in this document.

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THE BUSINESSES OF TENNECO PACKAGING

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Tenneco Inc.:

We have audited the accompanying combined balance sheets of the Businesses of Tenneco Packaging (see Note 1) as of December 31, 1998 and 1997, and the related combined statements of income, cash flows, changes in combined equity and comprehensive income for each of the three years in the period ended December 31, 1998. These combined financial statements and the schedule referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these combined financial statements and schedule based on our audits.

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

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Businesses of Tenneco Packaging as of December 31, 1998 and 1997, and the results of their combined operations and cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles.

As discussed in Note 3 to the combined financial statements, in the fourth quarter of 1997, the Businesses of Tenneco Packaging changed their method of accounting for certain costs incurred in connection with information technology transformation projects.

Our audits were made for the purpose of forming an opinion on the basic combined financial statements taken as a whole. The supplemental schedule listed in the index to the combined financial statements and schedule is presented for

purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic combined financial statements. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic combined financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic combined financial statements of the Businesses of Tenneco Packaging taken as a whole.

ARTHUR ANDERSEN LLP

Houston, Texas
July 2, 1999

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THE BUSINESSES OF TENNECO PACKAGING
COMBINED STATEMENTS OF INCOME
(MILLIONS EXCEPT PER SHARE AMOUNTS)

<TABLE>
<CAPTION>

	YEARS ENDED DECEMBER 31,			SIX MONTHS ENDED JUNE 30,	
	1998	1997	1996	1999	1998
	----	----	----	----	----
	(UNAUDITED)				
<S>	<C>	<C>	<C>	<C>	<C>
REVENUES					
Net sales and operating revenues --					
Specialty.....	\$2,785	\$2,553	\$1,987	\$1,404	\$1,361
Other.....	6	10	--	--	10
	-----	-----	-----	-----	-----
	2,791	2,563	1,987	1,404	1,371
Gain (loss) on sale of businesses and assets, net.....	(9)	--	15	(21)	(1)
Other income, net.....	6	6	34	3	9
	-----	-----	-----	-----	-----
	2,788	2,569	2,036	1,386	1,379
	-----	-----	-----	-----	-----
COSTS AND EXPENSES					
Cost of sales (exclusive of depreciation shown below).....	1,870	1,796	1,417	924	931
Engineering, research, and development.....	33	34	22	18	13
Selling, general, and administrative.....	427	270	232	206	174
Depreciation and amortization.....	175	163	131	94	88
	-----	-----	-----	-----	-----
	2,505	2,263	1,802	1,242	1,206
	-----	-----	-----	-----	-----
INCOME BEFORE INTEREST EXPENSE, INCOME TAXES, AND MINORITY INTEREST.....					
	283	306	234	144	173
Interest expense (net of interest capitalized).....	133	124	102	68	67
Income tax expense.....	67	75	67	24	37
Minority interest.....	1	1	--	--	--
	-----	-----	-----	-----	-----
INCOME FROM CONTINUING OPERATIONS.....	82	106	65	52	69
Income (loss) from discontinued operations, net of income tax.....	57	21	71	(163)	37
	-----	-----	-----	-----	-----
Income (loss) before extraordinary loss.....	139	127	136	(111)	106
Extraordinary loss, net of income tax.....	--	--	(2)	(7)	--
	-----	-----	-----	-----	-----
Income (loss) before cumulative effect of change in accounting principle.....	139	127	134	(118)	106
Cumulative effect of change in accounting principle, net of income tax.....	--	(38)	--	(32)	--
	-----	-----	-----	-----	-----
NET INCOME (LOSS).....	\$ 139	\$ 89	\$ 134	\$ (150)	\$ 106
	=====	=====	=====	=====	=====
EARNINGS (LOSS) PER SHARE					
Basic earnings per share of common stock --					
Continuing operations.....	\$.49	\$.63	\$.38	\$.31	\$.41
Discontinued operations.....	.34	.12	.42	(.98)	.22
Extraordinary loss.....	--	--	(.01)	(.04)	--
Cumulative effect of change in accounting principle.....	--	(.23)	--	(.19)	--
	-----	-----	-----	-----	-----
	\$.83	\$.52	\$.79	\$ (.90)	\$.63
	=====	=====	=====	=====	=====

Diluted earnings per share of common stock --					
Continuing operations.....	\$.49	\$.63	\$.38	\$.31	\$.41
Discontinued operations.....	.34	.12	.42	(.98)	.22
Extraordinary loss.....	--	--	(.01)	(.04)	--
Cumulative effect of change in accounting principle.....	--	(.23)	--	(.19)	--
	-----	-----	-----	-----	-----
	\$.83	\$.52	\$.79	\$ (.90)	\$.63
	=====	=====	=====	=====	=====

</TABLE>

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

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THE BUSINESSES OF TENNECO PACKAGING

COMBINED BALANCE SHEETS
(MILLIONS)

<TABLE>
<CAPTION>

	DECEMBER 31,		JUNE 30,
	1998	1997	1999
	----	----	-----
			(UNAUDITED)
<S>	<C>	<C>	<C>
ASSETS			
Current assets:			
Cash and temporary cash investments.....	\$ 7	\$ 11	\$ 18
Receivables --			
Customer notes and accounts, net.....	336	301	320
Affiliated companies.....	44	74	20
Income taxes.....	15	36	7
Other.....	52	10	28
Inventories.....	412	404	447
Deferred income taxes.....	6	41	46
Prepayments and other.....	45	47	26
	-----	-----	-----
	917	924	912
	-----	-----	-----
Other assets:			
Long-term notes receivable, net.....	22	21	16
Goodwill and intangibles, net.....	1,052	1,009	1,028
Pension assets.....	742	654	795
Other.....	143	129	107
	-----	-----	-----
	1,959	1,813	1,946
	-----	-----	-----
Plant, property, and equipment, at cost.....	2,057	1,856	2,025
Less -- Reserves for depreciation and amortization.....	501	398	530
	-----	-----	-----
	1,556	1,458	1,495
	-----	-----	-----
Net assets of discontinued operations.....	366	423	133
	-----	-----	-----
	\$4,798	\$4,618	\$4,486
	=====	=====	=====
LIABILITIES AND COMBINED EQUITY			
Current liabilities:			
Short-term debt (including current maturities on long-term debt).....	\$ 595	\$ 158	\$ 367
Payables --			
Trade.....	255	252	257
Affiliated companies.....	6	6	100
Taxes accrued.....	13	12	14
Accrued liabilities.....	188	192	215
Other.....	85	124	107
	-----	-----	-----
	1,142	744	1,060
	-----	-----	-----
Long-term debt.....	1,312	1,492	1,494
	-----	-----	-----
Deferred income taxes.....	291	270	380
	-----	-----	-----
Postretirement benefits.....	163	114	149
	-----	-----	-----
Deferred credits and other liabilities.....	100	144	49

	-----	-----	-----	-----	-----
Cash and temporary cash investments, end of period.....	\$ 7	\$ 11	\$ 22	\$ 18	\$ 12
Cash paid during the period for interest.....	\$ 6	\$ 9	\$ 8	\$ 2	\$ 4
Cash paid during the period for income taxes (net of refunds).....	\$ 21	\$ (68)	\$ 60	\$ 17	\$ 10
NON-CASH INVESTING AND FINANCING ACTIVITIES					
Common equity interest received related to the sale of containerboard operations.....	\$ --	\$ --	\$ --	\$ 194	\$ --
Principal amount of long-term debt assumed by buyers of containerboard operations.....	\$ --	\$ --	\$ --	\$(1,760)	\$ --

Note: Cash and temporary cash investments include highly liquid investments with a maturity of three months or less at the date of purchase.

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

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THE BUSINESSES OF TENNECO PACKAGING
STATEMENTS OF CHANGES IN COMBINED EQUITY
(MILLIONS)

<TABLE>
<CAPTION>

	YEARS ENDED DECEMBER 31,			SIX MONTHS ENDED
	1998	1997	1996	JUNE 30, 1999
	----	----	----	-----
				(UNAUDITED)
<S>	<C>	<C>	<C>	<C>
Balance, January 1.....	\$1,839	\$1,843	\$1,531	\$1,776
Net income (loss).....	139	89	134	(150)
Accumulated other comprehensive income (loss)....	22	(24)	(7)	(29)
Allocated interest, net of tax.....	111	102	86	49
Change in allocated corporate debt.....	(333)	(549)	(137)	573
Cash contributions from (distributions to) Tenneco.....	(56)	331	422	(810)
Noncash contributions from (distributions to) Tenneco.....	54	47	(186)	(69)
Balance, end of period.....	\$1,776	\$1,839	\$1,843	\$1,340

</TABLE>

The accompanying notes to combined financial statements are an integral part of these statements of changes in combined equity.

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THE BUSINESSES OF TENNECO PACKAGING
COMBINED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(MILLIONS)

<TABLE>
<CAPTION>

	YEARS ENDED DECEMBER 31,					
	1998		1997		1996	
	-----	-----	-----	-----	-----	-----
	ACCUMULATED OTHER COMPREHENSIVE INCOME	COMPREHENSIVE INCOME	ACCUMULATED OTHER COMPREHENSIVE INCOME	COMPREHENSIVE INCOME	ACCUMULATED OTHER COMPREHENSIVE INCOME	COMPREHENSIVE INCOME
<S>	<C>	<C>	<C>	<C>	<C>	<C>
NET INCOME (LOSS).....		\$139		\$ 89		\$134

THE BUSINESSES OF TENNECO PACKAGING

NOTES TO COMBINED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The accompanying combined financial statements represent the financial position, results of operations, and cash flows for all of the Businesses of Tenneco Packaging ("Packaging") owned directly or indirectly by Tenneco Inc. ("Tenneco") and its subsidiaries (see "Control" below). Packaging includes the assets, liabilities, and operations of Tenneco's specialty packaging and paperboard packaging businesses as well as Tenneco's corporate and administrative service operations.

Unless the context otherwise requires, the term "Tenneco" refers to: (i) for periods prior to the spin-off, as defined below, Tenneco's automotive and packaging businesses, and administrative service operations and (ii) for periods after the spin-off, Tenneco's automotive business.

2. STRATEGIC ALTERNATIVES ANALYSIS

In July 1998, Tenneco's Board of Directors authorized management to develop a broad range of strategic alternatives which could result in the separation of the automotive, paperboard packaging, and specialty packaging businesses. As part of that strategic alternatives analysis, Tenneco has taken the following actions:

- In January 1999, Tenneco reached an agreement to contribute the containerboard assets of its paperboard packaging segment to a new joint venture with an affiliate of Madison Dearborn Partners, Inc. The contribution to the joint venture was completed in April 1999. Tenneco received consideration of cash and debt assumption totaling approximately \$2 billion and a 45 percent common equity interest in the joint venture (now 43 percent due to subsequent management equity issuances) valued at approximately \$200 million.
- In April 1999, Tenneco reached an agreement to sell the paperboard packaging segment's other assets, its folding carton operation, to Caraustar Industries. This transaction closed in June 1999.
- Also in April 1999, Tenneco announced that its Board of Directors had approved the separation of its automotive and packaging businesses into two separate, independent companies.
- In June 1999, Tenneco's Board of Directors approved a plan to sell Packaging's remaining interest in its containerboard joint venture. Packaging expects the sale to be completed before the spin-off discussed below.

As a result of the decision to sell Packaging's remaining interest in the containerboard joint venture, Packaging's paperboard packaging segment is presented as a discontinued operation in the accompanying combined financial statements. Reference is made to Note 7 for information related to discontinued operations.

The separation of Tenneco's automotive and packaging businesses will be accomplished by the spin-off of the common stock of Packaging to Tenneco shareowners (the "Spin-off"). At the time of the Spin-off, Packaging will include Tenneco's specialty packaging business, Tenneco's administrative services operations, and the remaining interest in the containerboard joint venture if the sale has not been completed. Tenneco and Packaging are, however, currently analyzing the alternatives with regard to the administrative services operations.

Before the Spin-off, Tenneco will realign substantially all of its existing debt through some combination of tender offers, exchange offers, prepayments and other refinancings. The debt realignment will be financed by internally generated cash, borrowings by Tenneco under a new credit facility, the issuance by Tenneco of subordinated debt, and borrowings by Packaging under new credit facilities.

The Spin-off is subject to conditions, including formal declaration of the Spin-off by the Tenneco Board of Directors, Tenneco's receipt, and the continued effectiveness of a determination that the Spin-off

will be tax-free for U.S. federal income tax purposes and the successful completion of the debt realignment and corporate restructuring transactions. In August 1999, Tenneco received a letter ruling from the Internal Revenue Service that the Spin-off will be tax-free for U.S. federal income tax purposes to Tenneco and its shareowners (unaudited).

Packaging will modify or enter into certain contractual agreements with Tenneco related to becoming a separate publicly held company. These agreements include a distribution agreement, a tax sharing agreement, a human resources agreement, an insurance agreement, and a transition services agreement.

These agreements will provide, among other things, that (i) Packaging will become the sponsor of the Tenneco Retirement Plan, the Tenneco Supplemental Executive Retirement Plan, and the Tenneco Thrift Plan; and (ii) Packaging will provide certain administrative services, including payroll, accounts payable, benefits administration, accounting, and travel-related services to Tenneco for a specified period of time.

3. SUMMARY OF ACCOUNTING POLICIES

Control

All of the outstanding common stock of Packaging is owned directly or indirectly by Tenneco. Thus, Packaging is under the control of Tenneco.

Unaudited Interim Information

The unaudited interim combined financial statements as of June 30, 1999, and for the six month periods ended June 30, 1999 and 1998, included herein, have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of Packaging's management, the unaudited interim combined financial statements contain all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation. The interim financial results are not necessarily indicative of operating results for an entire year.

Income Taxes

Packaging utilizes the liability method of accounting for income taxes whereby it recognizes deferred tax assets and liabilities for the future tax consequences of temporary differences between the tax basis of assets and liabilities and their reported amounts in the combined financial statements. Deferred tax assets are reduced by a valuation allowance when, based upon management's estimates, it is more likely than not that a portion of the deferred tax assets will not be realized in a future period. The estimates utilized in the recognition of deferred tax assets are subject to revision in future periods based on new facts or circumstances.

Packaging and Tenneco, together with certain of their respective subsidiaries which are owned 80% or more, have entered into an agreement to file a consolidated U.S. federal income tax return. This agreement provides, among other things, that (1) each company in a taxable income position will be currently charged with an amount equivalent to its U.S. federal income tax computed on a separate return basis and (2) each company in a tax loss position will be reimbursed currently. The income tax amounts reflected in the combined financial statements of Packaging under the provisions of the tax sharing arrangement are not materially different from the income taxes which would have been provided had Packaging filed a separate tax return. Under the tax sharing agreement, Tenneco pays all U.S. federal taxes directly and bills or refunds, as applicable, its subsidiaries for the applicable portion of the total tax payments. Cash taxes paid in the combined statements of cash flows include payments to Tenneco for U.S. federal income taxes.

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Packaging does not provide for U.S. federal income taxes on unremitted earnings of foreign subsidiaries as it is the present intention of management to reinvest the unremitted earnings in its foreign operations. Unremitted earnings of foreign subsidiaries are approximately \$95 million at December 31, 1998. It is not practicable to determine the amount of U.S. federal income taxes that would be payable upon remittance of the assets that represent those earnings.

In connection with the Spin-off, the current tax sharing agreement will be cancelled, and Packaging will enter into a new tax sharing agreement with Tenneco. The tax sharing agreement will provide, among other things, for the allocation of taxes among the parties of tax liabilities arising prior to, as a result of, and subsequent to the Spin-off. Generally, Packaging will be liable for taxes imposed on it and its affiliates engaged in the packaging business. In the case of U.S. federal income taxes imposed on the combined activities of the consolidated group, Packaging will generally be liable to Tenneco for U.S. federal income taxes attributable to its activities.

Changes in Accounting Principles

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("FAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement establishes new accounting and reporting standards requiring that all derivative instruments (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. The statement requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement and requires that a company must formally document, designate, and assess the effectiveness of transactions that receive hedge accounting treatment. This statement cannot be applied retroactively and is effective for all fiscal years beginning after June 15, 2000. Packaging is currently evaluating the new standard but has not yet determined the impact it will have on its financial position or results of operations.

In April 1998, the American Institute of Certified Public Accountants ("AICPA") issued Statement of Position ("SOP") 98-5, "Reporting on the Costs of Start-Up Activities," which requires costs of start-up activities to be expensed as incurred. This statement is effective for fiscal years beginning after December 15, 1998. The statement requires previously capitalized costs related to start-up activities to be expensed as a cumulative effect of a change in accounting principle when the statement is adopted. Packaging previously capitalized certain costs in connection with the start-up of certain new foreign operations and its shared administrative service operations. Packaging adopted SOP 98-5 on January 1, 1999, and recorded an after-tax charge for the cumulative effect of this change in accounting principle upon adoption of \$32 million (net of a \$9 million tax benefit), or \$.19 per diluted common share. The change in accounting principle decreased the loss before cumulative effect of change in accounting principle by \$4 million (net of \$2 million in income tax expense), or \$.02 per diluted common share for the six months ended June 30, 1999. If the new accounting method had been applied retroactively, net income for the six months ended June 30, 1998, and the years ended December 31, 1998, 1997, and 1996, would have been lower by \$7 million (net of a \$5 million tax benefit), or \$.04 per diluted common share, \$14 million (net of a \$8 million tax benefit), or \$.08 per diluted common share, \$7 million (net of a \$3 million tax benefit), or \$.04 per diluted common share, and \$7 million (net of a \$4 million tax benefit), or \$.04 per diluted common share.

In March 1998, the AICPA issued SOP 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," which establishes new accounting and reporting standards for the costs of computer software developed or obtained for internal use. This statement requires prospective application for fiscal years beginning after December 15, 1998. Packaging adopted SOP 98-1 on January 1,

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THE BUSINESSES OF TENNECO PACKAGING

NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

1999. The impact of this new standard did not have a significant effect on Packaging's financial position or results of operations.

As required by the FASB's Emerging Issues Task Force ("EITF") Issue 97-13, "Accounting for Costs Incurred in Connection with a Consulting Contract that Combines Business Process Reengineering and Information Technology Transformation," Packaging recorded an after-tax charge of \$38 million (net of a tax benefit of \$24 million), or \$.23 per diluted common share in the fourth quarter of 1997. EITF Issue 97-13 establishes the accounting treatment and an allocation methodology for certain consulting and other costs incurred in connection with information technology transformation efforts. This charge was reported as a cumulative effect of change in accounting principle.

General and Administrative Expenses

Included in the "Selling, general and administrative" caption in the Combined Statements of Income for 1998, 1997, and 1996, is \$70 million, \$49 million, and \$51 million, respectively, which represents Packaging's share of Tenneco's corporate general and administrative costs for legal, financial, communication, and other administrative services. The allocation of Tenneco's corporate general and administrative expenses is based on estimated levels of effort devoted to Tenneco's various operations and the relative size of these operations based on revenues, gross property, and payroll. Packaging's management believes the method for allocating corporate general and administrative expenses is reasonable. Also included in the "Selling, general and administrative" caption is \$55 million, \$22 million, and \$7 million, for 1998, 1997, and 1996, respectively, related to administrative service operations which has not been allocated among Tenneco's various operations. Packaging estimates that, had it operated as a separate, stand-alone entity and had the administrative service operations costs been allocated based on a usage charge, its annual costs for these services would have been lower by approximately \$40 million (unaudited) for the year ended December 31, 1998, \$27 million (unaudited) for the year ended December 31, 1997, and \$18 million (unaudited) for the year ended December 31, 1996.

Sales of Receivables

Packaging sells trade receivables to a third party in the ordinary course of business. At December 31, 1998 and 1997, \$140 million and \$130 million, respectively, and \$119 million at June 30, 1999, of its outstanding trade receivables had been sold. Sales of trade receivables are reflected as a reduction of customer notes and accounts receivable in the accompanying combined balance sheets and the proceeds received are included in cash flows from operating activities in the accompanying combined statements of cash flows.

Inventories

At December 31, 1998 and 1997, inventory by major classification was as follows:

<TABLE>
<CAPTION>

	1998	1997
	----	----
	(MILLIONS)	
<S>	<C>	<C>
Finished goods.....	\$246	\$265
Work in process.....	51	22
Raw materials.....	63	85
Materials and supplies.....	52	32
	----	----
	\$412	\$404
	====	====

</TABLE>

Inventories are stated at the lower of cost or market. A portion of total inventories (61% and 43% at December 31, 1998 and 1997, respectively) is valued using the "last-in, first-out" method. All other

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THE BUSINESSES OF TENNECO PACKAGING

NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

inventories are valued on the "first-in, first-out" ("FIFO") or "average" methods. If the FIFO or average method of inventory accounting had been used by Packaging for all inventories, inventories would have been approximately \$30 million lower and \$2 million higher at December 31, 1998 and 1997, respectively.

Goodwill and Intangibles, Net

At December 31, 1998 and 1997, goodwill and intangibles, net of amortization, by major category were as follows:

<TABLE>
<CAPTION>

	1998	1997
	----	----
	(MILLIONS)	
<S>	<C>	<C>
Goodwill.....	\$ 695	\$ 662
Trademarks.....	177	182
Patents.....	149	157

Other.....	31	8
	-----	-----
	\$1,052	\$1,009
	=====	=====

</TABLE>

Goodwill is being amortized on a straight-line basis over 40 years. Such amortization amounted to \$17 million, \$21 million, and \$12 million for 1998, 1997, and 1996, respectively, and is included in the combined statements of income caption, "Depreciation and amortization."

Packaging has capitalized certain intangible assets, primarily trademarks and patents, based on their estimated fair value at date of acquisition. Amortization is provided on these intangible assets on a straight-line basis over periods ranging from 5 to 40 years. Such amortization amounted to \$18 million, \$17 million, and \$17 million in 1998, 1997, and 1996, respectively, and is included in the combined statements of income caption, "Depreciation and amortization."

Plant, Property, and Equipment, at Cost

At December 31, 1998 and 1997, plant, property, and equipment, at cost, by major category was as follows:

<TABLE>		
<CAPTION>		
	1998	1997
	----	----
	(MILLIONS)	
<S>	<C>	<C>
Land, buildings, and improvements.....	\$ 446	\$ 389
Machinery and equipment.....	1,481	1,339
Other, including construction in progress.....	130	128
	-----	-----
	\$2,057	\$1,856
	=====	=====

</TABLE>

Depreciation of Packaging's properties is provided on a straight-line basis over the estimated useful lives of the assets. Useful lives range from 10 to 40 years for buildings and improvements and from 3 to 25 years for machinery and equipment.

Other Long-Term Assets

Packaging previously capitalized certain costs in connection with the start-up of certain new foreign operations and its shared administrative service operations. The start-up costs are amortized over the periods benefited, generally three to five years. Start-up costs capitalized, net of amortization, at December 31, 1998 and 1997, were \$41 million and \$20 million, respectively. Packaging adopted a new accounting standard in the first quarter of 1999, which requires these costs to be expensed. Refer to "Changes in Accounting Principles" discussed previously in this footnote.

Packaging capitalizes certain costs related to the purchase and development of software which is used in its business operations. The costs attributable to these software systems are amortized over their estimated useful lives, ranging from 3 to 12 years, based on various factors such as the effects of obsolescence, technology, and other economic factors. Capitalized software development costs, net of amortization, were \$140 million and \$104 million at December 31, 1998 and 1997, respectively. As described previously in this footnote, Packaging adopted a new accounting standard related to accounting for the costs of computer software developed for internal use. The impact of this new standard did not have a significant effect on Packaging's financial position or results of operations.

Environmental Liabilities

Expenditures for ongoing compliance with environmental regulations that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations and that do not contribute to current or future revenue generation are expensed. Liabilities are recorded when environmental assessments indicate that remedial efforts are probable and the costs can be reasonably estimated. Estimates of the liability are based upon currently available facts, existing technology, and

presently enacted laws and regulations taking into consideration the likely effects of inflation and other societal and economic factors. All available evidence is considered including prior experience in remediation of contaminated sites, other companies' clean-up experience, and data released by the United States Environmental Protection Agency or other organizations. These estimated liabilities are subject to revision in future periods based on actual costs or new information. These liabilities are included in the balance sheet at their undiscounted amounts. Recoveries are evaluated separately from the liability and, when assured, are recorded and reported separately from the associated liability in the combined financial statements. For further information on this subject, refer to Note 15, "Commitments and Contingencies."

Earnings Per Share

In connection with the Spin-off, Tenneco shareowners will receive one share of Packaging common stock for each share of Tenneco common stock outstanding. Accordingly, basic and diluted earnings per share for Packaging have been calculated using Tenneco's historical weighted average shares outstanding and weighted average shares outstanding adjusted to include estimates of additional shares that would be issued if potentially dilutive common shares had been issued, respectively. Potentially dilutive securities include stock options, restricted stock and performance shares.

Tenneco's basic and diluted average common shares outstanding are as follows:

<TABLE>
<CAPTION>

	YEARS ENDED DECEMBER 31,			SIX MONTHS ENDED JUNE 30,	
	1998	1997	1996	1999	1998
<S>	<C>	<C>	<C>	<C>	<C>
Basic.....	168,505,573	170,264,731	169,609,373	166,937,362	169,341,555
Diluted.....	168,834,531	170,801,636	170,526,112	167,319,412	169,936,676

</TABLE>

Research and Development

Research and development costs are expensed as incurred. Research and development expenses were \$25 million, \$29 million, and \$19 million for 1998, 1997, and 1996, respectively, and are included in the combined statements of income caption "Engineering, research, and development."

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Foreign Currency Translation

Financial statements of international operations are translated into U.S. dollars using the exchange rate at each balance sheet date for assets and liabilities and the weighted average exchange rate for each applicable period for revenues, expenses, and gains and losses. Translation adjustments are reflected in the combined balance sheet caption "Combined equity."

Risk Management Activities

Packaging from time to time uses derivative financial instruments, principally foreign currency forward purchase and sale contracts with terms of less than one year, to hedge its exposure to changes in foreign currency exchange rates. Net gains or losses on these foreign currency exchange contracts that are designated as hedges are recognized in the combined statements of income to offset the foreign currency gain or loss on the underlying transaction. Packaging has from time to time also entered into forward contracts to hedge its net investment in foreign subsidiaries. The after-tax net gains or losses on these contracts are recognized on the accrual basis in the combined balance sheet caption "Combined equity." In the statement of cash flows, cash receipts or payments related to these exchange contracts are classified consistent with the cash flows from the transaction being hedged.

Packaging does not currently enter into derivative financial instruments for speculative purposes.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and

assumptions in determining the reported amounts of Packaging's assets, liabilities, revenues, and expenses. Reference is made to the "Income Taxes" and "Environmental Liabilities" sections of this footnote and Notes 13 and 15 for additional information on significant estimates included in Packaging's combined financial statements.

4. RESTRUCTURING AND OTHER CHARGES

In the fourth quarter of 1998, Tenneco's Board of Directors approved an extensive restructuring plan designed to reduce administrative and operational overhead costs in every part of Tenneco's business. As a result, Packaging recorded a pre-tax charge to income from continuing operations of \$32 million, \$20 million after-tax or \$.12 per diluted common share. Of the pre-tax charge, \$10 million relates to operational restructuring actions and \$22 million relates to a staff and cost reduction plan, which covers employees in both the operating unit and corporate operations.

The operational restructuring plans for Packaging involve the elimination of production lines at two plants resulting in the elimination of 104 positions. Additionally, Packaging intends to exit four joint ventures. The staff and cost reduction plan involves the elimination of 184 administrative positions in Packaging's business unit and in Packaging's corporate operations.

The fixed assets for the production lines to be eliminated, as well as the joint venture investments, were written down to their fair value, less costs to sell, in the fourth quarter of 1998. Fair value for the production lines was estimated at scrap value less removal costs. Fair value for the joint ventures were determined to be zero as Packaging is relinquishing their interest. No significant net cash proceeds are expected to be received from the ultimate disposal of these assets which should be complete by the fourth quarter of 1999. The effect of suspending depreciation for the production lines is approximately \$1 million on an annual basis.

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THE BUSINESSES OF TENNECO PACKAGING

NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

As of December 31, 1998, and June 30, 1999, approximately 158 and 233 employees, respectively, have been terminated. This restructuring is being executed according to Packaging's initial plan and Packaging expects to complete all restructuring actions by the fourth quarter of 1999.

In the first quarter of 1999, in connection with Packaging's contribution of its containerboard assets to a new joint venture, Tenneco adopted a plan to realign its headquarters functions. This plan involves the severance of approximately 40 employees, and the closing of the Greenwich, Connecticut headquarters facility. Tenneco reached an agreement to sell its headquarters facility in Greenwich and recorded an impairment charge based on the selling price, less costs to sell. The carrying value of the facility before the impairment was \$43 million. Annual depreciation expense was reduced by approximately \$3 million as a result of the sale. The charge for this plan was recorded in Packaging's corporate operations in the amount of \$29 million pre-tax, \$17 million after-tax, or \$.10 per diluted common share. Packaging collected approximately \$30 million in the second quarter of 1999 related to the sale of these assets.

Amounts related to the restructuring plans described above are shown in the following table:

<TABLE>
<CAPTION>

				SIX MONTHS ENDED JUNE 30, 1999				
1998 RESTRUCTURING CHARGE	CASH PAYMENTS	CHARGED TO ASSET ACCOUNTS	BALANCE AT DECEMBER 31, 1998	RESTRUCTURING CHARGE	CASH PAYMENTS	CHARGED TO ASSET ACCOUNTS	BALANCE AT JUNE 30, 1999	

				(MILLIONS)				
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	

Severance.....	\$20	\$ 5	\$--	\$15	\$16	\$12	\$--	\$19
Asset impairments.....	12	--	12	--	13	--	13	--
	---	---	---	---	---	---	---	---
	\$32	\$ 5	\$12	\$15	\$29	\$12	\$13	\$19
	===	===	===	===	===	===	===	===

</TABLE>

5. TRANSACTIONS WITH TENNECO

Combined Equity

The "Combined equity" caption in the accompanying combined financial statements represents Tenneco's cumulative net investment in the combined businesses of Packaging. Changes in the "Combined equity" caption represent the net income (loss) of Packaging, net cash and noncash contributions from (distributions to) Tenneco, accumulated other comprehensive income, changes in allocated corporate debt, and allocated corporate interest, net of tax. Reference is made to the statements of changes in combined equity for an analysis of the activity in the "Combined equity" caption for the three years ended December 31, 1998, and six months ended June 30, 1999.

Corporate Debt and Interest Allocation

Tenneco's historical practice has been to incur indebtedness for its consolidated group at the parent company level or at a limited number of subsidiaries, rather than at the operating company level, and to centrally manage various cash functions. Consequently, corporate debt of Tenneco and its related interest expense have been allocated to Packaging based on the portion of Tenneco's investment in Packaging which is deemed to be debt, generally based upon the ratio of Packaging's net assets to Tenneco consolidated net assets plus debt. Interest expense was allocated at a rate equivalent to the weighted-average cost of all corporate debt, which was 7.0%, 7.4%, and 8.3% for 1998, 1997, and 1996, respectively. Total pre-tax interest expense allocated to Packaging in 1998, 1997, and 1996 was \$130 million, \$120 million, and \$99 million, respectively. Packaging has also been allocated tax benefits approximating 35% of the allocated pre-tax interest expense. Although interest expense, and the related tax effects, have been allocated to Packaging for financial reporting on a historical basis, Packaging has not been billed for these amounts. The changes in allocated corporate debt and the after-tax allocated interest have been included as a component of Packaging's combined equity. Although management believes that the

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THE BUSINESSES OF TENNECO PACKAGING

NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

historical allocation of corporate debt and interest is reasonable, it is not necessarily indicative of Packaging's debt upon completion of the realignment of Tenneco's debt nor debt and interest that will be incurred by Packaging as a separate public entity.

A portion of the corporate debt of Tenneco and its related interest expense allocated to Packaging has also been allocated to discontinued operations based on the ratio of the discontinued operations' net assets to Packaging's combined net assets plus debt.

Notes and Advances Receivable from Tenneco

"Cash contributions from (distributions to) Tenneco" in the Statements of Changes in Combined Equity consist of net cash changes in notes and advances receivable with Tenneco which have been included in combined equity. Historically, Tenneco has utilized notes and advances to centrally manage cash funding requirements for its consolidated group.

Noncash contributions from (distributions to) Tenneco result primarily from transfers of assets and liabilities to or from Tenneco, such as transfers of acquired net assets and tax assets and liabilities.

At December 31, 1998 and 1997, Packaging had a note receivable from Tenneco totaling \$476 million and \$496 million, respectively, which is payable on demand and is included as a component of Packaging's combined equity.

Accounts Receivable and Accounts Payable -- Affiliated Companies

Receivables -- Affiliated companies relates to general and administrative costs incurred by Packaging and allocated to affiliates. Payables -- Affiliated

companies relates to billings for costs incurred by affiliates and allocated to Packaging. Reference is made to Note 3 for a discussion of the types of such costs allocated to Packaging.

Employee Benefits

Certain employees of Packaging participate in the Tenneco employee stock option and employee stock purchase plans. The Tenneco employee stock option plan provides for the grant of Tenneco common stock options and other stock awards at a price not less than market value at the date of grant. The Tenneco employee stock purchase plan allows employees to purchase Tenneco common stock at a 15% discount subject to certain thresholds. Packaging expects to establish similar plans for its employees after the Spin-off. In connection with the Spin-off, outstanding options to Tenneco common stock held by Packaging employees will be replaced by options of Packaging so as to preserve the aggregate value of the options held prior to the Spin-off. Employees of Packaging also participate in certain Tenneco postretirement and pension plans. Reference is made to Notes 11 and 13 for a further discussion of these plans.

6. ACQUISITIONS

During 1998, Packaging made three acquisitions for approximately \$101 million.

In March 1997, Packaging entered into an agreement to acquire the protective and flexible packaging division of N.V. Koninklijke KNP BT ("KNP"), a Dutch distribution, paper, and packaging firm, for approximately \$380 million including debt assumed and preferred stock of a subsidiary issued to the seller. The KNP acquisition was completed in late April 1997.

In June 1996, Packaging entered into an agreement to acquire Amoco Foam Products for \$310 million. Amoco Foam Products manufactures expanded polystyrene tableware, hinged-lid food containers, packaging trays, and industrial products for residential and commercial construction applications. Packaging closed the acquisition of Amoco Foam Products in August 1996.

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THE BUSINESSES OF TENNECO PACKAGING

NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

All of the acquisitions discussed above have been accounted for as purchases; accordingly, the purchase price has been allocated to the assets purchased and the liabilities assumed based on their fair values. The excess of the purchase price over the fair value of the net assets acquired is included in the combined balance sheet caption "Goodwill and intangibles, net."

7. DISCONTINUED OPERATIONS AND EXTRAORDINARY LOSS

Discontinued Operations

In January 1999, Tenneco reached an agreement to contribute the containerboard assets of its paperboard packaging segment to a new joint venture with an affiliate of Madison Dearborn Partners, Inc. The contribution to the joint venture was completed in April 1999. Tenneco received consideration of cash and debt assumption totaling approximately \$2 billion plus a 45 percent common equity interest in the joint venture (now 43 percent due to subsequent management equity issuances) valued at approximately \$200 million. The containerboard assets contributed to the joint venture represented substantially all of the assets of Packaging's paperboard packaging segment and included four mills, 67 corrugated products plants, and an ownership or leasehold interest in approximately 950,000 acres of timberland. Prior to the transaction, Packaging borrowed approximately \$1.8 billion and used approximately \$1.2 billion of those borrowings to acquire assets used by the containerboard business under operating leases and timber cutting rights and to purchase containerboard business accounts receivable that had previously been sold to a third party. The remainder of the borrowings was remitted to Tenneco and used to repay a portion of Tenneco's short-term debt. Packaging then contributed the containerboard business assets (subject to the new indebtedness and the containerboard business liabilities) to the joint venture in exchange for \$247 million in cash and the 45 percent interest in the joint venture. As a result of the transaction, Packaging recognized a pre-tax loss of \$293 million, \$178 million after-tax or \$1.07 per diluted common share, in the first quarter of 1999, based on the amount by which the carrying amount of the containerboard assets exceeded the fair value of those assets, less cost to sell. The estimate of fair value of the containerboard assets was based on the fair value of the consideration received by Tenneco from the joint venture.

In June 1999, Tenneco's Board of Directors approved a plan to sell Packaging's remaining interest in its containerboard joint venture. Packaging expects the sale to be completed before the Spin-off. As a result of the decision to sell the remaining interest in the containerboard joint venture, Packaging's paperboard packaging segment is presented as a discontinued

operation in the accompanying combined financial statements.

In April 1999, Tenneco reached an agreement to sell the paperboard packaging segment's other assets, its folding carton operations, to Caraustar Industries. Packaging received cash proceeds of \$73 million from this transaction which closed in June 1999. As a result of the sale transaction, Packaging recognized a pre-tax gain of \$14 million, \$9 million after-tax or \$.05 per diluted share and is included in discontinued operations in the second quarter of 1999.

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THE BUSINESSES OF TENNECO PACKAGING

NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

Net assets as of December 31, 1998, 1997, and 1996, and results of operations for the years then ended for the paperboard packaging segment were as follows:

<TABLE>
<CAPTION>

	YEARS ENDED DECEMBER 31,		
	1998	1997	1996
	(MILLIONS)		
<S>	<C>	<C>	<C>
Net assets at the end of the period (Note).....	\$ 366	\$ 423	\$ 459
Net sales and operating revenues.....	\$1,570	\$1,431	\$1,605
Income before income taxes and interest allocation.....	\$ 131	\$ 63	\$ 152
Income tax (expense) benefit.....	(48)	(19)	(60)
Income before interest allocation.....	83	44	92
Allocated interest expense, net of income tax (Note).....	(26)	(23)	(21)
Income from discontinued operations.....	\$ 57	\$ 21	\$ 71

</TABLE>

Note: Net assets of discontinued operations includes allocated corporate debt of \$548 million, \$473 million and \$394 million as of December 31, 1998, 1997 and 1996, respectively. Reference is made to Note 5, "Transactions with Tenneco -- Corporate Debt and Interest Allocation," for a discussion of the allocation of corporate debt and interest expense to discontinued operations.

Extraordinary Loss

In the first quarter of 1999, Packaging recorded an extraordinary loss for extinguishment of debt of \$7 million (net of a \$3 million income tax benefit) or \$.04 per diluted common share. The loss related to early retirement of debt in connection with the sale of the containerboard assets.

8. LONG-TERM DEBT, SHORT-TERM DEBT, AND FINANCING ARRANGEMENTS

Long-Term Debt

A summary of long-term debt outstanding and allocated long-term corporate debt obligations at December 31, 1998 and 1997, is set forth in the following table:

<TABLE>
<CAPTION>

	1998	1997
	(MILLIONS)	
<S>	<C>	<C>
Notes due 1999 through 2016, average effective interest rate 9.5% in 1998 and 10% in 1997.....	\$ 22	\$ 20
Less -- current maturities.....	1	1
	21	19
Allocated corporate debt obligations, average effective interest rate 7.0% in 1998 and 7.4% in 1997.....	1,291	1,473
Total long-term debt.....	\$1,312	\$1,492

</TABLE>

The aggregate maturities and sinking fund requirements applicable to the issues outstanding at December 31, 1998, are \$1 million, \$3 million, \$4 million, \$5 million, and \$2 million for 1999, 2000, 2001, 2002, and 2003, respectively.

Reference is made to Note 5 for a discussion of allocated corporate debt obligations.

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THE BUSINESSES OF TENNECO PACKAGING

NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

Short-Term Debt

Packaging uses lines of credit and overnight borrowings to finance certain of its short-term capital requirements. Information regarding short-term debt as of and for the years ended December 31, 1998 and 1997, are as follows:

<TABLE>

<CAPTION>

	1998	1997
	-----	-----
	CREDIT	CREDIT
	AGREEMENTS*	AGREEMENTS*
	-----	-----
	(DOLLARS IN MILLIONS)	
<S>	<C>	<C>
Outstanding borrowings at end of year.....	\$11	\$ 1
Weighted average interest rate on outstanding borrowings at end of year.....	18.7%	7.1%
Approximate maximum month-end outstanding borrowings during year.....	\$37	\$26
Approximate average month-end outstanding borrowings during year.....	\$18	\$9
Weighted average interest rate on approximate average month-end outstanding borrowings during year.....	18.4%	17.5%

</TABLE>

* Includes borrowings under both committed credit facilities and uncommitted lines of credit and similar arrangements.

Packaging was allocated short-term corporate debt obligations of \$583 million at December 31, 1998, and \$156 million at December 31, 1997. Reference is made to Note 5 for a discussion of allocated corporate debt obligations.

9. FINANCIAL INSTRUMENTS

Asset and Liability Instruments

The fair value of cash and temporary cash investments, short and long-term receivables, and accounts payable, and short-term debt (before allocation of corporate debt to Packaging from Tenneco) was considered to be the same as or was not determined to be materially different from the carrying amount.

The long-term debt reflected in the Combined Balance Sheets primarily represents corporate debt allocated to Packaging from Tenneco. As such, an estimate of fair value has not been provided. The fair value of other long-term debt is not materially different from the carrying amount.

Instruments With Off-Balance-Sheet Risk

Foreign Currency Contracts -- Note 3, "Summary of Accounting Policies -- Risk Management Activities" describes Tenneco's use of and accounting for foreign currency exchange contracts. Packaging currently manages its exposure to changes in foreign currency rates by making loans with a Tenneco affiliate in the functional currency of the operating company concerned. The Tenneco affiliate then integrates all of Tenneco's foreign currency denominated loans and enters into foreign currency forward purchase and sale contracts to mitigate its net exposure to changes in foreign exchange rates. For most operating companies third party trade receivables and payables are maintained in the functional currency. From time to time Packaging may enter into foreign currency forward purchase and sale contracts with terms of less than one year to mitigate its exposure to changes in exchange rates on foreign currency third party trade receivables and payables. At December 31, 1998, Packaging had purchase contracts of approximately \$1 million, primarily in U.S. dollars, and sell contracts of approximately \$1 million, primarily in British pounds. At December 31, 1997, Packaging had purchase contracts of approximately \$2 million, primarily in Belgian francs and German marks, and sell contracts of

approximately \$2 million, primarily in British pounds and French francs. At June 30, 1999, Packaging's purchase and sell contracts were not significant.

THE BUSINESSES OF TENNECO PACKAGING

NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

10. INCOME TAXES

The domestic and foreign components of income from continuing operations before income taxes are as follows:

<TABLE>
<CAPTION>

	YEARS ENDED DECEMBER 31,		
	1998	1997	1996
	----	----	----
	(MILLIONS)		
	<C>	<C>	<C>
U.S. income before income taxes.....	\$108	\$139	\$108
Foreign income before income taxes.....	42	43	24
	----	----	----
Income before income taxes.....	\$150	\$182	\$132
	=====	=====	=====

</TABLE>

Following is a comparative analysis of the components of income tax expense applicable to continuing operations:

<TABLE>
<CAPTION>

	YEARS ENDED DECEMBER 31,		
	1998	1997	1996
	----	----	----
	(MILLIONS)		
	<C>	<C>	<C>
Current --			
U.S.....	\$ (11)	\$ (57)	\$45
State and local.....	(2)	9	15
Foreign.....	3	5	3
	----	----	----
	(10)	(43)	63
	----	----	----
Deferred --			
U.S.....	59	101	3
Foreign, state and other.....	18	17	1
	----	----	----
	77	118	4
	----	----	----
Income tax expense.....	\$ 67	\$ 75	\$67
	=====	=====	=====

</TABLE>

Current income tax expense for the years ended December 31, 1998, 1997, and 1996, include tax benefits of \$45 million, \$41 million, and \$34 million, respectively, related to the allocation of corporate interest expense to Packaging from Tenneco. See Note 5.

Following is a reconciliation of income taxes computed at the statutory U.S. federal income tax rate (35% for all years presented) to the income tax expense reflected in the combined statements of income:

<TABLE>
<CAPTION>

	YEARS ENDED DECEMBER 31,		
	1998	1997	1996
	----	----	----
	(MILLIONS)		
	<C>	<C>	<C>
Tax expense computed at the statutory U.S. federal income tax rate.....	\$ 53	\$ 64	\$46
Increases (reductions) in income tax expense resulting from:			
Foreign income taxed at different rates and foreign losses with no tax benefit.....	1	(8)	(1)
State and local taxes on income, net of U.S. federal			

income tax benefit.....	3	18	10
Amortization of nondeductible goodwill.....	5	4	4
Other.....	5	(3)	8
	----	----	----
Income tax expense.....	\$ 67	\$ 75	\$67
	=====	=====	=====

</TABLE>

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THE BUSINESSES OF TENNECO PACKAGING

NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

The components of Packaging's net deferred tax liability were as follows:

<TABLE>

<CAPTION>

	DECEMBER 31,	
	1998	1997
	(MILLIONS)	
<S>	<C>	<C>
Deferred tax assets --		
Tax loss carryforwards:		
U.S.	\$ 95	\$ 46
State and local.....	7	--
Foreign.....	13	4
Postretirement benefits other than pensions.....	13	23
Other.....	26	24
Valuation allowance.....	(8)	(4)
	----	----
Net deferred tax asset.....	146	93
	----	----
Deferred tax liabilities --		
Tax over book depreciation.....	95	61
Pensions.....	213	206
Other.....	123	55
	----	----
Total deferred tax liability.....	431	322
	----	----
Net deferred tax liability.....	\$285	\$229
	=====	=====

</TABLE>

As reflected by the valuation allowance in the table above, Packaging had potential tax benefits of \$8 million and \$4 million at December 31, 1998 and 1997, respectively, which were not recognized in the combined statements of income when generated. These unrecognized tax benefits resulted primarily from foreign tax loss carryforwards which are available to reduce future foreign tax liabilities.

Of the \$270 million of U.S. tax loss carryforwards which exist at December 31, 1998, \$215 million expire in 2012 and \$55 million expire in 2018. The \$110 million of state tax loss carryforwards which exist at December 31, 1998, will expire in varying amounts over the period from 2000 to 2012. Of the \$43 million of foreign tax loss carryforwards which exist at December 31, 1998, \$18 million do not expire and the remainder expires in varying amounts over the period from 1999 to 2005.

Packaging and Tenneco, together with certain of their respective subsidiaries which are owned 80% or more, have entered into an agreement to file a consolidated U.S. federal income tax return. This agreement provides, among other things, that (1) each company in a taxable income position will be currently charged with an amount equivalent to its U.S. federal income tax computed on a separate return basis and (2) each company in a tax loss position will be reimbursed currently. The income tax amounts reflected in the combined financial statements of Packaging under the provisions of the tax sharing arrangement are not materially different from the income taxes which would have been provided had Packaging filed a separate tax return. Under the tax sharing agreement, Tenneco pays all federal taxes directly and bills or refunds, as applicable, its subsidiaries for the applicable portion of the total tax payments. Cash taxes paid in the combined statements of cash flows include payments to Tenneco for income taxes.

Liability for foreign income taxes is generally allocated to the legal entity on which such taxes are imposed. In the case of state income taxes, Packaging is liable for its tax in states where returns are filed for separate entities. In states where returns are filed in a combined basis, liability is allocated in a manner similar to federal income tax.

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NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

11. EMPLOYEE STOCK PLANS

In June 1992, Tenneco initiated an Employee Stock Purchase Plan ("ESPP"). The ESPP was terminated in 1996. Tenneco adopted a new employee stock purchase plan effective April 1, 1997 with provisions similar to the 1992 ESPP. Under the new ESPP, Tenneco sold 311,586 shares, 216,665 shares, and 185,179 shares to Packaging employees in 1998, 1997, and 1996, respectively. The plan allows U.S. and Canadian employees of Packaging to purchase Tenneco Inc. common stock through payroll deductions at a 15% discount. Each year, an employee in the plan may purchase shares with a discounted value not to exceed \$21,250. The weighted average fair value of the employee purchase right, which was estimated using the Black-Scholes option pricing model and the assumptions described below except that the average life of each purchase right was assumed to be 90 days, was \$6.31, \$11.14, and \$10.77 in 1998, 1997, and 1996, respectively. After the Spin-off, Packaging employees will no longer participate in the Tenneco ESPP.

In December 1996, Tenneco adopted the 1996 Stock Ownership Plan which permits the granting of a variety of awards, including common stock, restricted stock, performance units, stock appreciation rights, and stock options, to officers and employees of Tenneco. Tenneco can issue up to 17 million shares of common stock under this plan, which will terminate December 31, 2001. Certain key Packaging employees have been granted restricted stock and restricted units under the 1996 Stock Ownership Plan. These awards generally require, among other things, that the employee remain an employee of Tenneco during the restriction period. Certain key Packaging employees have also been granted performance shares which will vest based upon the attainment of specified performance goals within four years from the date of grant. In connection with the Spin-off, outstanding restricted stock, restricted units and performance shares will generally become fully vested. After the Spin-off, Packaging employees will no longer participate in Tenneco's 1996 Stock Ownership Plan.

The fair value of each stock option issued by Tenneco to Packaging employees during 1998, 1997, and 1996 is estimated on the date of grant using the Black-Scholes option pricing model using the following weighted average assumptions for grants in 1998, 1997, and 1996, respectively: (a) risk-free interest rate of 5.7%, 6.5%, and 6.0%; (b) expected lives of 10 years, 6 years, and 5 years; (c) expected volatility of 25.6%, 24.1%, and 24.9%; and (d) dividend yield of 3.2%, 2.8%, and 3.3%. The weighted average fair value of options granted during the year is \$10.83, \$12.03, and \$11.42 for 1998, 1997, and 1996, respectively.

Packaging applies Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," to its stock-based compensation plans. Packaging recognized after-tax stock-based compensation expense of \$3 million, \$4 million, and \$15 million in 1998, 1997, and 1996, respectively. Had compensation costs for Packaging's stock-based compensation plans been determined in accordance with FAS No. 123, "Accounting for Stock-Based Compensation," based on the fair value at the grant dates for awards under those plans, Packaging's pro forma net income for the years ended December 31, 1998, 1997, and 1996, would have been lower by \$14 million or \$.08 per both basic and diluted common share, \$13 million or \$.08 per both basic and diluted common share, and \$5 million or \$.03 per both basic and diluted common share, respectively.

12. MINORITY INTEREST

At December 31, 1998 and 1997, Packaging reported minority interest in the combined balance sheet of \$14 million and \$15 million, respectively. This primarily relates to preferred stock of a subsidiary issued in connection with the KNP acquisition.

13. PENSION PLANS AND OTHER POSTRETIREMENT BENEFITS

Packaging has pension plans that cover substantially all of its employees. Benefits are based on years of service and, for most salaried employees, on final average compensation. Packaging's funding policies

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NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

are to contribute to the plans amounts necessary to satisfy the funding requirement of federal laws and regulations. Plan assets consist principally of listed equity and fixed income securities. After the Spin-off, Packaging will

become the sponsor of the Tenneco Retirement Plan (the "TRP"). Benefits accrued under the TRP by employees of Tenneco's automotive business will be frozen as of the last day of the calendar month in which the Spin-off occurs, and all related pension obligations and assets will be retained by Packaging. In addition, all TRP pension obligations and assets associated with participating employees from former subsidiaries and affiliates of Tenneco will be retained by Packaging and have been reflected in the historical combined financial statements. These pension obligations and assets that Packaging will retain under all of these arrangements are included in the table below.

Packaging has postretirement health care and life insurance plans that cover all of its salaried and certain of its hourly domestic employees. For salaried employees, the plans cover employees retiring from Packaging on or after attaining age 55 who have had a least 10 years service with Packaging after attaining age 45. For hourly employees, the postretirement benefit plans generally cover employees who retire according to one of Packaging's hourly employee retirement plans. All of these benefits may be subject to deductibles, copayment provisions, and other limitations, and Packaging has reserved the right to change these benefits. Packaging's postretirement benefit plans are not funded.

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THE BUSINESSES OF TENNECO PACKAGING

NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

A summary of the change in benefit obligation, the change in plan assets, the development of net amount recognized, and the amounts recognized in the combined statement of financial position for the pension plans and postretirement benefit plans follows:

<TABLE>
<CAPTION>

	PENSION		POSTRETIREMENT	
	1998	1997	1998	1997
	----	----	----	----
	(MILLIONS)			
<S>	<C>	<C>	<C>	<C>
Change in benefit obligations:				
Benefit obligation at September 30 of the previous year...	\$2,654	\$2,361	\$ 70	\$ 64
Currency rate conversion.....	1	--	--	--
Service cost.....	28	23	1	1
Interest cost.....	199	178	5	5
Plan amendments.....	44	8	--	--
Actuarial loss (gain).....	293	254	1	5
Acquisitions.....	--	13	--	--
Benefits paid.....	(194)	(183)	(8)	(6)
Participants' contributions.....	--	--	1	1
	-----	-----	----	----
Benefit obligation at September 30.....	\$3,025	\$2,654	\$ 70	\$ 70
	=====	=====	=====	=====
Change in plan assets:				
Fair value at September 30 of the previous year.....	\$3,516	\$2,966	\$ --	\$ --
Currency rate conversion.....	--	4	--	--
Actual return on plan assets.....	102	714	--	--
Employer contributions.....	5	3	7	5
Participants' contributions.....	1	--	1	1
Acquisitions.....	--	12	--	--
Benefits paid.....	(194)	(183)	(8)	(6)
	-----	-----	----	----
Fair value at September 30.....	\$3,430	\$3,516	\$ --	\$ --
	=====	=====	=====	=====
Development of net amount recognized:				
Funded status at September 30.....	\$ 405	\$ 862	\$(70)	\$(70)
Contributions during the fourth quarter.....	1	1	2	1
Unrecognized cost:				
Actuarial loss (gain).....	200	(273)	11	11
Prior service cost.....	71	57	(4)	(5)
Transition liability (asset).....	(43)	(62)	--	--
	-----	-----	----	----
Net amount recognized at December 31.....	\$ 634	\$ 585	\$(61)	\$(63)
	=====	=====	=====	=====
Amounts recognized in the combined balance sheet:				
Prepaid benefit cost.....	\$ 664	\$ 594	\$ --	\$ --
Accrued benefit cost.....	(56)	(9)	(61)	(63)
Intangible asset.....	22	--	--	--
Accumulated other comprehensive income.....	4	--	--	--
	-----	-----	----	----
Net amount recognized.....	\$ 634	\$ 585	\$(61)	\$(63)
	=====	=====	=====	=====

Note: Assets of one plan may not be utilized to pay benefits of other plans. Additionally, the prepaid (accrued) benefit cost has been recorded based upon certain actuarial estimates as described below. Those estimates are subject to revision in future periods given new facts or circumstances.

THE BUSINESSES OF TENNECO PACKAGING

NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

Net periodic pension costs (income) from continuing operations for the years 1998, 1997, and 1996, consist of the following components:

	1998	1997	1996
	----	----	----
	(MILLIONS)		
<S>	<C>	<C>	<C>
Service cost -- benefits earned during the year.....	\$ 28	\$ 23	\$ 20
Interest on prior year's projected benefit obligation.....	199	178	126
Expected return on plan assets.....	(285)	(265)	(178)
Net amortization:			
Actuarial loss (gain).....	1	--	3
Prior service cost.....	11	11	11
Transition liability (asset).....	(19)	(19)	(13)
	-----	-----	-----
Net pension costs (income).....	\$ (65)	\$ (72)	\$ (31)
	=====	=====	=====

</TABLE>

The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for all pension plans with accumulated benefit obligations in excess of plan assets were \$89 million, \$83 million, and \$27 million, respectively, as of September 30, 1998, and \$12 million, \$11 million, and \$1 million, respectively, as of September 30, 1997.

The weighted average discount rates (which are based on long-term market rates) used in determining the 1998, 1997, and 1996 actuarial present value of the benefit obligations were 7.0%, 7.75%, and 7.75%, respectively. The rate of increase in future compensation was 4.8%, 4.9%, and 4.8%, for 1998, 1997, and 1996, respectively. The weighted average expected long-term rate of return on plan assets for 1998, 1997, and 1996 was 10.0% for each year.

Net periodic postretirement benefit cost from continuing operations for the years 1998, 1997, and 1996 consist of the following components:

	1998	1997	1996
	----	----	----
	(MILLIONS)		
<S>	<C>	<C>	<C>
Service cost -- benefits earned during the year.....	\$ 2	\$ 1	\$1
Interest on accumulated postretirement benefit obligation...	5	5	5
Net amortization:			
Prior service cost.....	(2)	(2)	(2)
Actuarial loss (gain).....	1	1	--
	---	---	---
Net periodic postretirement benefit cost.....	\$ 6	\$ 5	\$4
	===	===	==

</TABLE>

The initial weighted average assumed health care cost trend rate used in determining the 1998, 1997, and 1996 accumulated postretirement benefit obligation was 5%, 5%, and 6%, respectively, declining to 5% in 1997 and remaining at that level thereafter.

Increasing the assumed health care cost trend rate by one percentage point in each year would increase the 1998, 1997, and 1996 accumulated postretirement benefit obligations by approximately \$2 million for each year. There would be no change in the aggregate of the service cost and interest cost components of the net periodic postretirement benefit cost for any of these years.

Decreasing the assumed health care cost trend rate by one percentage point in each year would decrease the 1998 accumulated postretirement benefit obligation by approximately \$2 million and would not change the aggregate of

THE BUSINESSES OF TENNECO PACKAGING

NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

The discount rates (which are based on long-term market rates) used in determining the 1998, 1997, and 1996 accumulated postretirement benefit obligations were 7.00%, 7.75%, and 7.75%, respectively.

14. SEGMENT AND GEOGRAPHIC AREA INFORMATION

Packaging is a global manufacturer with a single operating segment:

Specialty Packaging -- Manufacture and sale of specialty packaging and consumer products for foodservice, consumer, protective, flexible and institutional/industrial markets.

The accounting policies of the segment are the same as those described in Note 3, "Summary of Accounting Policies." Packaging evaluates operating performance based primarily on income before interest expense, income taxes, and minority interest. Individual operating segments have not been aggregated within this reportable segment.

Products are transferred between geographic areas on a basis intended to reflect as nearly as possible the "market value" of the products.

The following table sets forth information relating to Packaging's external customer revenues for each product or each group of similar products:

<TABLE>
<CAPTION>

	NET SALES AND OPERATING REVENUES		
	YEAR ENDED DECEMBER 31,		
	1998	1997	1996
	----	----	----
	(MILLIONS)		
<S>	<C>	<C>	<C>
SPECIALTY			
Disposable plastic, fiber, and aluminum packaging products.....	\$2,126	\$2,105	\$1,862
Plastic and fiber protective and flexible packaging products.....	607	399	78
Other.....	52	49	47
	-----	-----	-----
Total Specialty Packaging.....	2,785	2,553	1,987
	-----	-----	-----
OTHER.....	6	10	--
	-----	-----	-----
COMBINED.....	\$2,791	\$2,563	\$1,987
	=====	=====	=====

</TABLE>

THE BUSINESSES OF TENNECO PACKAGING

NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

The following tables summarize certain segment and geographic information of Packaging:

<TABLE>
<CAPTION>

	SEGMENT		RECLASS	COMBINED
	SPECIALTY		& ELIMS	
	OTHER			
	-----	-----	-----	-----
	(MILLIONS)			
<S>	<C>	<C>	<C>	<C>
AT JUNE 30, 1999, AND FOR THE SIX MONTHS THEN ENDED				
Revenues from external customers.....	\$1,404	\$ --	\$ --	\$1,404
Depreciation and amortization.....	84	10	--	94
Income before interest, income taxes, and minority interest.....	190	(46) (b)	--	144
Extraordinary loss.....	--	(7)	--	(7)

Cumulative effect of change in accounting principle.....	(17)	(15)	--	(32)
Total assets.....	3,296	1,309 (a)	(119)	4,486
Net assets of discontinued operations.....	--	133	--	133
AT DECEMBER 31, 1998, AND FOR THE YEAR THEN ENDED				
Revenues from external customers.....	\$2,785	\$ 6	\$ --	\$2,791
Depreciation and amortization.....	152	23	--	175
Income before interest, income taxes, and minority interest.....	328	(45) (c)	--	283
Total assets.....	3,260	1,580 (a)	(42)	4,798
Net assets of discontinued operations.....	--	366	--	366
Investment in affiliated companies.....	17	--	--	17
Capital expenditures.....	190	4	--	194
Noncash items other than depreciation and amortization.....	22	(84)	--	(62)
AT JUNE 30, 1998, AND FOR THE SIX MONTHS THEN ENDED				
Revenues from external customers.....	\$1,361	\$ 10	\$ --	\$1,371
Depreciation and amortization.....	77	11	--	88
Income before interest, income taxes, and minority interest.....	175	(2)	--	173
Total assets.....	3,373	1,468 (a)	(53)	4,788
Net assets of discontinued operations.....	--	382	--	382
AT DECEMBER 31, 1997, AND FOR THE YEAR THEN ENDED				
Revenues from external customers.....	\$2,553	\$ 10	\$ --	\$2,563
Depreciation and amortization.....	143	20	--	163
Income before interest, income taxes, and minority interest.....	308	(2)	--	306
Cumulative effect of change in accounting principle.....	(11)	(27)	--	(38)
Total assets.....	3,244	1,412 (a)	(38)	4,618
Net assets of discontinued operations.....	--	423	--	423
Investment in affiliated companies.....	9	--	--	9
Capital expenditures.....	227	2	--	229
Noncash items other than depreciation and amortization.....	10	(86)	--	(76)
AT DECEMBER 31, 1996, AND FOR THE YEAR THEN ENDED				
Revenues from external customers.....	\$1,987	\$ --	\$ --	\$1,987
Depreciation and amortization.....	123	8	--	131
Income before interest, income taxes, and minority interest.....	249	(15)	--	234
Extraordinary loss.....	--	(2)	--	(2)
Total assets.....	2,655	1,421 (a)	(48)	4,028
Net assets of discontinued operations.....	--	459	--	459
Investment in affiliated companies.....	9	1	--	10
Capital expenditures.....	172	44	--	216
Noncash items other than depreciation and amortization.....	(2)	(44)	--	(46)

</TABLE>

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THE BUSINESSES OF TENNECO PACKAGING

NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

Notes: (a) The Other segment's total assets includes pension assets retained by Packaging related to certain employees of Tenneco's and Packaging's discontinued operations, Packaging's administrative service operations assets and net assets of the discontinued paperboard packaging segment.

(b) The Other segment's income before interest expense, income taxes and minority interest for the six months ended June 30, 1999 includes a \$29 million charge relating to the severance of corporate employees and the closing of the Greenwich, Connecticut headquarters facility (see Note 4).

(c) The Other segment's income before interest expense, income taxes and minority interest for the year ended December 31, 1998 includes restructuring charges of \$10 million relating to severance of corporate employees (see Note 4) and approximately \$50 million of operating costs relating to Packaging's information technology service center that began operation in 1998.

<TABLE>
<CAPTION>

	GEOGRAPHIC AREA			COMBINED
	UNITED STATES	FOREIGN (A)	RECLASS & ELIMS	
	(MILLIONS)			
<S>	<C>	<C>	<C>	<C>
AT DECEMBER 31, 1998, AND FOR THE YEAR THEN ENDED				
Revenues from external customers(b).....	\$2,212	\$579	\$ --	\$2,791
Long-lived assets(c).....	2,168	295	--	2,463
Total assets.....	4,131	691	(24)	4,798
AT DECEMBER 31, 1997, AND FOR THE YEAR THEN ENDED				
Revenues from external customers(b).....	\$2,116	\$447	\$ --	\$2,563
Long-lived assets(c).....	2,026	236	--	2,262
Total assets.....	4,036	596	(14)	4,618
AT DECEMBER 31, 1996, AND FOR THE YEAR THEN ENDED				
Revenues from external customers(b).....	\$1,759	\$228	\$ --	\$1,987
Long-lived assets(c).....	1,957	94	--	2,051
Total assets.....	3,755	281	(8)	4,028

Notes: (a) Revenues from external customers and long-lived assets for individual foreign countries are not material.

(b) Revenues are attributed to countries based on location of the seller.

(c) Long-lived assets include all long-term assets except net assets from discontinued operations, goodwill, intangibles, and deferred tax assets.

15. COMMITMENTS AND CONTINGENCIES

Capital Commitments

Packaging estimates that expenditures aggregating approximately \$110 million will be required after December 31, 1998, to complete facilities and projects authorized at such date, and substantial commitments have been made in connection therewith.

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THE BUSINESSES OF TENNECO PACKAGING

NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

Lease Commitments

Packaging holds certain of its facilities, equipment, and other assets under long-term leases. The minimum lease payments under non-cancelable operating leases with lease terms in excess of one year are \$44 million, \$31 million, \$22 million, \$15 million, and \$56 million for the years 1999, 2000, 2001, 2002, and 2003, respectively, and \$53 million for subsequent years.

Commitments under capital leases were not significant to the accompanying combined financial statements. Total rental expense for continuing operations for the years 1998, 1997, and 1996, was \$35 million, \$37 million, and \$24 million, respectively, including minimum rentals under non-cancelable operating leases of \$45 million, \$42 million, and \$18 million for the corresponding periods.

Litigation

Packaging and its combined subsidiaries are parties to various legal proceedings arising from their operations. Packaging believes that the outcome of these proceedings, individually and in the aggregate, will have no material effect on the financial position or results of operations of Packaging and its combined subsidiaries.

Environmental Matters

Packaging and its combined subsidiaries are subject to a variety of environmental and pollution control laws and regulations in all jurisdictions in which they operate. Packaging has provided reserves for compliance with these laws and regulations where it is probable that a liability exists and where Packaging can make a reasonable estimate of the liability. The estimated liabilities recorded are subject to change as more information becomes available regarding the magnitude of possible clean-up costs and the timing, varying costs, and effectiveness of alternative clean-up technologies. However, Packaging believes that any additional costs which arise as more information

becomes available will not have a material effect on the combined financial condition or results of operations of Packaging.

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THE BUSINESSES OF TENNECO PACKAGING

NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

16. QUARTERLY FINANCIAL DATA (UNAUDITED) (IN MILLIONS EXCEPT PER SHARE)

<TABLE>
<CAPTION>

QUARTER	NET SALES AND OPERATING REVENUES	INCOME BEFORE INTEREST EXPENSE, INCOME TAXES, AND MINORITY INTEREST	INCOME (LOSS) FROM CONTINUING OPERATIONS	INCOME (LOSS) FROM DISCONTINUED OPERATIONS	INCOME (LOSS) BEFORE EXTRAORDINARY LOSS	EXTRAORDINARY LOSS	INCOME (LOSS) BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
1999							
1st.....	\$ 666	\$ 45	\$ 6	\$ (172)	\$ (166)	\$ (7)	\$ (173)
2nd.....	738	99	46	9	55	--	55
	-----	-----	-----	-----	-----	-----	-----
	\$1,404	\$144	\$ 52	\$ (163)	\$ (111)	\$ (7)	\$ (118)
	=====	=====	=====	=====	=====	=====	=====
1998							
1st.....	\$ 633	\$ 69	\$ 18	\$ 14	\$ 32	\$ --	\$ 32
2nd.....	738	104	51	23	74	--	74
3rd.....	696	74	15	25	40	--	40
4th.....	724	36	(2)	(5)	(7)	--	(7)
	-----	-----	-----	-----	-----	-----	-----
	\$2,791	\$283	\$ 82	\$ 57	\$ 139	\$ --	\$ 139
	=====	=====	=====	=====	=====	=====	=====
1997							
1st.....	\$ 510	\$ 48	\$ 9	\$ 13	\$ 22	\$ --	\$ 22
2nd.....	675	87	31	(11)	20	--	20
3rd.....	682	89	32	11	43	--	43
4th.....	696	82	34	8	42	--	42
	-----	-----	-----	-----	-----	-----	-----
	\$2,563	\$306	\$106	\$ 21	\$ 127	\$ --	\$ 127
	=====	=====	=====	=====	=====	=====	=====

<CAPTION>

QUARTER	CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	NET INCOME (LOSS)
<S>	<C>	<C>
1999		
1st.....	\$ (32)	\$ (205)
2nd.....	--	55
	-----	-----
	\$ (32)	\$ (150)
	=====	=====
1998		
1st.....	\$ --	\$ 32
2nd.....	--	74
3rd.....	--	40
4th.....	--	(7)
	-----	-----
	\$ --	\$ 139
	=====	=====
1997		
1st.....	\$ --	\$ 22
2nd.....	--	20
3rd.....	--	43
4th.....	(38)	4
	-----	-----
	\$ (38)	\$ 89
	=====	=====

</TABLE>

<TABLE>
<CAPTION>

BASIC EARNINGS (LOSS) PER SHARE OF COMMON STOCK

QUARTER	FROM CONTINUING OPERATIONS	FROM DISCONTINUED OPERATIONS	BEFORE EXTRAORDINARY LOSS	EXTRAORDINARY LOSS	BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	NET INCOME (LOSS)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
1999							
1st.....	\$.03	\$ (1.03)	\$ (1.00)	\$ (.04)	\$ (1.04)	\$ (.19)	\$ (1.23)
2nd.....	.28	.05	.33	--	.33	--	.33
	----	-----	-----	-----	-----	-----	-----
	\$.31	\$ (.98)	\$ (.67)	\$ (.04)	\$ (.71)	\$ (.19)	\$ (.90)
	=====	=====	=====	=====	=====	=====	=====
1998							
1st.....	\$.11	\$.08	\$.19	\$ --	\$.19	\$ --	\$.19
2nd.....	.30	.14	.44	--	.44	--	.44
3rd.....	.09	.15	.24	--	.24	--	.24
4th.....	(.01)	(.04)	(.05)	--	(.05)	--	(.05)
	----	-----	-----	-----	-----	-----	-----
	\$.49	\$.34	\$.83	\$ --	\$.83	\$ --	\$.83
	=====	=====	=====	=====	=====	=====	=====
1997							
1st.....	\$.06	\$.07	\$.13	\$ --	\$.13	\$ --	\$.13
2nd.....	.19	(.07)	.12	--	.12	--	.12
3rd.....	.18	.07	.25	--	.25	--	.25
4th.....	.20	.05	.25	--	.25	(.23)	.02
	----	-----	-----	-----	-----	-----	-----
	\$.63	\$.12	\$.75	\$ --	\$.75	\$ (.23)	\$.52
	=====	=====	=====	=====	=====	=====	=====

</TABLE>

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THE BUSINESSES OF TENNECO PACKAGING

NOTES TO COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

<TABLE>
<CAPTION>

DILUTED EARNINGS (LOSS) PER SHARE OF COMMON STOCK

QUARTER	FROM CONTINUING OPERATIONS	FROM DISCONTINUED OPERATIONS	BEFORE EXTRAORDINARY LOSS	EXTRAORDINARY LOSS	BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	NET INCOME (LOSS)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
1999							
1st.....	\$.03	\$ (1.03)	\$ (1.00)	\$ (.04)	\$ (1.04)	\$ (.19)	\$ (1.23)
2nd.....	.28	.05	.33	--	.33	--	.33
	----	-----	-----	-----	-----	-----	-----
	\$.31	\$ (.98)	\$ (.67)	\$ (.04)	\$ (.71)	\$ (.19)	\$ (.90)
	=====	=====	=====	=====	=====	=====	=====
1998							
1st.....	\$.11	\$.08	\$.19	\$ --	\$.19	\$ --	\$.19
2nd.....	.30	.14	.44	--	.44	--	.44
3rd.....	.09	.15	.24	--	.24	--	.24
4th.....	(.01)	(.04)	(.05)	--	(.05)	--	(.05)
	----	-----	-----	-----	-----	-----	-----
	\$.49	\$.34	\$.83	\$ --	\$.83	\$ --	\$.83
	=====	=====	=====	=====	=====	=====	=====
1997							
1st.....	\$.06	\$.07	\$.13	\$ --	\$.13	\$ --	\$.13
2nd.....	.19	(.07)	.12	--	.12	--	.12
3rd.....	.18	.07	.25	--	.25	--	.25
4th.....	.20	.05	.25	--	.25	(.23)	.02
	----	-----	-----	-----	-----	-----	-----
	\$.63	\$.12	\$.75	\$ --	\$.75	\$ (.23)	\$.52
	=====	=====	=====	=====	=====	=====	=====

</TABLE>

Notes: Reference is made to Notes 3, 4, 6, and 7 and "Management's Discussion and Analysis of Financial Condition and Results of Operations" for items affecting quarterly results. The sum of the quarters may not equal the total of the respective year's earnings per share on either a basic or diluted basis due to changes in the weighted average shares outstanding

throughout the year.

(The preceding notes are an integral part of the foregoing combined financial statements.)

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SCHEDULE II

THE BUSINESSES OF TENNECO PACKAGING
SCHEDULE II -- VALUATION AND QUALIFYING ACCOUNTS
(MILLIONS)

<TABLE> <CAPTION>					
COLUMN A	COLUMN B	COLUMN C		COLUMN D	COLUMN E
DESCRIPTION	BALANCE AT BEGINNING OF YEAR	ADDITIONS		DEDUCTIONS	BALANCE AT END OF YEAR
		CHARGED TO COSTS AND EXPENSES	CHARGED TO OTHER ACCOUNTS		
-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>
Allowance for Doubtful Accounts Deducted from Assets to Which it Applies:					
Year Ended December 31, 1998.....	\$11	\$ 5	\$--	\$ 5	\$11
	===	===	==	===	===
Year Ended December 31, 1997.....	\$18	\$ 2	\$2	\$11	\$11
	===	===	==	===	===
Year Ended December 31, 1996.....	\$ 9	\$11	\$--	\$ 2	\$18
	===	===	==	===	===

</TABLE>

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ANNEX A

PROPOSED AMENDMENTS AND WAIVER

The following is the text of the proposed amendments and waiver. The following is qualified in its entirety by reference to the supplemental indenture and the original indenture, copies of which can be obtained without charge from the information agent. Capitalized terms used below without definition have the meanings assigned to them in the original indenture.

1. IF TENNECO RECEIVES THE REQUIRED CONSENTS, THE FOLLOWING PROVISIONS REGARDING THE WAIVER WILL TAKE EFFECT UPON EXECUTION OF THE SUPPLEMENTAL INDENTURE ON OR PROMPTLY FOLLOWING THE WITHDRAWAL TIME.

"SECTION 1. Definitions: As used herein, the following terms shall have the meanings set forth below:

"Cash Tender Offers" means Tenneco's offers to purchase for cash certain series of Securities issued under the Original Indenture pursuant to the Offer to Purchase and Consent Solicitation of Tenneco dated , 1999, as amended from time to time.

"Consent Solicitation" means Tenneco's solicitation of consents to amendments to the Original Indenture and the execution of this Eleventh Supplemental Indenture pursuant to the Exchange Offers and Cash Tender Offers.

"Debt Realignment" means the realignment, prior to the Spin-off, of Tenneco's debt through some combination of tender offers, exchange offers, prepayments and other refinancings.

"Exchange Offers" means Tenneco's offers to exchange notes and debentures issued by Tenneco Packaging Inc. for certain Securities issued under the Original Indenture pursuant to the Prospectus and Consent Solicitation of Packaging and Tenneco dated , 1999, as amended from time to time.

"Exchange Securities" means the series of Securities subject to the

Exchange Offers.

"Original Indenture" means the Indenture, dated November 1, 1996, between Tenneco Inc. (formerly New Tenneco Inc.) and The Chase Manhattan Bank, as trustee, as amended.

"Packaging" means Tenneco Packaging Inc., a Delaware corporation.

"Spin-off" means the distribution of all Packaging common stock to the holders of Tenneco common stock at a ratio of one share of Packaging common stock for each share of Tenneco common stock.

"Tender Securities" means the series of Securities subject to the Cash Tender Offers.

"Tenneco" means Tenneco Inc., a Delaware corporation.

"Trustee" means The Chase Manhattan Bank, as trustee under the Original Indenture.

SECTION 2. Waiver. Subject to Section 3.2 of this Eleventh Supplemental Indenture, the application of the covenants contained in Sections 3.6, 9.1, 9.2 and 9.3 of the Original Indenture is hereby waived to the extent required to effect the Spin-off, including, without limitation, to effect the Debt Realignment (the "Waiver").

SECTION 3. Operation of Amendments and Waiver.

Section 3.1. Upon the execution and delivery of this Eleventh Supplemental Indenture by Tenneco and the Trustee, the Original Indenture shall be amended and supplemented in accordance herewith, and this Eleventh Supplemental Indenture shall form a part of the Original Indenture for all purposes, and every holder of Securities heretofore or hereafter authenticated and delivered under the Original Indenture shall be bound hereby, as hereby amended and supplemented; provided, however, that the provisions of the Eleventh Supplemental Indenture, except as described in Section 3.2 with respect to the Waiver, shall not become operative until Tenneco has notified the Trustee that it has accepted for exchange or payment the Exchange Securities and/or Tender Securities, as the case may be, tendered pursuant to the Exchange

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Offers and/or Tender Offers which represent at least a majority of all Securities outstanding under the Original Indenture (and at such time the provisions of this Eleventh Supplemental Indenture shall automatically become operative without the requirement of any further action by or notice to Tenneco, the Trustee or any holder of Exchange Securities or Tender Securities).

SECTION 3.2 The Waiver shall become operative immediately upon the execution and delivery of this Eleventh Supplemental Indenture by Tenneco and the Trustee. However, if Exchange Securities and/or Tender Securities which represent at least a majority of all Securities outstanding under the Original Indenture are not accepted for exchange or purchase, as the case may be, because the related Exchange Offers, Cash Tender Offers or Consent Solicitation are terminated or withdrawn, the Waiver will cease to be operative."

2. IF THE PROPOSED AMENDMENTS ARE ADOPTED, THE FOLLOWING ITALICIZED TEXT WILL BE DELETED IN ITS ENTIRETY FROM THE ORIGINAL INDENTURE, AND THE UNDERLINED TEXT WILL BE ADDED FOLLOWING THE APPROPRIATE SECTIONS THEREOF.

SECTION 3.6. NEGATIVE PLEDGE; LIMITATION ON SALE AND LEASEBACK TRANSACTIONS.

[ADD: Intentionally Deleted by Amendment]

[DELETE: (a) The Issuer will not issue, assume, incur or guarantee, and will not permit any Restricted Subsidiary to issue, assume, incur or guarantee, any Debt secured by any mortgage, pledge, lien or other encumbrance (any such mortgage, pledge, lien and other encumbrance being hereinafter called a "Mortgage") upon any principal Manufacturing Property of the Issuer or any

Restricted Subsidiary, or upon shares of capital stock or Debt of any Restricted Subsidiary (whether such Principal Manufacturing Property or shares of stock are now owned or hereafter acquired or such Debt is now existing or hereafter incurred or assumed), without in any such case effectively providing, concurrently with the issuance or assumption of such Debt, that the Securities (together with, if the Issuer shall so determine, any other Debt of the Issuer or such Restricted Subsidiary ranking equally with the Securities and then existing or thereafter created) shall be secured equally and ratably with such Debt; provided, however, that the foregoing restrictions shall not apply to:

(i) the creation of Mortgages on any Principal Manufacturing Property (including any improvements on an existing property, as to which the Mortgage may include such underlying real property as the Issuer may deem necessary for the improvement and unnecessary for the operation of any theretofore existing Principal Manufacturing Property on the same or adjoining real property) hereafter acquired by the Issuer or a Restricted Subsidiary prior to, at the time of, or within 180 days after the latest of the acquisition, completion of construction or commencement of commercial operation of such property, to secure or provide for the payment of financing of all or any part of the purchase price thereof or construction of fixed improvements thereon, or, in addition to assumptions in transactions contemplated by subparagraph (ii) below, the assumption of any Mortgage upon any Principal Manufacturing Property hereafter acquired existing at the time of such acquisitions, or the acquisition of any Principal Manufacturing Property subject to any Mortgage without the assumption thereof; provided that the aggregate principal amount of Debt secured by any such Mortgage so issued, assumed or existing shall not exceed 100% of the cost of such Principal Manufacturing Property to the corporation acquiring the same or of the fair value thereof (as determined by resolution adopted by the Board of Directors) at the time of such acquisition, whichever is less, and, provided further, that in the case of any such acquisition, construction or improvement the Mortgage shall not apply to any property theretofore owned by the Issuer or a Restricted Subsidiary, other than, in the case of any such construction or improvement, any theretofore unimproved real property on which the property so constructed, or the improvement, is located (which unimproved real property may at the option of the Issuer be segregated by legal description from other real property of the Issuer appurtenant to such Principal Manufacturing Property and subjected to the Mortgage related to such construction or improvement);

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(ii) any Mortgages on any Principal Manufacturing Property of a corporation which is merged into or consolidated with the Issuer or a Restricted Subsidiary or substantially all of the assets of which are required by the Issuer or a Restricted Subsidiary (whether or not the obligations secured by any such Mortgage are assumed by the Issuer or a Restricted Subsidiary); provided that such Mortgages were not created in contemplation of such merger, consolidation or acquisition;

(iii) Mortgages on any Principal Manufacturing Property of the Issuer or a Restricted Subsidiary in favor of the United States of America or any State thereof, or any department, agency or instrumentality or political subdivision of the United States of America or any State thereof, or in favor of any other country, or any political subdivision thereof, to secure partial, progress, advance or other payments pursuant to any contract or statute or to secure any Debt incurred or guaranteed for the purpose of financing all or any part of the cost of acquiring, construction or improving the property subject to such Mortgages (including Mortgages incurred in connection with financings of the type contemplated by Section 103 of the Internal Revenue Code, maritime financings under Title XI of the United States Code or similar financings);

(iv) Mortgages on particular property (or any proceeds of the sale thereof) to secure all or any part of the cost of exploration, drilling, mining, development, operation or maintenance thereof (including, without limitation, construction of facilities for field processing) intended to obtain or increase the production and sale or other disposition of oil, gas, coal, natural gas, carbon dioxide, sulphur, helium, metals, minerals, steam, timber or other natural resources, or any Debt created, issued, assumed or guaranteed to provide funds for any or all such purposes;

(v) Mortgages securing Debt of a Restricted Subsidiary owing to the Issuer and/or another Restricted Subsidiary;

(vi) Mortgages on any Principal Manufacturing Property of the Issuer or a Restricted Subsidiary which Mortgages were in existence on the date of this Indenture; provided, however, that each such Mortgage shall be limited to all or a part of the property which secured such Mortgage at such date (plus improvements and construction on such Property);

(vii) any extension, renewal or replacement (or successive extensions, renewals or replacements) in whole or in part, of any Mortgage referred to in the foregoing clauses (i) through (vi); provided, however, that the principal amount of Debt so secured thereby shall not exceed the principal amount of Debt so secured at the time of such extension, renewal or replacement, and that such extension, renewal or replacement shall be limited to all or a part of the property which secured the Mortgage so extended, renewed or replaced (plus improvements and construction on such property); and

(viii) Permitted Mortgages.]

[DELETE: (b) Notwithstanding the provisions of subsection (a) of this Section, the Issuer or anyone or more Restricted Subsidiaries may issue or assume Debt secured by a Mortgage on a Principal Manufacturing Property in addition to those permitted by subsection (a) of this Section and renew, extend or replace such Mortgages; provided that at the time of such creation, assumption, renewal, extension or replacement, and after giving effect thereto, Exempted Debt does not exceed 15% of Consolidated Net Tangible Assets.]

[DELETE: (c) The Issuer will not, nor will it permit any Restricted Subsidiary to, enter into any arrangement with any Person providing for the leasing by the Issuer or any Restricted Subsidiary of any Principal Manufacturing Property, whether such principal Manufacturing Property is now owned or hereafter acquired (except for temporary leases for a term, including renewals at the option of the lessee, of not more than three years and except for leases between the Issuer and a Restricted Subsidiary or between Restricted Subsidiaries), which property has been or is to be sold or transferred by the Issuer or such Restricted Subsidiary to such Person with the intention of taking back a lease on such property (a "sale and leaseback transaction") unless the net proceeds of such sale or transfer shall be at least equal to the fair value of such property as determined by resolution adopted by the Board of Directors and either:

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(i) the Issuer or such Restricted Subsidiary would be entitled, pursuant to the provisions of subsection (a) of this Section, to issue or assume Debt secured by a Mortgage on such property at least equal in amount to the Attributable Debt in respect of such sale and leaseback transaction without equally and ratably securing the Securities; or

(ii) since the date hereof and within a period commencing twelve months prior to the consummation of such sale and leaseback transaction and ending twelve months after the consummation of such sale and leaseback transaction the Issuer or such Restricted Subsidiary, as the case may be, has expended or will expend, or a combination of both, for facilities comprising all or a part of a Principal Manufacturing Property an amount equal to (A) the net proceeds of such sale and leaseback transaction and the Issuer elects to designate such amount as a credit against such sale and leaseback transaction or (B) a part of the net proceeds of such sale and leaseback transaction and the Issuer elects to designate such amount as a credit against such sale and leaseback transaction and applies an amount equal to the remainder of the net proceeds as provided in clause (iii) hereof; or

(iii) such sale and leaseback transactions do not come within the exceptions provided in clause (i) hereof and the Issuer does not make the election permitted by clause (ii) hereof or makes such election only as to part of such net proceeds, in either which event the Issuer will, within 180 days after such sale and leaseback transaction, apply an amount equal to the Attributable Debt in respect of such sale and leaseback transaction (less an amount equal to the amount, if any, elected under clause (ii) hereof to the retirement (other than any mandatory retirement or by way of payment at maturity) of Debt with a maturity of greater than one year of the Issuer or any Restricted Subsidiary (other than Debt of the Issuer to any Restricted Subsidiary or of any Restricted Subsidiary to the Issuer or another Restricted Subsidiary).

(d) Notwithstanding the provisions of paragraph (c) of this Section, the Issuer and any Restricted Subsidiary may enter into sale and leaseback transactions in addition to those permitted by paragraph (c) of this Section and without any obligation to make expenditures for facilities comprising a part or all of a Principal manufacturing Property or to retire any Debt, provided that at the time of entering into such sale and leaseback transaction and after giving effect thereto, Exempted Debt does not exceed 15% of Consolidated Net Tangible Assets.]

SECTION 9.1. COVENANT NOT TO MERGE, CONSOLIDATE, SELL OR CONVEY PROPERTY EXCEPT UNDER CERTAIN CONDITIONS.

[ADD: Intentionally Deleted by Amendment]

[DELETE: The Issuer covenants that it will not merge or consolidate with any other Person or sell, lease or convey all or substantially all of its assets to any other Person, unless (i) either the Issuer shall be the continuing corporation, or the successor corporation or the Person which acquires by sale, lease or conveyance substantially all the assets of the Issuer (if other than the Issuer) shall be a corporation organized under the laws of the United States of America or any State thereof or the District of Columbia and shall expressly assume the due and punctual payment of the principal of and interest on all the Securities and Coupons, if any, according to their tenor, and the due and punctual performance and observance of all of the covenants and conditions of this Indenture to be performed or observed by the Issuer, by supplemental indenture satisfactory to the Trustee, executed and delivered to the Trustee by such corporation, and (ii) the Issuer, such Person or such successor corporation, as the case may be, shall not, immediately after such merger or consolidation, or such sale, lease or conveyance, be in default in the performance of any such covenant or condition.]

SECTION 9.2. SUCCESSOR CORPORATION SUBSTITUTED.

[ADD: Intentionally Deleted by Amendment]

[DELETE: In case of any such consolidation, merger, sale, lease or conveyance, and following such an assumption by the successor corporation, such successor corporation shall succeed to and be substituted for the Issuer, with the same effect as if it had been named herein. Such successor corporation may cause to

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be signed, and may issue either in its own name or in the name of the Issuer prior to such succession any or all of the Securities issuable hereunder which together with any Coupons appertaining thereto theretofore shall not have been signed by the Issuer and delivered to the Trustee; and, upon the order of such successor corporation, instead of the Issuer, and subject to all the terms, conditions and limitations in this Indenture prescribed, the Trustee shall authenticate and shall deliver any Securities together with any Coupons appertaining thereto which previously shall have been signed and delivered by the officers of the Issuer to the Trustee for authentication, and any Securities which such successor corporation thereafter shall cause to be signed and delivered to the Trustee for that purpose. All of the Securities so issued together with any Coupons appertaining thereto shall in all respects have the same legal rank and benefit under this Indenture as the Securities theretofore or thereafter issued in accordance with the terms of this Indenture as though all of such Securities had been issued at the date of the execution hereof.

In case of any such consolidation, merger, sale, lease or conveyance such changes in phrasing and form (but not in substance) may be made in the Securities and Coupons thereafter to be issued as may be appropriate.

In the event of any such sale or conveyance (other than a conveyance by way of lease) the Issuer or any successor corporation which shall theretofore have become such in the manner described in this Article shall be discharged from all obligations and covenants under this Indenture and the Securities and may be liquidated and dissolved.]

SECTION 9.3. OPINION OF COUNSEL DELIVERED TO TRUSTEE.

[ADD: Intentionally Deleted by Amendment]

[DELETE: The Trustee, subject to the provisions of Section 6.1 and 6.2, may receive an Opinion of Counsel as conclusive evidence that any such consolidation, merger, sale, lease or conveyance, and any such assumption, and any such liquidation or dissolution, complies with the applicable provisions of this Indenture.]

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THE DEALER MANAGERS FOR THE EXCHANGE OFFERS ARE

<TABLE>

<S>

MORGAN STANLEY DEAN WITTER
1585 Broadway, Second Floor
New York, NY 10036
Attn: Liability Management Group
(800) 624-1808

<C>

CREDIT SUISSE FIRST BOSTON
Eleven Madison Avenue
New York, NY 10010
Attn: Liability Management Group
800-820-1653

</TABLE>

Any questions concerning the terms of the exchange offers may be directed to

the dealer managers.

THE INFORMATION AGENT FOR THE EXCHANGE OFFERS IS

GEORGESON & COMPANY INC.
Wall Street Plaza
New York, New York 10005
Banks and Brokers Call Collect: (212) 440-9800
All Others Call Toll Free: (800)223-2064

Any questions concerning tender procedures or requests for additional copies of this document may be directed to the information agent.

THE EXCHANGE AGENT FOR THE EXCHANGE OFFERS IS

THE CHASE MANHATTAN BANK

<TABLE>

<S>	<C>	<C>
By Hand: Corporate Trust Securities Window 55 Water Street Room 234 North Building New York, NY 10041 Attn: Carlos Esteves	By Registered Mail: The Chase Manhattan Bank Money Market Operations 55 Water Street Room 234 North Building New York, NY 10041 Attn: Carlos Esteves	By Overnight Delivery: The Chase Manhattan Bank Money Market Operations 55 Water Street Room 234 North Building New York, NY 10041 Attn: Carlos Esteves

</TABLE>

By Facsimile:

(212) 638-7380 or (212) 638-7381

Confirm by Telephone:

(212) 638-0828

UNTIL , 1999, ALL DEALERS THAT EFFECT TRANSACTIONS IN THESE SECURITIES, WHETHER OR NOT PARTICIPATING IN THIS OFFERING, MAY BE REQUIRED TO DELIVER A PROSPECTUS. THIS IS IN ADDITION TO THE DEALERS' OBLIGATION TO DELIVER A PROSPECTUS WHEN ACTING AS UNDERWRITERS AND WITH RESPECT TO THEIR UNSOLD ALLOTMENTS OR SUBSCRIPTIONS.

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 20. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Packaging will be restating its certificate of incorporation prior before the spin-off to provide that a director of Packaging will not be liable to Packaging or its stockholders for monetary damages for breach of fiduciary duty as a director, except to the extent that an exemption from liability or limitation of liability is not permitted under the Delaware General Corporation Law ("DGCL"). Based on the DGCL as presently in effect, a director of Packaging will not be personally liable to Packaging or its stockholders for monetary damages for breach of fiduciary duty as a director, except: (1) for any breach of the director's duty of loyalty to Packaging or its stockholders; (2) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law; (3) under Section 174 of the DGCL; which concerns unlawful payments of dividends, stock purchases or redemptions; or (4) for any transactions from which the director derived an improper personal benefit.

While these provisions give directors protection from awards for monetary damages for breaches of their duty of care, they do not eliminate the duty. Accordingly, Packaging's certificate of incorporation will have no effect on the availability of equitable remedies such as injunction or rescission based on a director's breach of his or her duty of care. The provisions of Packaging's certificate of incorporation described above apply to an officer of Packaging only if he or she is a director of Packaging and is acting in his or her capacity as director. They do not apply to officers of Packaging who are not directors.

The by-laws of Packaging currently provide that Packaging shall indemnify, to the fullest extent permitted by the DGCL, as may be amended from time to time, each person who is or was a director or officer, or who serves or may have served at Packaging's request as a director or officer of another corporation, and who is or was a party or is threatened to be made a party to any pending or

completed claim, action, suit or proceeding. Packaging will provide indemnification against any expenses, including attorneys' fees, judgments, fines and amounts paid in settlement, actually and reasonably incurred by the person in his or her capacity or status as a director or officer. At the discretion of Packaging's board of directors, Packaging may indemnify each person who is or was an employee or agent of Packaging, or who served or may have served at Packaging's request as an employee or agent of another corporation, to the same extent as directors and officers.

Before the spin-off, Packaging will amend and restate its by-laws. After the amendment and restatement, Packaging's by-laws will include the following provisions:

"Section 14. (1) The corporation shall indemnify and hold harmless, to the fullest extent permitted by applicable law as it presently exists or may hereafter be amended, any person (an "Indemnitee") who was or is made or is threatened to be made a party or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative, including appeals (a "proceeding"), by reason of the fact that he, or a person for whom he is the legal representative, is or was a director or officer of the corporation or, while a director or officer of the corporation, is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust, enterprise or nonprofit entity, including service with respect to employee benefit plans, against all liability and loss suffered and expenses (including attorneys' fees) reasonably incurred by such Indemnitee. Notwithstanding the preceding sentence, except as otherwise provided in paragraph (3) of this Section 14, the corporation shall be required to indemnify an Indemnitee in connection with a proceeding (or part thereof) commenced by such Indemnitee only if the commencement of such proceeding (or part thereof) by the Indemnitee was authorized by the Board.

(2) The corporation shall pay the expenses (including attorneys' fees) incurred by an Indemnitee in defending any proceeding in advance of its final disposition, provided, however, that, to the extent required by law, such payment of expenses in advance of the final disposition of the

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proceeding shall be made only upon receipt of an undertaking by the Indemnitee to repay all amounts advanced if it should be ultimately determined that the Indemnitee is not entitled to be indemnified under this Section 14 or otherwise.

(3) If a claim for indemnification or payment of expenses under this Section 14 is not paid in full within thirty days after a written claim therefor by the Indemnitee has been received by the corporation, the Indemnitee may file suit to recover the unpaid amount of such claim and, if successful in whole or in part, shall be entitled to be paid the expense of prosecuting such claim. In any such action the corporation shall have the burden of proving that the Indemnitee is not entitled to the requested indemnification or payment of expenses under applicable law.

(4) The rights conferred on any Indemnitee by this Section 14 shall not be exclusive of any other rights which such Indemnitee may have or hereafter acquire under any statute, provision of the Restated Certificate of Incorporation, these By-Laws, agreement, vote of stockholders or disinterested directors or otherwise.

(5) The corporation's obligation, if any, to indemnify or to advance expenses to any Indemnitee who was or is serving at its request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, enterprise or nonprofit entity shall be reduced by any amount such Indemnitee may collect as indemnification or advancement of expenses from such other corporation, partnership, joint venture, trust, enterprise or nonprofit enterprise.

(6) Any repeal or modification of the foregoing provisions of this Section 14 shall not adversely affect any right or protection hereunder of any Indemnitee in respect of any act or omission occurring prior to the time of such repeal or modification.

(7) This Section 14 shall not limit the right of the corporation, to the extent and in the manner permitted by law, to indemnify and to advance expenses to persons other than Indemnitees when and as authorized by appropriate corporate action."

Packaging has purchased insurance which purports to insure Packaging against some of the costs of indemnification which may be incurred under the by-law section discussed above. The insurance also purports to insure the

officers and directors of Packaging and its subsidiaries against some liabilities incurred by them in the discharge of their duties as officers and directors, except for liabilities resulting from their own malfeasance.

In addition, in the distribution agreement Tenneco will agree to indemnify the directors and officers of Packaging against some liabilities for any violations or alleged violations of securities or other laws arising out of some of the documents related to the spin-off. See "Item 22, Undertakings" for a description of the Commission's position regarding such indemnification provisions.

ITEM 21. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) The following exhibits are filed as part of this registration statement:

EXHIBIT NO.	DESCRIPTION
1	None.
2	Form of Distribution Agreement by and between Tenneco Inc. and Tenneco Packaging Inc.*
3.1	Certificate of Incorporation of Tenneco Packaging Inc., as amended, as currently in effect (incorporated herein by reference to Exhibit 3.1 to Tenneco Packaging Inc.'s Registration Statement on Form 10, File No. 1-15157).
3.2	Form of Restated Certificate of Incorporation of Tenneco Packaging Inc., to be adopted prior to the spin-off (incorporated herein by reference to Exhibit 3.2 to Tenneco Packaging Inc.'s Registration Statement on Form 10, File No. 1-15157).

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EXHIBIT NO.	DESCRIPTION
3.3	Amended By-laws of Tenneco Packaging Inc., as currently in effect (incorporated herein by reference to Exhibit 3.3 to Tenneco Packaging Inc.'s Registration Statement on Form 10, File No. 1-15157).
3.4	Form of Amended and Restated By-laws of Tenneco Packaging Inc., to be adopted prior to the spin-off (incorporated herein by reference to Exhibit 3.4 to Tenneco Packaging Inc.'s Registration Statement on Form 10, File No. 1-15157).
4.1	Form of Indenture by and between Tenneco Packaging Inc. and The Chase Manhattan Bank, as Trustee.
4.2	Form of Registration Rights Agreement between Tenneco Packaging Inc. and the trustees under the Tenneco Packaging Inc. Rabbi Trust, to be adopted in connection with the spin-off (incorporated herein by reference to Exhibit 4.4 to Tenneco Packaging Inc.'s Registration Statement on Form 10, File No. 1-15157).
5	Opinion of Jenner & Block.*
8	Opinion of Jenner & Block regarding tax matters.*
9	None.
10.1	Form of Human Resources Agreement by and between Tenneco Inc. and Tenneco Packaging Inc. (incorporated herein by reference to Exhibit 10.1 to Tenneco Packaging Inc.'s Registration Statement on Form 10, File No. 1-15147).
10.2	Form of Tax Sharing Agreement by and between Tenneco Inc. and Tenneco Packaging Inc. (incorporated herein by reference to Exhibit 10.2 to Tenneco Packaging Inc.'s Registration Statement on Form 10, File No. 1-15157).
10.3	Form of Transition Services Agreement by and between Tenneco Inc. and Tenneco Packaging Inc.*
10.4	Indenture (the "original indenture"), dated November 1, 1996, between Tenneco Inc. (formerly known as New Tenneco Inc.) and The Chase Manhattan Bank, as trustee (incorporated herein by reference to New Tenneco Inc.'s Registration Statement on Form S-4, Registration No. 333-14003).
10.5	Form of Eleventh Supplemental Indenture to the original indenture, to be entered into between Tenneco Inc. and The Chase Manhattan Bank, as Trustee, providing for the proposed

amendments.

- 10.6 Form of Trademark Transition License Agreement by and between Tenneco Inc. and Tenneco Packaging Inc. (incorporated herein by reference to Exhibit 10.4 to Tenneco Packaging Inc.'s Registration Statement on Form 10, File No. 1-15157).
- 10.8 Form of Tenneco Packaging Inc. Executive Incentive Compensation Plan, to be adopted in connection with the spin-off (incorporated herein by reference to Exhibit 10.6 to Tenneco Packaging Inc.'s Registration Statement on Form 10, File No. 1-15157).
- 10.9 Form of Tenneco Packaging Inc. Supplemental Executive Retirement Plan, to be adopted in connection with the spin-off (incorporated herein by reference to Exhibit 10.7 to Tenneco Packaging Inc.'s Registration Statement on Form 10, File No. 1-15157).
- 10.10 Form of Tenneco Packaging Inc. Change in Control Severance Benefit Plan for Key Executives, to be adopted in connection with the spin-off (incorporated herein by reference to Exhibit 10.8 to Tenneco Packaging Inc.'s Registration Statement on Form 10, File No. 1-15157).
- 10.11 Form of Tenneco Packaging Inc. Rabbi Trust II, to be adopted in connection with the spin-off.*

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EXHIBIT NO.

DESCRIPTION

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- 10.12 Form of Tenneco Packaging Inc. Stock Ownership Plan, to be adopted in connection with the spin-off (incorporated herein by reference to Exhibit 10.10 to Tenneco Packaging Inc.'s Registration Statement on Form 10, File No. 1-15157).
- 10.13 Professional Services Agreement, dated August 22, 1996, by and between Tenneco Business Services Inc. and Newport News Shipbuilding Inc. (incorporated herein by reference to Exhibit 10.28 of Tenneco Inc.'s Form 10, File No. 1-12387).
- 10.14 Form of Tenneco Packaging Inc. Rabbi Trust, to be adopted in connection with the spin-off (incorporated herein by reference to Exhibit 10.12 to Tenneco Packaging Inc.'s Registration Statement on Form 10, File No. 1-15157).
- 10.15 Form of Tenneco Packaging Inc. Deferred Compensation Plan, to be adopted in connection with the spin-off (incorporated herein by reference to Exhibit 10.9 to Tenneco Packaging Inc.'s Registration Statement on Form 10, File No. 1-15157).
- 10.16(a) Contribution Agreement, dated as of January 25, 1999, by and among Tenneco Packaging Inc., PCA Holdings LLC and Packaging Corporation of America (the "Contribution Agreement") (incorporated herein by reference from Exhibit 10.30 of Tenneco Inc.'s Current Report on Form 8-K dated April 12, 1999, File No. 1-12387).
- 10.16(b) Letter Agreement, dated as of April 12, 1999, by and among Tenneco Packaging Inc., PCA Holdings LLC and Packaging Corporation of America, amending the Contribution Agreement (incorporated herein by reference from Exhibit 10.31 of Tenneco Inc.'s Current Report on Form 8-K dated April 12, 1999, File No. 1-12387).
- 10.17 Stockholders Agreement, as amended, dated as of April 12, 1999, by and among Tenneco Packaging Inc., PCA Holdings LLC and Packaging Corporation of America (incorporated herein by reference from Exhibit 10.32 of Tenneco Inc.'s Current Report on Form 8-K dated April 12, 1999, File No. 1-12387).
- 10.18 Registration Rights Agreement, as amended, dated as of April 12, 1999, by and among Tenneco Packaging Inc., PCA Holdings LLC and Packaging Corporation of America (incorporated herein by reference from Exhibit 10.33 of Tenneco Inc.'s Current Report on Form 8-K dated April 12, 1999, File No. 1-12387).
- 10.19 Form of Insurance Agreement by and between Tenneco Inc. and Tenneco Packaging Inc.*
- 11 None.
- 12.1 Statement of Ratio of Earnings to Fixed Charges (Tenneco Packaging Inc.).
- 12.2 Statement of Ratio of Earnings to Fixed Charges (Tenneco Inc.) (incorporated herein by reference from Exhibit 12.2 of Tenneco Inc.'s Current Report on Form 8-K dated August 20, 1999, File No. 1-12387).

- 13 None.
- 15 None.
- 16 None.
- 21 List of Subsidiaries of Tenneco Packaging Inc. (incorporated herein by reference from Exhibit 21 to Tenneco Packaging Inc.'s Registration Statement on Form 10, File No. 1-15157).
- 23.1 Consent of Jenner & Block (included in Exhibit 5 and Exhibit 8).
- 23.2 Consent of Arthur Andersen LLP.
- 24 Power of Attorney of Richard L. Wambold.**
- 25 Statement of Eligibility of Trustee.
- 26 None.
- 27.1 Financial Data Schedule, December 31, 1998.**

</TABLE>

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EXHIBIT NO. -----	DESCRIPTION -----
<C>	<S>
27.2	Financial Data Schedule, June 30, 1999.
99.1	Form of Letter of Consent/Transmittal.
99.2	Form of Letter to DTC Participants, including Brokers, Dealers and Other Nominees.
99.3	Form of Letter to Beneficial Holders.
99.4	Form of Letter to Holders of Physical Securities.
99.5	Consents to be named as directors of Tenneco Packaging Inc. for: Mark Andrews, Larry D. Brady, Roger B. Porter and Paul T. Stecko.

</TABLE>

* To be filed by amendment.

** Previously filed.

(b) Financial Statement Schedules

Schedule II -- Valuation and Qualifying Accounts

(c) Not Applicable.

ITEM 22. UNDERTAKINGS.

The undersigned registrant hereby undertakes:

1. To file, during any period in which offers or sales are being made of the securities registered hereby, a post-effective amendment to this registration statement:

a. To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

b. To reflect in the prospectus any facts or events arising after the effective date of this registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in this registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement; and

c. To include any material information with respect to the plan of distribution not previously disclosed in this registration statement or any material change to such information in this registration statement.

2. That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment will be deemed to be new registration statement relating to the securities offered therein, and the offering of such securities at that time will be deemed to

be the initial bona fide offering thereof.

3. To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

4. That, for the purpose of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in this registration statement shall be deemed to be a new registration statement relating to the

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securities offered herein, and the offering of such securities at that time will be deemed to be the initial bona fide offering thereof.

5. To respond to requests for information that is incorporated by reference into this prospectus pursuant to Item 4, 10(b), 11, or 13 of this form, within one business day of receipt of such request, and to send the incorporated documents by first class mail or other equally prompt means. This includes information contained in documents filed subsequent to the effective date of the registration statement through the date of responding to the request.

6. To supply by means of a post-effective amendment all information concerning a transaction, and the company being acquired involved therein, that was not the subject of and included in the registration statement when it became effective.

Inssofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers, and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer, or controlling person of the registrant in the successful defense of any action, suit, or proceeding) is asserted by such director, officer, or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this Amendment No. 1 to the Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Lake Forest, State of Illinois, as of the 10th day of September, 1999.

TENNECO PACKAGING INC.

By: /s/ DANA G. MEAD

Dana G. Mead
Chairman and Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this Amendment No. 1 to the Registration Statement has been signed by the following persons in the capacities indicated on September 10, 1999.

<TABLE>
<CAPTION>

SIGNATURE -----	TITLE -----
<C>	<S>
/s/ DANA G. MEAD -----	Chairman of the Board and Chief Executive Officer and Director

Dana G. Mead

(principal executive officer)

/s/ ROBERT T. BLAKELY

Chief Financial Officer and Director

(principal financial and accounting officer)

Robert T. Blakely

*

Director

Richard L. Wambold

*By: /s/ THEODORE R. TETZLAFF

Theodore R. Tetzlaff
Attorney-in-fact

</TABLE>

TENNECO PACKAGING INC. (to be renamed _____)

and

THE CHASE MANHATTAN BANK,
Trustee

INDENTURE

Dated as of _____, 1999

CROSS REFERENCE SHEET (1)

BETWEEN

Provisions of Trust Indenture Act of 1939 and the Indenture dated as of _____, 1999 between Tenneco Packaging Inc. (to be renamed _____) and THE CHASE MANHATTAN BANK, Trustee.

<TABLE>

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SECTION OF THE ACT

SECTION OF INDENTURE

<S>

<C>

310(a) (1), (2) and (5)..... 6.9

310(a) (3) and (4)..... Inapplicable

310(b)..... 6.9 and 6.10(a), (b) and (d)

310 (c)	Inapplicable
311 (a)	6.13
311 (b)	6.13
311 (c)	Inapplicable
312 (a)	4.1 and 4.2
312 (b)	4.2
312 (c)	4.2
313 (a)	4.4
313 (b) (1)	Inapplicable
313 (b) (2)	Inapplicable
313 (c)	4.4
313 (d)	4.4
314 (a)	4.3
314 (b)	Inapplicable
314 (c) (1) and (2)	11.5
314 (c) (3)	Inapplicable
314 (d)	Inapplicable
314 (e)	11.5
314 (f)	Inapplicable
315 (a), (c) and (d)	6.1
315 (b)	5.11
315 (e)	5.12
316 (a) (1)	5.9
316 (a) (2)	Not required
316 (a) (last sentence)	7.4
316 (b)	5.7
316 (c)	7.2
317 (a)	5.2
317 (b)	3.4(a) and (b)
318 (a)	11.7

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(1) This Cross Reference Sheet is not part of the Indenture.

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THIS INDENTURE, dated as of _____, 1999 between Tenneco Packaging Inc. (to be renamed _____), a Delaware corporation (the "Issuer"), and THE CHASE MANHATTAN BANK, a New York banking corporation, as trustee (the "Trustee"),

W I T N E S S E T H :

WHEREAS, the Issuer has duly authorized the issue from time to time of its unsecured debentures, notes or other evidences of indebtedness to be issued in one or more series (the "Securities") up to such principal amount or amounts as may from time to time be authorized in accordance with the terms of this Indenture;

WHEREAS, the Issuer has duly authorized the execution and delivery of this Indenture to provide, among other things, for the authentication, delivery and administration of the Securities; and

WHEREAS, all things necessary to make this Indenture a valid indenture and agreement according to its terms have been done;

NOW, THEREFORE:

In consideration of the premises and the purchases of the Securities by the holders thereof, the Issuer and the Trustee mutually covenant and agree for the equal and proportionate benefit of the respective holders from time to time of the Securities and of the coupons, if any, appertaining thereto as follows:

ARTICLE ONE

DEFINITIONS

SECTION 1.1 Certain Terms Defined. The following terms (except as otherwise expressly provided herein, in any indenture supplemental hereto or, as to any Security, in such Security or unless the context otherwise clearly requires) for all purposes of this Indenture and of any indenture supplemental hereto shall have the respective meanings specified in this Section. All other terms used in this Indenture that are defined in the Trust Indenture Act of 1939 or the definitions of which in the Securities Act of 1933 are referred to in the Trust Indenture Act of 1939, including terms defined therein by reference to the Securities Act of 1933 (except as herein otherwise expressly provided or unless the context otherwise requires), shall have the meanings assigned to such terms in said Trust Indenture Act and in said Securities Act as in force at the date of this Indenture. All accounting terms used herein and not expressly defined shall have the meanings assigned to such terms in accordance with generally accepted accounting principles, and the term "generally accepted accounting principles" means such accounting principles as are generally accepted in the United States at the time of any computation. The words "herein," "hereof," "hereto" and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision. The terms defined in this Article include the plural as well as the singular.

"Attributable Debt" means, as to any particular lease under which any Person is at the time liable, at any date as of which the amount thereof is to be determined, the total net amount of rent

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required to be paid by such Person under such lease during the remaining term thereof, discounted from the respective due dates thereof to such date at the Composite Rate. The net amount of rent required to be paid under any such lease for any such period shall be the aggregate amount of the rent payable by the lessee with respect to such period after excluding amounts required to be paid on account of maintenance and repairs, financing services, insurance, taxes, assessments, water or electrical rates, contingent rents (such as those based on sales) and similar charges. In the case of any lease which is terminable by the lessee upon the payment of a penalty, such net amount shall also include the amount of such penalty, but no rent shall be considered as required to be paid under such lease subsequent to the first date upon which it may be so terminated.

"Authenticating Agent" shall have the meaning set forth in Section 6.14.

"Authorized Newspaper" means a newspaper (which, in the case of The City of New York, will, if practicable, be The Wall Street Journal (Eastern Edition), in the case of the United Kingdom will, if practicable, be the Financial Times (London Edition) and, in the case of Luxembourg, will, if practicable, be the Luxemburger Wort) published in an official language of the country of publication customarily published at least once a day for at least five days in each calendar week and of general circulation in the City of New York, the United Kingdom or in Luxembourg, as applicable. If it shall be impractical in the opinion of the Trustee to make any publication of any notice required hereby in an Authorized Newspaper, any publication or other notice in lieu thereof which is made or given with the approval of the Trustee shall constitute a sufficient publication of such notice.

"Board of Directors" means either the Board of Directors of the Issuer or any committee or other designees of such Board duly authorized to act on its behalf.

"Board Resolution" means a copy of one or more resolutions, certified by the secretary or an assistant secretary of the Issuer to have been duly adopted or consented to by the Board of Directors and to be in full force and effect, and delivered to the Trustee.

"Business Day" means, with respect to any Security, a day that in the city (or in any of the cities, if more than one) in which amounts are payable, as specified in the form of such Security, is not a day on which banking institutions are authorized or required by law or regulation to close.

"Commission" means the Securities and Exchange Commission, as from time to time constituted, created under the Securities Exchange Act of 1934, or if at any time after the execution and delivery of this Indenture such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act of 1939, then the body performing such duties on such date.

"Composite Rate" means, at any time, the rate of interest, per annum, compounded semiannually, equal to the sum of the products obtained by multiplying the rate of interest borne by the Securities of each series (as specified on the face of the Securities of each series, provided, that, in the case of the Securities with variable rates of interest, the interest rate to be used in calculating the Composite Rate shall be the interest rate applicable to such Securities at the beginning of the year

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in which the Composite Rate is being determined and, provided, further, that, in the case of Original Issue Discount Securities, the interest rate to be used in calculating the Composite Rate shall be a rate equal to the yield to maturity on such Securities, calculated at the time of issuance of such Securities) by the percentage of the aggregate principal amount of the Securities of all series Outstanding represented by the Outstanding Securities of such series. For the

purposes of this calculation, the aggregate principal amount of Outstanding Securities that are denominated in a foreign currency shall be calculated in the manner set forth in Section 11.11, and the aggregate principal amount of Original Issue Discount Securities shall be the aggregate amount then payable upon the declaration of acceleration of the maturity thereof pursuant to Section 5.1.

"Consolidated Net Tangible Assets" shall mean, at any date, the total assets appearing on the consolidated balance sheet of the Issuer and its consolidated Subsidiaries for the Issuer's most recently completed fiscal quarter, prepared in accordance with generally accepted accounting principles, less (a) all current liabilities shown on such balance sheet and (b) Intangible Assets. "Intangible Assets" means the value (net of applicable reserves), as shown on or reflected in such balance sheet of: (i) all trade names, trademarks, licenses, patents, copyrights and goodwill; (ii) organizational or development costs; (iii) deferred charges (other than prepaid items such as insurance, taxes, interest, commissions, rents and similar items and tangible assets being amortized); and (iv) unamortized debt discount and expense, less premium.

"Corporate Trust Office" means the office of the Trustee at which the corporate trust business of the Trustee shall at any particular time, be principally administered, which office is, at the date as of which this Indenture is dated, located in 450 West 33rd Street, 15th Floor, New York, New York, Attention: Global Trust Services.

"Coupon" means any interest coupon appertaining to a Security.

"covenant defeasance" shall have the meaning set forth in Section 10.1(C).

"Debt" of any Person shall mean any debt for money borrowed which is issued, assumed, incurred or guaranteed in any manner by such Person.

"Depositary" means, with respect to the Securities of any series issuable or issued in the form of one or more Registered Global Securities, the Person designated as Depositary by the Issuer pursuant to Section 2.3 until a successor Depositary shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Depositary" shall mean or include each Person who is then a Depositary hereunder, and if at any time there is more than one such Person, "Depositary" as used with respect to the Securities of any such series shall mean the Depositary with respect to the Registered Global Securities of that series.

"Dollar" means the coin or currency of the United States of America as at the time of payment is legal tender for the payment of public and private debts.

"EURO" means the single currency of the participating member states of the European union.

"Event of Default" means any event or condition specified as such in Section 5.1.

"Exempted Debt" shall mean the sum of (a) Debt of the Issuer and its Subsidiaries incurred after the date as of which this Indenture is dated and secured by liens created, assumed or permitted to exist pursuant to Section 3.6(b) and (b) Attributable Debt of the Issuer and its Subsidiaries in respect of all sale and leaseback transactions entered into pursuant to Section 3.6(d).

"Foreign Currency" means a currency issued by the government of a country other than the United States.

"Holder," "Holder of Securities," "Securityholder" or other similar terms mean (a) in the case of any Registered Security, the person in whose name such Security is registered in the security register kept by the Issuer for that purpose in accordance with the terms hereof, and (b) in the case of any Unregistered Security, the bearer of such Security, or any Coupon appertaining thereto, as the case may be.

"Indenture" means this instrument as originally executed and delivered or, if amended or supplemented as herein provided, as so amended or supplemented or both, and shall include the forms and terms of particular series of Securities established as contemplated hereunder.

"Interest" means, when used with respect to non-interest bearing Securities, interest payable after maturity.

"Issuer" means Tenneco Packaging Inc. (to be renamed _____), a Delaware corporation and, subject to Article Nine, its successors and assigns.

"Issuer Order" means a written statement, request or order of the Issuer signed in its name by the chairman of the Board of Directors, the chief executive officer, the president, any vice president, the chief financial officer, the treasurer, the controller or any other officer designated by the Board of Directors or any of the foregoing officers of the Issuer.

"Judgment Currency" shall have the meaning set forth in Section 11.12.

"Mortgage" shall have the meaning set forth in Section 3.6(a).

"Net Rental Payments" under any lease for any period shall mean the sum of monies and other payments required to be paid by the lessee under such lease as rent thereunder, not including amounts payable by the lessee for maintenance and repairs, financing services, water or electrical rates, insurance, taxes, assessments, contingent rents (such as those based on sales) and similar charges.

"Officer's Certificate" means a certificate signed by the chairman of the Board of Directors, the chief executive officer, the president, the chief financial officer, any vice president, the treasurer, the controller or any other officer designated by the Board of Directors or any of the foregoing

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of the Issuer and delivered to the Trustee. Each such certificate shall comply with Section 314 of the Trust Indenture Act of 1939 and include the statements provided for in Section 11.5.

"Opinion of Counsel" means an opinion in writing signed by the General Counsel of the Issuer or by such other legal counsel who may be an employee of or counsel to the Issuer and who shall be satisfactory to the Trustee. Each such opinion shall comply with Section 314 of the Trust Indenture Act of 1939 and include the statements provided for in Section 11.5.

"original issue date" of any Security (or portion thereof) means the earlier of (a) the date of such Security or (b) the date of any Security (or portion thereof) for which such Security was issued (directly or indirectly) on registration of transfer, exchange or substitution.

"Original Issue Discount Security" means any Security that provides for an amount less than the principal amount thereof to be due and payable upon a declaration of acceleration of the maturity thereof pursuant to Section 5.1.

"Outstanding," when used with reference to Securities, shall, subject to the provisions of Section 7.4, mean, as of any particular time, all Securities authenticated and delivered by the Trustee under this Indenture, except

(a) Securities theretofore canceled by the Trustee or delivered to the Trustee for cancellation;

(b) Securities, or portions thereof, for the payment or redemption of which moneys or U.S. Government Obligations (as provided for in Section 10.1) in the necessary amount shall have been deposited in trust with the Trustee or with any paying agent (other than the Issuer) or shall have been set aside, segregated and held in trust by the Issuer for the Holders of such Securities (if the Issuer shall act as its own paying agent), provided that if such Securities, or portions thereof, are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as herein provided, or provision satisfactory to the Trustee shall have been made for giving such notice; and

(c) Securities which shall have been paid or in substitution for which other Securities shall have been authenticated and delivered pursuant to the terms of Section 2.9 (except with respect to any such Security as to which proof satisfactory to the Trustee is presented that such Security is held by a person in whose hands such Security is a legal, valid and binding obligation of the Issuer).

In determining whether the Holders of the requisite principal amount of

Outstanding Securities of any or all series have given any request, demand, authorization, direction, notice, consent or waiver hereunder, the principal amount of an Original Issue Discount Security that shall be deemed to be Outstanding for such purposes shall be the amount of the principal thereof that would be due and payable as of the date of such determination upon a declaration of acceleration of the maturity thereof pursuant to Section 5.1.

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"Periodic Offering" means an offering of Securities of a series from time to time, the specific terms of which Securities, including, without limitation, the rate or rates of interest, if any, thereon, the stated maturity or maturities thereof and the redemption provisions, if any, with respect thereto, are to be determined by the Issuer or its agents upon the issuance of such Securities.

"Permitted Mortgage" means:

(i) any governmental, mechanics', materialmen's, carriers' or similar lien created in the ordinary course of business which is not yet due or which is being contested in good faith by appropriate proceedings and any undetermined lien which is incidental to construction;

(ii) any right reserved to, or vested in, any municipality or public authority by the terms of any right, power, franchise, grant, license, permit or by any provision of law, to purchase or recapture or to designate a purchaser of, any property;

(iii) any lien of taxes and assessments which is (A) for the current year, or (B) not at the time delinquent or (C) delinquent but the validity of which is being contested at the time by the Issuer or any Subsidiary in good faith;

(iv) any lien arising from or in connection with a conveyance by the Issuer or any Subsidiary of any production payment with respect to oil, gas, natural gas, carbon dioxide, sulphur, helium, coal, metals, minerals, steam, timber or other natural resources;

(v) any lien to secure obligations imposed by statute or governmental regulations; or

(vi) any lien of, or to secure performance of, leases (other than leases relating to a sale and leaseback transaction).

"Person" means any individual, corporation, partnership, limited liability company, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"principal," whenever used with reference to the Securities or any Security

or any portion thereof, shall be deemed to include "and premium, if any."

"Principal Manufacturing Property" shall mean any manufacturing plant or any testing or research and development facility of the Issuer or a Subsidiary located in the United States of America (other than its territories and possessions) unless, in the opinion of the Board of Directors, the manufacturing, testing, research and development operations performed at such plant or facility is not of material importance to the total business conducted by the Issuer and its consolidated Subsidiaries. Principal Manufacturing Property shall include, without limitation, additions, improvements, replacements, repairs, fixtures, appurtenances or component parts of any such plant or facility attaching to or required to be attached to property or assets pursuant to the terms of any Mortgage (including, without limitation, pursuant to any "after-acquired property" clause or similar term thereof).

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"Record Date" shall have the meaning set forth in Section 2.7.

"Registered Global Security" means a Security evidencing all or a part of a series of Registered Securities, issued to the Depositary for such series in accordance with Section 2.4, and bearing the legend prescribed in Section 2.4.

"Registered Security" means any Security registered on the Security register of the Issuer.

"Required Currency" shall have the meaning set forth in Section 11.12.

"Responsible Officer," when used with respect to the Trustee means the chairman of the board of directors, any vice chairman of the board of directors, the chairman of the trust committee, the chairman of the executive committee, any vice chairman of the executive committee, the president, any vice president (whether or not designated by numbers or words added before or after the title "vice president"), the cashier, the secretary, the treasurer, any trust officer, any assistant trust officer, any assistant vice president, any assistant cashier, any assistant secretary, any assistant treasurer, or any other officer or assistant officer of the Trustee customarily performing functions similar to those performed by the persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred because of his knowledge of and familiarity with the particular subject.

"Restricted Subsidiary" shall mean any Subsidiary that owns or is the lessee of any Principal Manufacturing Property; provided, however, that the term "Restricted Subsidiary" does not include any Subsidiary acquired or organized for the purpose of acquiring the stock or business or assets of any Person other than the Issuer or any Restricted Subsidiary, whether by merger, consolidation, acquisition of stock or assets or similar transaction, so long as such Subsidiary does not acquire all or any substantial part of the business or assets of the Issuer or any other Restricted Subsidiary.

"Security" or "Securities" has the meaning stated in the first recital of this Indenture, or, as the case may be, Securities that have been authenticated and delivered under this Indenture.

"Subsidiary" means any corporation, partnership or other entity of which at the time of determination the Issuer owns or controls directly or indirectly more than 50% of the shares of voting stock or equivalent interest.

"Trust Indenture Act of 1939" (except as otherwise required by applicable law or as provided in Sections 8.1 and 8.2) means the Trust Indenture Act of 1939 as in force at the date as of which this Indenture was originally executed.

"Trustee" means the Person identified as "Trustee" in the first paragraph hereof and, subject to the provisions of Article Six, shall also include any successor trustee. "Trustee" shall also mean or include each Person who is then a trustee hereunder and if at any time there is more than one such Person, "Trustee" as used with respect to the Securities of any series shall mean the trustee with respect to the Securities of such series.

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"Unregistered Security" means any Security other than a Registered Security.

"U.S. Government Obligations" shall have the meaning set forth in Section 10.1(A).

"Yield to Maturity" means the yield to maturity on a series of Securities, calculated at the time of issuance of such series, or, if applicable, at the most recent redetermination of interest on such series, and calculated in accordance with accepted financial practice.

ARTICLE TWO

SECURITIES

SECTION 2.1 Forms Generally. The Securities of each series and the Coupons, if any, to be attached thereto shall be substantially in such form (not inconsistent with this Indenture) as shall be established by or pursuant to one or more Board Resolutions (as set forth in a Board Resolution or, to the extent established pursuant to rather than set forth in a Board Resolution, an Officer's Certificate detailing such establishment) or in one or more indentures supplemental hereto, in each case with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture and may have imprinted or otherwise reproduced thereon such legend or legends or endorsements, not inconsistent with the provisions of this Indenture, as may be required to comply with any law or with any rules or regulations

pursuant thereto, or with any rules of any securities exchange or to conform to general usage, all as may be determined by the officers executing such Securities and Coupons, if any, as evidenced by their execution of such Securities and Coupons.

The definitive Securities and Coupons, if any, shall be printed, lithographed or engraved on steel engraved borders or may be produced in any other manner, all as determined by the officers executing such Securities and Coupons, if any, as evidenced by their execution of such Securities and Coupons, if any.

SECTION 2.2 Form of Trustee's Certificate of Authentication. The Trustee's certificate of authentication on all Securities shall be in substantially the following form:

"This is one of the Securities referred to in the within-mentioned Indenture.

-----,
as Trustee

By

Authorized Officer"

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If at any time there shall be an Authenticating Agent appointed with respect to any series of Securities, then the Trustee's Certificate of Authentication to be borne by the Securities of each such series shall be substantially as follows:

"This is one of the Securities referred to in the within-mentioned Indenture.

-----,
As Authenticating Agent

By

Authorized Officer"

SECTION 2.3 Amounts Unlimited; Issuable in Series. The aggregate principal amount of Securities which may be authenticated and delivered under this Indenture is unlimited.

The Securities may be issued in one or more series and each such series

shall rank equally and pari passu with all other unsecured and unsubordinated debt of the Issuer. There shall be established in or pursuant to one or more Board Resolutions (and to the extent established pursuant to rather than set forth in a Board Resolution, in an Officer's Certificate detailing such establishment) or established in one or more indentures supplemental hereto, prior to the initial issuance of Securities of a series,

(1) the designation of the Securities of the series, which shall distinguish the Securities of the series from the Securities of all other series;

(2) any limit upon the aggregate principal amount of the Securities of the series that may be authenticated and delivered under this Indenture (except for Securities authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Securities of the series pursuant to Section 2.8, 2.9, 2.11, 8.5 or 12.3);

(3) if other than Dollars, the coin or currency in which the Securities of that series are denominated (including, but not limited to, any Foreign Currency or EURO);

(4) the date or dates on which the principal of the Securities of the series is payable;

(5) the rate or rates at which the Securities of the series shall bear interest, if any, the date or dates from which such interest shall accrue, on which such interest shall be payable and (in the case of Registered Securities) on which a record shall be taken for the determination of Holders to whom interest is payable and/or the method by which such rate or rates or date or dates shall be determined;

(6) the place or places where the principal of and any interest on Securities of the series shall be payable (if other than as provided in Section 3.2);

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(7) the right, if any, of the Issuer to redeem Securities of the series, in whole or in part, at its option and the period or periods within which, the price or prices at which and any terms and conditions upon which Securities of the series may be so redeemed, pursuant to any sinking fund or otherwise;

(8) the obligation, if any, of the Issuer to redeem, purchase or repay Securities of the series pursuant to any mandatory redemption, sinking fund or analogous provisions or at the option of a Holder thereof and the price or prices at which and the period or periods within which and any terms and conditions upon which Securities of the series shall be redeemed, purchased or repaid, in whole or in part, pursuant to such obligation;

(9) if other than denominations of \$1,000 and any integral multiple thereof in the case of Registered Securities, or \$1,000 and \$5,000 in the case of Unregistered Securities, the denominations in which Securities of the series shall be issuable;

(10) if other than the principal amount thereof, the portion of the principal amount of Securities of the series which shall be payable upon declaration of acceleration of the maturity thereof;

(11) if other than the coin or currency in which the Securities of that series are denominated, the coin or currency in which payment of the principal of or interest on the Securities of such series shall be payable;

(12) if the principal of or interest on the Securities of such series are to be payable, at the election of the Issuer or a Holder thereof, in a coin or currency other than that in which the Securities are denominated, the period or periods within which, and the terms and conditions upon which, such election may be made;

(13) if the amount of payments of principal of and interest on the Securities of the series may be determined with reference to an index based on a coin or currency other than that in which the Securities of the series are denominated, the manner in which such amounts shall be determined;

(14) whether the Securities of the series will be issuable as Registered Securities (and if so, whether such Securities will be issuable as Registered Global Securities) or Unregistered Securities (with or without Coupons), or any combination of the foregoing, any restrictions applicable to the offer, sale or delivery of Unregistered Securities or the payment of interest thereon and, if other than as provided in Section 2.8, the terms upon which Unregistered Securities of any series may be exchanged for Registered Securities of such series and vice versa;

(15) whether and under what circumstances the Issuer will pay additional amounts on the Securities of the series held by a person who is not a U.S. person in respect of any tax, assessment or governmental charge withheld or deducted and, if so, whether the Issuer will have the option to redeem such Securities rather than pay such additional amounts;

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(16) if the Securities of such series are to be issuable in definitive form (whether upon original issue or upon exchange of a temporary Security of such series) only upon receipt of certain certificates or other documents or satisfaction of other conditions, the form and terms of such certificates, documents or conditions;

(17) any trustees, depositaries, authenticating or paying agents,

transfer agents or registrars or any other agents with respect to the Securities of such series;

(18) any other events of default or covenants with respect to the Securities of such series;

(19) whether the Securities of the series shall be issued in the form of one or more Registered Global Securities and, in such case, the Depositary for such Registered Global Security or Securities; and

(20) any other terms of the series (which terms shall not be inconsistent with the provisions of this Indenture).

All Securities of any one series and Coupon, if any appertaining thereto, shall be substantially identical, except in the case of Registered Securities, as to denomination and except as may otherwise be provided by or pursuant to the Board Resolution or Officer's Certificate referred to above or as set forth in any such indenture supplemental hereto. All Securities of any one series need not be issued at the same time and may be issued from time to time, consistent with the terms of this Indenture, if so provided by or pursuant to such Board Resolution, such Officer's Certificate or in any such indenture supplemental hereto.

SECTION 2.4 Authentication and Delivery of Securities. The Issuer may deliver Securities of any series having attached thereto appropriate Coupons, if any, executed by the Issuer to the Trustee for authentication together with the applicable documents referred to below in this Section, and the Trustee shall thereupon authenticate and deliver such Securities to or upon the order of the Issuer (contained in the Issuer Order referred to below in this Section) or pursuant to such procedures acceptable to the Trustee and to such recipients as may be specified from time to time by an Issuer Order. The maturity date, original issue date, interest rate and any other terms of the Securities of such series and Coupons, if any, appertaining thereto shall be determined by or pursuant to such Issuer Order and procedures. If provided for in such procedures, such Issuer Order may authorize authentication and delivery pursuant to oral instructions from the Issuer or its duly authorized agent, which instructions shall be promptly confirmed in writing. In authenticating such Securities and accepting the additional responsibilities under this Indenture in relation to such Securities, the Trustee shall be entitled to receive (in the case of subparagraphs 2, 3 and 4 below only at or before the time of the first request of the Issuer to the Trustee to authenticate Securities of such series) and (subject to Section 6.1) shall be fully protected in relying upon, unless and until such documents have been superseded or revoked:

(1) an Issuer Order requesting such authentication and setting forth delivery instructions if the Securities and Coupons, if any, are not to be delivered to the Issuer, provided that, with respect to Securities of a series subject to a Periodic Offering, (a) such Issuer Order may be

delivered by the Issuer to the Trustee prior to the delivery to the Trustee of such Securities for authentication and delivery, (b) the Trustee shall authenticate and deliver Securities of such series for original issue from time to time, in an aggregate principal amount not exceeding the aggregate principal amount established for such series, pursuant to an Issuer Order or pursuant to procedures acceptable to the Trustee as may be specified from time to time by an Issuer Order, (c) the maturity date or dates, original issue date or dates, interest rate or rates and any other terms of Securities of such series shall be determined by an Issuer Order or pursuant to such procedures and (d) if provided for in such procedures, such Issuer Order may authorize authentication and delivery pursuant to oral or electronic instructions from the Issuer or its duly authorized agent or agents, which oral instructions shall be promptly confirmed in writing;

(2) any Board Resolution, Officer's Certificate and/or executed supplemental indenture referred to in Sections 2.1 and 2.3 by or pursuant to which the forms and terms of the Securities and Coupons, if any, were established;

(3) an Officer's Certificate setting forth the form or forms and terms of the Securities and Coupons, if any, stating that the form or forms and terms of the Securities and Coupons, if any, have been established pursuant to Sections 2.1 and 2.3 and comply with this Indenture, and covering such other matters as the Trustee may reasonably request; and

(4) At the option of the Issuer, either Opinions of Counsel, or letters addressed to the Trustee permitting it to rely on Opinions of Counsel, substantially to the effect that:

(a) the forms of the Securities and Coupons, if any, have been duly authorized and established in conformity with the provisions of this Indenture;

(b) in the case of an underwritten offering, the terms of the Securities have been duly authorized and established in conformity with the provisions of this Indenture, and, in the case of an offering that is not underwritten, certain terms of the Securities have been established pursuant to a Board Resolution, an Officer's Certificate or a supplemental indenture in accordance with this Indenture, and when such other terms as are to be established pursuant to procedures set forth in an Issuer Order shall have been established, all such terms will have been duly authorized by the Issuer and will have been established in conformity with the provisions of this Indenture;

(c) when the Securities and Coupons, if any, have been executed by the Issuer and authenticated by the Trustee in accordance with the provisions of this Indenture and delivered to and duly paid for by the purchasers thereof, they will have been duly issued under this Indenture and will be valid and legally binding obligations of the Issuer, enforceable in accordance with their respective terms, and

will be entitled to the benefits of this Indenture; and

(d) the execution and delivery by the Issuer of, and the performance by the Issuer of its obligations under, the Securities and Coupons, if any, will not contravene any provision of applicable law or the certificate of incorporation or by-laws of the Issuer or, to the best of

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such counsel's knowledge, any agreement or other instrument binding upon the Issuer or any of its Subsidiaries that is material to the Issuer and its Subsidiaries, considered as one enterprise, or, to the best of such counsel's knowledge, any judgment, order or decree of any governmental body, agency or court having jurisdiction over the Issuer or any Subsidiary, and no consent, approval or authorization of any governmental body or agency is required for the performance by the Issuer of its obligations under the Securities and Coupons, if any, except such as are specified and have been obtained and such as may be required by the securities or blue sky laws of the various states in connection with the offer and sale of the Securities and Coupons, if any.

In rendering such opinions, such counsel may qualify any opinions as to enforceability by stating that such enforceability may be limited by bankruptcy, insolvency, reorganization, liquidation, moratorium, fraudulent conveyance and other similar laws affecting the rights and remedies of creditors and is subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law). Such counsel may rely upon opinions of other counsel (copies of which shall be delivered to the Trustee), who shall be counsel reasonably satisfactory to the Trustee, in which case the opinion shall state that such counsel believes such counsel and the Trustee are entitled so to rely. Such counsel may also state that, insofar as such opinion involves factual matters, such counsel has relied, to the extent such counsel deems proper, upon certificates of officers of the Issuer and its Subsidiaries and certificates of public officials.

The Trustee shall have the right to decline to authenticate and deliver any Securities under this Section if the Trustee, being advised by counsel, determines that such action may not lawfully be taken by the Issuer or if the Trustee in good faith by its board of directors or board of trustees, executive committee, or a trust committee of directors or trustees or Responsible Officers shall determine that such action would expose the Trustee to personal liability to existing Holders or would affect the Trustee's own rights, duties or immunities under the Securities, this Indenture or otherwise.

If the Issuer shall establish pursuant to Section 2.3 that the Securities of a series are to be issued in the form of one or more Registered Global Securities, then the Issuer shall execute and the Trustee shall, in accordance

with this Section and the Issuer Order with respect to such series, authenticate and deliver one or more Registered Global Securities that (i) shall represent and shall be denominated in an amount equal to the aggregate principal amount of all of the Securities of such series to be represented by such Registered Global Security or Securities, (ii) shall be registered in the name of such Depository for such Registered Global Security or Securities or the nominee of such Depository, (iii) shall be delivered by the Trustee to such Depository or pursuant to such Depository's instructions and (iv) shall bear a legend substantially to the following effect: "Unless this certificate is presented by an authorized representative of a Depository to the Issuer or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of the nominee of such Depository or such other name as requested by an authorized representative of such Depository and any payment is made to the nominee of such Depository, ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, the nominee, has an interest herein."

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Each Depository designated pursuant to Section 2.3 must, at the time of its designation and at all times while it serves as Depository, be a clearing agency registered under the Securities Exchange Act of 1934 and any other applicable statute or regulation.

SECTION 2.5 Execution of Securities. The Securities and, if applicable, each Coupon appertaining thereto shall be signed on behalf of the Issuer by any two of the chairman of its Board of Directors or its chief executive officer or its president or any vice president or its chief financial officer or its treasurer or its controller or any other officer designated by the Board of Directors, under its corporate seal (except in the case of Coupons), which may, but need not, be attested. Such signatures may be the manual or facsimile signatures of the present or any future such officers. The seal of the Issuer may be in the form of a facsimile thereof and may be impressed, affixed, imprinted or otherwise reproduced on the Securities. Typographical and other minor errors or defects in any such reproduction of the seal or any such signature shall not affect the validity or enforceability of any Security that has been duly authenticated and delivered by the Trustee.

In case any officer of the Issuer who shall have signed any of the Securities or Coupons, if any, shall cease to be such officer before the Security or Coupon so signed (or the Security to which the Coupon so signed appertains) shall be authenticated and delivered by the Trustee or disposed of by the Issuer, such Security or Coupon nevertheless may be authenticated and delivered or disposed of as though the person who signed such Security or Coupon had not ceased to be such officer of the Issuer; and any Security or Coupon may be signed on behalf of the Issuer by such persons as, at the actual date of the execution of such Security or Coupon, shall be the proper officers of the Issuer, although at the date of the execution and delivery of this Indenture any such person was not such an officer.

SECTION 2.6 Certificate of Authentication. Only such Securities as shall bear thereon a certificate of authentication substantially in the form hereinbefore recited, executed by the Trustee by the manual signature of one of its authorized officers, shall be entitled to the benefits of this Indenture or shall be valid or obligatory for any purpose. No Coupon shall be entitled to the benefits of this Indenture or shall be valid and obligatory for any purpose until the certificate of authentication on the Security to which such Coupon appertains shall have been duly executed by the Trustee. The execution of such certificate by the Trustee upon any Security executed by the Issuer shall be conclusive evidence that the Security so authenticated has been duly authenticated and delivered hereunder and that the Holder is entitled to the benefits of this Indenture.

SECTION 2.7 Denomination and Date of Securities; Payments of Interest. The Securities of each series shall be issuable as Registered Securities or Unregistered Securities in denominations established as contemplated by Section 2.3 or, with respect to the Registered Securities of any series, if not so established, in denominations of \$1,000 and any integral multiple thereof. If denominations of Unregistered Securities of any series are not so established, such Securities shall be issuable in denominations of \$1,000 and \$5,000. The Securities of each series shall be numbered, lettered or otherwise distinguished in such manner or in accordance with such plan as the officers of the Issuer executing the same may determine with the approval of the Trustee, as evidenced by the execution and authentication thereof.

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Each Registered Security shall be dated the date of its authentication. Each Unregistered Security shall be dated as provided in the resolution or resolutions of the Board of Directors of the Issuer referred to in Section 2.3. The Securities of each series shall bear interest, if any, from the date, and such interest shall be payable on the dates, established as contemplated by Section 2.3.

Unless otherwise provided in the Registered Securities of any series, the person in whose name any Registered Security of any series is registered at the close of business on any record date applicable to a particular series with respect to any interest payment date for such series shall be entitled to receive the interest, if any, payable on such interest payment date notwithstanding any transfer or exchange of such Registered Security subsequent to the record date and prior to such interest payment date, except if and to the extent the Issuer shall default in the payment of the interest due on such interest payment date for such series, in which case such defaulted interest shall be paid to the persons in whose names Outstanding Registered Securities for such series are registered at the close of business on a subsequent record date (which shall be not less than five Business Days prior to the date of payment of such defaulted interest) established by notice given by mail by or on behalf of the Issuer to the Holders of Registered Securities not less than 15

days preceding such subsequent record date. The term "record date" as used with respect to any interest payment date (except a date for payment of defaulted interest) for the Securities of any series shall mean the date specified as such in the terms of the Registered Securities of such series established as contemplated by Section 2.3, or, if no such date is so established, if such interest payment date is the first day of a calendar month, the fifteenth day of the next preceding calendar month or, if such interest payment date is the fifteenth day of a calendar month, the first day of such calendar month, whether or not such record date is a Business Day.

SECTION 2.8 Registration, Transfer and Exchange. The Issuer will keep at each office or agency to be maintained for the purpose as provided in Section 3.2 for each series of Securities a register or registers in which, subject to such reasonable regulations as it may prescribe, it will provide for the registration of Registered Securities of such series and the registration of transfer of Registered Securities of such series. Such register shall be in written form in the English language or in any other form capable of being converted into such form within a reasonable time. At all reasonable times such register or registers shall be open for inspection by the Trustee.

Upon due presentation for registration of transfer of any Registered Security of any series at any such office or agency to be maintained for the purpose as provided in Section 3.2, the Issuer shall execute and the Trustee shall authenticate and deliver in the name of the transferee or transferees a new Registered Security or Registered Securities of the same series, maturity date, interest rate and original issue date in authorized denominations for a like aggregate principal amount.

Unregistered Securities (except for any temporary global Unregistered Securities) and Coupons (except for Coupons attached to any temporary global Unregistered Securities) shall be transferable by delivery.

At the option of the Holder thereof, Registered Securities of any series (other than a Registered Global Security, except as set forth below) may be exchanged for a Registered Security or Registered Securities of such series having authorized denominations and an equal aggregate principal amount,

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upon surrender of such Registered Securities to be exchanged at the agency of the Issuer that shall be maintained for such purpose in accordance with Section 3.2 and upon payment, if the Issuer shall so require, of the charges hereinafter provided. If the Securities of any series are issued in both registered and unregistered form, except as otherwise specified pursuant to Section 2.3, at the option of the Holder thereof, Unregistered Securities of any series may be exchanged for Registered Securities of such series having other authorized denominations and an equal aggregate principal amount, upon surrender of such Unregistered Securities to be exchanged at the agency of the Issuer that shall be maintained for such purpose in accordance with Section 3.2, with, in the case

of Unregistered Securities that have Coupons attached, all unmatured Coupons and all matured Coupons in default thereto appertaining, and upon payment, if the Issuer shall so require, of the charges hereinafter provided. At the option of the Holder thereof, if Unregistered Securities of any series, maturity date, interest rate and original issue date are issued in more than one authorized denomination, except as otherwise specified pursuant to Section 2.3, such Unregistered Securities may be exchanged for Unregistered Securities of such series having authorized denominations and an equal aggregate principal amount, upon surrender of such Unregistered Securities to be exchanged at the agency of the Issuer that shall be maintained for such purpose in accordance with Section 3.2 or as specified pursuant to Section 2.3, with, in the case of Unregistered Securities that have Coupons attached, all unmatured Coupons and all matured Coupons in default thereto appertaining, and upon payment, if the Issuer shall so require, of the charges hereinafter provided. Unless otherwise specified pursuant to Section 2.3, Registered Securities of any series may not be exchanged for Unregistered Securities of such series. Whenever any Securities are so surrendered for exchange, the Issuer shall execute, and the Trustee shall authenticate and deliver, the Securities which the Holder making the exchange is entitled to receive. All Securities and Coupons surrendered upon any exchange or transfer provided for in this Indenture shall be promptly canceled and disposed of by the Trustee and the Trustee will deliver a certificate of disposition thereof to the Issuer.

All registered Securities presented for registration of transfer, exchange, redemption or payment shall (if so required by the Issuer or the Trustee) be duly endorsed by, or be accompanied by a written instrument or instruments of transfer in form satisfactory to the Issuer and the Trustee duly executed by, the Holder or his attorney duly authorized in writing.

The Issuer may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any exchange or registration of transfer of Securities. No service charge shall be made for any such transaction.

The Issuer shall not be required to exchange or register a transfer of (a) any Securities of any series for a period of 15 days next preceding the first mailing of notice of redemption of Securities of such series to be redeemed or (b) any Securities selected, called or being called for redemption, in whole or in part, except, in the case of any Security to be redeemed in part, the portion thereof not so to be redeemed.

Notwithstanding any other provision of this Section 2.8, unless and until it is exchanged in whole or in part for Securities in definitive registered form, a Registered Global Security representing all or a portion of the Securities of a series may not be transferred except as a whole by the Depositary

for such series to a nominee of such Depository or by a nominee of such Depository to such Depository or another nominee of such Depository or by such Depository or any such nominee to a successor Depository for such series or a nominee of such successor Depository.

If at any time the Depository for any Registered Securities of a series represented by one or more Registered Global Securities notifies the Issuer that it is unwilling or unable to continue as Depository for such Registered Securities or if at any time the Depository for such Registered Securities shall no longer be eligible under Section 2.4, the Issuer shall appoint a successor Depository eligible under Section 2.4 with respect to such Registered Securities. If a successor Depository eligible under Section 2.4 for such Registered Securities is not appointed by the Issuer within 90 days after the Issuer received such notice or becomes aware of such ineligibility, the Issuer's election pursuant to Section 2.3 that such Registered Securities be represented by one or more Registered Global Securities shall no longer be effective and the Issuer will execute, and the Trustee, upon receipt of an Officer's Certificate for the authentication and delivery of definitive Securities of such series, will authenticate and deliver, Securities of such series in definitive registered form without coupons, in any authorized denominations, in an aggregate principal amount equal to the principal amount of the Registered Global Security or Securities representing such Registered Securities in exchange for such Registered Global Security or Securities.

The Issuer may at any time and in its sole discretion determine that the Registered Securities of any series issued in the form of one or more Registered Global Securities shall no longer be represented by a Registered Global Security or Securities. In such event the Issuer will execute, and the Trustee, upon receipt of an Officer's Certificate for the authentication and delivery of definitive Securities of such series, will authenticate and deliver, Securities of such series in definitive registered form without coupons, in any authorized denominations, in an aggregate principal amount equal to the principal amount of the Registered Global Security or Securities representing such Registered Securities, in exchange for such Registered Global Security or Securities.

If specified by the Issuer pursuant to Section 2.3 with respect to Securities represented by a Registered Global Security, the Depository for such Registered Global Security may surrender such Registered Global Security in exchange in whole or in part for Securities of the same series in definitive registered form on such terms as are acceptable to the Issuer and such Depository. Thereupon, the Issuer shall execute, and the Trustee shall authenticate and deliver, without service charge,

(i) to the Person specified by such Depository a new Registered Global Security or Securities of the same series, of any authorized denominations as requested by such Person, in an aggregate principal amount equal to and in exchange for such Person's beneficial interest in the Registered Global Security; and

(ii) to such Depository a new Registered Global Security in a denomination equal to the difference, if any, between the principal amount

of the surrendered Registered Global Security and the aggregate principal amount of Registered Securities authenticated and delivered pursuant to clause (i) above.

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Upon the exchange of a Registered Global Security for Securities in a definitive registered form without Coupons, in authorized denominations, such Registered Global Security shall be canceled by the Trustee or an agent of the Issuer or the Trustee. Securities in definitive registered form without coupons issued in exchange for a Registered Global Security pursuant to this Section 2.8 shall be registered in such names and in such authorized denominations as the Depository for such Registered Global Security, pursuant to instructions from its direct or indirect participants or otherwise, shall instruct the Trustee or an agent of the Issuer or the Trustee. The Trustee or such agent shall deliver such Securities to or as directed by the Persons in whose names such Securities are so registered.

All Securities issued upon any transfer or exchange of Securities shall be valid obligations of the Issuer, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Securities surrendered upon such transfer or exchange.

Notwithstanding anything herein or in the terms of any series of Securities to the contrary, none of the Issuer, the Trustee or any agent of the Issuer or the Trustee (any of which, other than the Issuer, shall rely on an Officer's Certificate and an Opinion of Counsel) shall be required to exchange any Unregistered Security for a Registered Security if such exchange would result in adverse Federal income tax consequences to the Issuer (such as, for example, the inability of the Issuer to deduct from its income, as computed for Federal income tax purposes, the interest payable on the Unregistered Securities) under then applicable United States Federal income tax laws.

SECTION 2.9 Mutilated, Defaced, Destroyed, Lost and Stolen Securities. In case any temporary or definitive Security or any Coupon appertaining to any Security shall become mutilated, defaced or be destroyed, lost or stolen, the Issuer in its discretion may execute, and, upon the written request of any officer of the Issuer, the Trustee shall authenticate and deliver, a new Security of the same series, maturity date, interest rate and original issue date, bearing a number or other distinguishing symbol not contemporaneously outstanding, in exchange and substitution for the mutilated or defaced Security, or in lieu of and in substitution for the Security so destroyed, lost or stolen, with Coupons corresponding to the Coupons appertaining to the Securities so mutilated, defaced, destroyed, lost or stolen, or in exchange or substitution for the Security to which such mutilated, defaced, destroyed, lost or stolen Coupon appertained, with Coupons appertaining thereto corresponding to the Coupons so mutilated, defaced, destroyed, lost or stolen. In every case the applicant for a substitute Security or Coupon shall furnish to the Issuer and to the Trustee and any agent of the Issuer or the Trustee such security or

indemnity as may be required by them to indemnify and defend and to save each of them harmless and, in every case of destruction, loss or theft, evidence to their satisfaction of the destruction, loss or theft of such Security or Coupon and of the ownership thereof and in the case of mutilation or defacement shall surrender the Security and related Coupons to the Trustee or such agent.

Upon the issuance of any substitute Security or Coupon, the Issuer may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) or its agent connected therewith. In case any Security or Coupon which has mature or is about to mature or has been called for redemption in full shall become mutilated or defaced or be destroyed, lost or stolen,

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the Issuer may instead of issuing a substitute Security, pay or authorize the payment of the same or the relevant Coupon (without surrender thereof except in the case of a mutilated or defaced Security or Coupon), if the applicant for such payment shall furnish to the Issuer and to the Trustee and any agent of the Issuer or the Trustee such security or indemnity as any of them may require to save each of them harmless, and, in every case of destruction, loss or theft, the applicant shall also furnish to the Issuer and the Trustee and any agent of the Issuer or the Trustee evidence to their satisfaction of the destruction, loss or theft of such Security or Coupon and of the ownership thereof.

Every substitute Security or Coupon of any series issued pursuant to the provisions of this Section by virtue of the fact that any such Security or Coupon is destroyed, lost or stolen shall constitute an additional contractual obligation of the Issuer, whether or not the destroyed, lost or stolen Security or Coupon shall be at any time enforceable by anyone and shall be entitled to all the benefits of (but shall be subject to all the limitations of rights set forth in) this Indenture equally and proportionately with any and all Securities or Coupons of such series duly authenticated and delivered hereunder. All Securities and Coupons shall be held and owned upon the express condition that, to the extent permitted by law, the foregoing provisions are exclusive with respect to the replacement or payment of mutilated, defaced or destroyed, lost or stolen Securities and Coupons and shall preclude any and all other rights or remedies notwithstanding any law or statute existing or hereafter enacted to the contrary with respect to the replacement or payment of negotiable instruments or other securities without their surrender.

SECTION 2.10 Cancellation of Securities; Destruction Thereof. All Securities and Coupons surrendered for payment, redemption, registration of transfer or exchange, or for credit against any payment in respect of a sinking or analogous fund, if surrendered to the Issuer or any agent of the Issuer or the Trustee or any agent of the Trustee, shall be delivered to the Trustee or its agent for cancellation or, if surrendered to the Trustee, shall be canceled by it; and no Securities or Coupons shall be issued in lieu thereof except as

expressly permitted by any of the provisions of this Indenture. The Trustee or its agent shall dispose of canceled Securities and Coupons held by it and deliver a certificate of disposition to the Issuer. If the Issuer or its agent shall acquire any of the Securities or Coupons, such acquisition shall not operate as a redemption or satisfaction of the indebtedness represented by such Securities or Coupons unless and until the same are delivered to the Trustee or its agent for cancellation.

SECTION 2.11 Temporary Securities. Pending the preparation of definitive Securities for any series, the Issuer may execute and the Trustee shall authenticate and deliver temporary Securities for such series (printed, lithographed, typewritten or otherwise reproduced, in each case in form satisfactory to the Trustee). Temporary Securities of any series shall be issuable as Registered Securities without Coupons, or as Unregistered Securities with or without Coupons attached thereto, of any authorized denomination, and substantially in the form of the definitive Securities of such series but with such omissions, insertions and variations as may be appropriate for temporary Securities, all as may be determined by the Issuer with the concurrence of the Trustee as evidenced by the execution and authentication thereof. Temporary Securities may contain such references to any provisions of this Indenture as may be appropriate. Every temporary Security shall be executed by the Issuer and be authenticated by the Trustee upon the same conditions and in substantially the same manner, and with like effect, as the definitive Securities. Without unreasonable delay the

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Issuer shall execute and shall furnish definitive Securities of such series and thereupon temporary Registered Securities of such series may be surrendered in exchange therefor without charge at each office or agency to be maintained by the Issuer for that purpose pursuant to Section 3.2 and, in the case of Unregistered Securities, at any agency maintained by the Issuer for such purpose as specified pursuant to Section 2.3, and the Trustee shall authenticate and deliver in exchange for such temporary Securities of such series an equal aggregate principal amount of definitive Securities of the same series having authorized denominations and, in the case of Unregistered Securities, having attached thereto any appropriate Coupons. Until so exchanged, the temporary Securities of any series shall be entitled to the same benefits under this Indenture as definitive Securities of such series, unless otherwise established pursuant to Section 2.3. The provisions of this Section are subject to any restrictions or limitations on the issue and delivery of temporary Unregistered Securities of any series that may be established pursuant to Section 2.3 (including any provision that Unregistered Securities of such series initially be issued in the form of a single global Unregistered Security to be delivered to a depository or agency located outside the United States and the procedures pursuant to which definitive or global Unregistered Securities of such series would be issued in exchange for such temporary global Unregistered Security).

ARTICLE THREE

COVENANTS OF THE ISSUER

SECTION 3.1 Payment of Principal and Interest. The Issuer covenants and agrees for the benefit of each series of Securities that it will duly and punctually pay or cause to be paid the principal of, and interest on, each of the Securities of such series (together with any additional amounts payable pursuant to the terms of such Securities) at the place or places, at the respective times and in the manner provided in such Securities and in the Coupons, if any, appertaining thereto and in this Indenture. The interest on Securities with Coupons attached (together with any additional amounts payable pursuant to the terms of such Securities) shall be payable only upon presentation and surrender of the several Coupons for such interest installments as are evidenced thereby as they severally mature. If any temporary Unregistered Security provides that interest thereon may be paid while such Security is in temporary form, the interest on any such temporary Unregistered Security (together with any additional amounts payable pursuant to the terms of such Security) shall be paid, as to the installments of interest evidenced by Coupons attached thereto, if any, only upon presentation and surrender thereof, and, as to the other installments of interest, if any, only upon presentation of such Securities for notation thereon of the payment of such interest, in each case subject to any restrictions that may be established pursuant to Section 2.3. The interest on Registered Securities (together with any additional amounts payable pursuant to the terms of such Securities) shall be payable only to or upon the written order of the Holders thereof and, at the option of the Issuer, may be paid by wire transfer or by mailing checks for such interest payable to or upon the written order of such Holders at their last addresses as they appear on the registry books of the Issuer, unless otherwise provided in such Securities.

SECTION 3.2 Offices for Payments, etc. So long as any Registered Securities are authorized for issuance pursuant to this Indenture or are outstanding hereunder, the Issuer will maintain in the Borough of Manhattan, The City of New York, an office or agency where the Registered Securities

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of each series may be presented for payment, where the Securities of each series may be presented for exchange as is provided in this Indenture and, if applicable, pursuant to Section 2.3 and where the Registered Securities of each series may be presented for registration of transfer as in this Indenture provided.

The Issuer will maintain one or more offices or agencies in a city or cities located outside the United States (including any city in which such an agency is required to be maintained under the rules of any stock exchange on which the Securities of such series are listed) where the Unregistered Securities, if any, of each series and Coupons, if any, appertaining thereto may be presented for payment. No payment on any Unregistered Security or Coupon will be made upon presentation of such Unregistered Security or Coupon at an agency

of the Issuer within the United States nor will any payment be made by transfer to an account in, or by mail to an address in, the United States unless pursuant to applicable United States laws and regulations then in effect such payment can be made without adverse tax consequences to the Issuer. Notwithstanding the foregoing, payments in Dollars of Unregistered Securities of any series and Coupons appertaining thereto which are payable in Dollars may be made at an agency of the Issuer maintained in the Borough of Manhattan, The City of New York if such payment in Dollars at each agency maintained by the Issuer outside the United States for payment on such Unregistered Securities is illegal or effectively precluded by exchange controls or other similar restrictions.

The Issuer will maintain in the Borough of Manhattan, The City of New York, an office or agency where notices and demands to or upon the Issuer in respect of the Securities of any series, the Coupons appertaining thereto or this Indenture may be served.

The Issuer will give to the Trustee written notice of the location of each such office or agency and of any change of location thereof. In case the Issuer shall fail to maintain any agency required by this Section to be located in the Borough of Manhattan, The City of New York, or shall fail to give such notice of the location or of any change in the location of any of the above agencies, presentations and demands may be made and notices may be served at the Corporate Trust Office of the Trustee.

The Issuer may from time to time designate one or more additional offices or agencies where the Securities of a series and any Coupons appertaining thereto may be presented for payment, where the Securities of that series may be presented for exchange as provided in this Indenture and pursuant to Section 2.3 and where the Registered Securities of that series may be presented for registration of transfer as in this Indenture provided, and the Issuer may from time to time rescind any such designation, as the Issuer may deem desirable or expedient; provided, however, that no such designation or rescission shall in any manner relieve the Issuer of its obligation to maintain the agencies provided for in this Section. The Issuer will give to the Trustee prompt written notice of any such designation or rescission thereof.

SECTION 3.3 Appointment to Fill a Vacancy in Office of Trustee. The Issuer, whenever necessary to avoid or fill a vacancy in the office of Trustee, will appoint, in the manner provided in Section 6.10, a Trustee, so that there shall at all times be a Trustee with respect to each series of Securities hereunder.

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SECTION 3.4 Paying Agents. Whenever the Issuer shall appoint a paying agent other than the Trustee with respect to the Securities of any series, it will cause such paying agent to execute and deliver to the Trustee an instrument in which such agent shall agree with the Trustee, subject to the provisions of this Section,

(a) that it will hold all sums received by it as such agent for the payment of the principal of or interest on the Securities of such series (whether such sums have been paid to it by the Issuer or by any other obligor on the Securities of such series) in trust for the benefit of the Holders of the Securities of such series, or Coupons appertaining thereto, if any, or of the Trustee,

(b) that it will give the Trustee notice of any failure by the Issuer (or by any other obligor on the Securities of such series) to make any payment of the principal of or interest on the Securities of such series when the same shall be due and payable, and

(c) that it will pay any such sums so held in trust by it to the Trustee upon the Trustee's written request at any time during the continuance of the failure referred to in clause (b) above.

The Issuer will, on or prior to each due date of the principal of or interest on the Securities of such series, deposit with the paying agent a sum sufficient to pay such principal or interest so becoming due, and (unless such paying agent is the Trustee) the Issuer will promptly notify the Trustee of any failure to take such action.

If the Issuer shall act as its own paying agent with respect to the Securities of any series, it will, on or before each due date of the principal of or interest on the Securities of such series, set aside, segregate and hold in trust for the benefit of the Holders of the Securities of such series or the Coupons appertaining thereto a sum sufficient to pay such principal or interest so becoming due. The Issuer will promptly notify the Trustee of any failure to take such action.

Anything in this Section to the contrary notwithstanding, but subject to Section 10.1, the Issuer may at any time, for the purpose of obtaining a satisfaction and discharge with respect to one or more or all series of Securities hereunder, or for any other reason, pay or cause to be paid to the Trustee all sums held in trust for any such series by the Issuer or any paying agent hereunder, as required by this Section, such sums to be held by the Trustee upon the trusts herein contained.

Anything in this Section to the contrary notwithstanding, the agreement to hold sums in trust as provided in this Section is subject to the provisions of Sections 10.3 and 10.4.

SECTION 3.5 Written Statement to Trustee. The Issuer will furnish to the Trustee on or before April 30 in each year (beginning with April 30, 2000) a brief certificate (which need not comply with Section 11.5) from the principal executive, financial or accounting officer of the Issuer stating that in the course of the performance by the signer of his duties as an officer of the Issuer he would normally have knowledge of any default or non-compliance by the Issuer in the performance of any covenants or conditions contained in this Indenture, stating whether or not he has knowledge of any such default or non-compliance and, if so, specifying each such default or non-compliance of which the signer has knowledge and the nature thereof.

SECTION 3.6 Negative Pledge: Limitation on Sale and Leaseback Transactions.

(a) The Issuer will not issue, assume, incur or guarantee, and will not permit any Restricted Subsidiary to issue, assume, incur or guarantee, any Debt secured by any mortgage, pledge, lien or other encumbrance (any such mortgage, pledge, lien and other encumbrance being hereinafter called a "Mortgage") upon any Principal Manufacturing Property of the Issuer or any Restricted Subsidiary, or upon shares of capital stock or Debt of any Restricted Subsidiary (whether such Principal Manufacturing Property or shares of stock are now owned or hereafter acquired or such Debt is now existing or hereafter incurred or assumed), without in any such case effectively providing, concurrently with the issuance or assumption of such Debt, that the Securities (together with, if the Issuer shall so determine, any other Debt of the Issuer or such Restricted Subsidiary ranking equally with the Securities and then existing or thereafter created) shall be secured equally and ratably with such Debt; provided, however, that the foregoing restrictions shall not apply to:

(i) the creation of Mortgages on any Principal Manufacturing Property (including any improvements on an existing property, as to which the Mortgage may include such underlying real property as the Issuer may deem necessary for the improvement and unnecessary for the operation of any theretofore existing Principal Manufacturing Property on the same or adjoining real property) hereafter acquired by the Issuer or a Restricted Subsidiary prior to, at the time of, or within 180 days after the latest of the acquisition, completion of construction or commencement of commercial operation of such property, to secure or provide for the payment of financing of all or any part of the purchase price thereof or construction of fixed improvements thereon, or, in addition to assumptions in transactions contemplated by subparagraph (ii) below, the assumption of any Mortgage upon any Principal Manufacturing Property hereafter acquired existing at the time of such acquisitions, or the acquisition of any Principal Manufacturing Property subject to any Mortgage without the assumption thereof; provided that the aggregate principal amount of Debt secured by any such Mortgage so issued, assumed or existing shall not exceed 100% of the cost of such Principal Manufacturing Property to the corporation acquiring the same or of the fair value thereof (as determined by resolution adopted by the Board of Directors) at the time of such acquisition, whichever is less, and, provided further, that in the case of any such acquisition, construction or improvement the Mortgage shall not apply to any property theretofore owned by the Issuer or a Restricted Subsidiary, other than, in the case of any such construction or improvement, any theretofore unimproved real property on which the property so constructed, or the improvement, is located (which unimproved real property may at the option of the Issuer be segregated by legal description from other real property of the Issuer appurtenant to such Principal Manufacturing Property and subjected to the Mortgage related to such

construction or improvement);

(ii) any Mortgages on any Principal Manufacturing Property of a corporation which is merged into or consolidated with the Issuer or a Restricted Subsidiary or substantially all of the assets of which are acquired by the Issuer or a Restricted Subsidiary (whether or not the obligations secured by any such Mortgage are assumed by the Issuer or a Restricted Subsidiary); provided that such Mortgages were not created in contemplation of such merger, consolidation or acquisition;

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(iii) Mortgages on any Principal Manufacturing Property of the Issuer or a Restricted Subsidiary in favor of the United States of America or any State thereof, or any department, agency or instrumentality or political subdivision of the United States of America or any State thereof, or in favor of any other country, or any political subdivision thereof, to secure partial, progress, advance or other payments pursuant to any contract or statute or to secure any Debt incurred or guaranteed for the purpose of financing all or any part of the cost of acquiring, constructing or improving the property subject to such Mortgages (including Mortgages incurred in connection with financings of the type contemplated by Section 103 of the Internal Revenue Code, maritime financings under Title XI of the United States Code or similar financings);

(iv) Mortgages on particular property (or any proceeds of the sale thereof) to secure all or any part of the cost of exploration, drilling, mining, development, operation or maintenance thereof (including, without limitation, construction of facilities for field processing) intended to obtain or increase the production and sale or other disposition of oil, gas, coal, natural gas, carbon dioxide, sulphur, helium, metals, minerals, steam, timber or other natural resources, or any Debt created, issued, assumed or guaranteed to provide funds for any or all such purposes;

(v) Mortgages securing Debt of a Restricted Subsidiary owing to the Issuer and/or another Restricted Subsidiary;

(vi) Mortgages on any Principal Manufacturing Property of the Issuer or a Restricted Subsidiary which Mortgages were in existence on the date of this Indenture; provided, however, that each such Mortgage shall be limited to all or a part of the property which secured such Mortgage at such date (plus improvements and construction on such Property);

(vii) any extension, renewal or replacement (or successive extensions, renewals or replacements) in whole or in part, of any Mortgage referred to in the foregoing clauses (i) through (vi); provided, however, that the principal amount of Debt so secured thereby shall not exceed the principal amount of Debt so secured at the time of such extension, renewal or replacement, and that such extension, renewal or replacement shall be

limited to all or a part of the property which secured the Mortgage so extended, renewed or replaced (plus improvements and construction on such property); and

(viii) Permitted Mortgages.

(b) Notwithstanding the provisions of subsection (a) of this Section, the Issuer or any one or more Restricted Subsidiaries may issue or assume Debt secured by a Mortgage on a Principal Manufacturing Property in addition to those permitted by subsection (a) of this Section and renew, extend or replace such Mortgages; provided that at the time of such creation, assumption, renewal, extension or replacement, and after giving effect thereto, Exempted Debt does not exceed 15% of Consolidated Net Tangible Assets.

(c) The Issuer will not, nor will it permit any Restricted Subsidiary to, enter into any arrangement with any Person providing for the leasing by the Issuer or any Restricted Subsidiary of any Principal Manufacturing Property, whether such Principal Manufacturing Property is now owned

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or hereafter acquired (except for temporary leases for a term, including renewals at the option of the lessee, of not more than three years and except for leases between the Issuer and a Restricted Subsidiary or between Restricted Subsidiaries), which property has been or is to be sold or transferred by the Issuer or such Restricted Subsidiary to such Person with the intention of taking back a lease on such property (a "sale and leaseback transaction") unless the net proceeds of such sale or transfer shall be at least equal to the fair value of such property as determined by resolution adopted by the Board of Directors and either:

(i) the Issuer or such Restricted Subsidiary would be entitled, pursuant to the provisions of subsection (a) of this Section, to issue or assume Debt secured by a Mortgage on such property at least equal in amount to the Attributable Debt in respect of such sale and leaseback transaction without equally and ratably securing the Securities; or

(ii) since the date hereof and within a period commencing twelve months prior to the consummation of such sale and leaseback transaction and ending twelve months after the consummation of such sale and leaseback transaction the Issuer or such Restricted Subsidiary, as the case may be, has expended or will expend, or a combination of both, for facilities comprising all or a part of a Principal Manufacturing Property an amount equal to (A) the net proceeds of such sale and leaseback transaction and the Issuer elects to designate such amount as a credit against such sale and leaseback transaction or (B) a part of the net proceeds of such sale and leaseback transaction and the Issuer elects to designate such amount as a credit against such sale and leaseback transaction and applies an amount equal to the remainder of the net proceeds as provided in clause (iii) hereof; or

(iii) such sale and leaseback transactions do not come within the exceptions provided in clause (i) hereof and the Issuer does not make the election permitted by clause (ii) hereof or makes such election only as to part of such net proceeds, in either which event the Issuer will, within 180 days after such sale and leaseback transaction, apply an amount equal to the Attributable Debt in respect of such sale and leaseback transaction (less an amount equal to the amount, if any, elected under clause (ii) hereof) to the retirement (other than any mandatory retirement or by way of payment at maturity) of Debt with a maturity of greater than one year of the Issuer or any Restricted Subsidiary (other than Debt of the Issuer to any Restricted Subsidiary or of any Restricted Subsidiary to the Issuer or another Restricted Subsidiary).

(d) Notwithstanding the provisions of paragraph (c) of this section, the Issuer and any Restricted Subsidiary may enter into sale and leaseback transactions in addition to those permitted by paragraph (c) of this Section and without any obligation to make expenditures for facilities comprising a part or all of a Principal Manufacturing Property or to retire any Debt, provided that at the time of entering into such sale and leaseback transaction and after giving effect thereto, Exempted Debt does not exceed 15% of Consolidated Net Tangible Assets.

SECTION 3.7 Luxembourg Publications. In the event of the publication of any notice pursuant to Section 5.11, 6.10 (a), 6.11, 8.2, 10.4, 12.2 or 12.5, the party making such publication in the Borough of Manhattan, The City of New York and London shall also, to the extent that notice is required to be given to Holders of Securities of any series by applicable Luxembourg law or stock

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exchange regulation, as evidenced by an Officer's Certificate delivered to such party, make a similar publication in Luxembourg.

ARTICLE FOUR

SECURITYHOLDERS LISTS AND REPORTS BY THE ISSUER AND THE TRUSTEE

SECTION 4.1 Issuer to Furnish Trustee Information as to Names and Addresses of Securityholders. If and so long as the Trustee shall not be the Security registrar for the Securities of any series, the Issuer and any other obligor on the Securities will furnish or cause to be furnished to the Trustee a list in such form as the Trustee may reasonably require of the names and addresses of the Holders of the Registered Securities of such series pursuant to Section 312 of the Trust Indenture Act of 1939 (a) semi-annually not more than 15 days after each record date for the payment of interest on such Registered Securities, as hereinabove specified, as of such record date and on dates to be determined pursuant to Section 2.3 for non-interest bearing Registered Securities in each year, and (b) at such other times as the Trustee may request in writing, within

30 days after receipt by the Issuer of any such request as of a date not more than 15 days prior to the time such information is furnished.

SECTION 4.2 Preservation and Disclosure of Securityholders Lists. Holders may communicate pursuant to the Trust Indenture Act of 1939 Section 312(b) with other Holders with respect to their rights under this Indenture. The Issuer and the Trustee and anyone else shall have the protection of the Trust Indenture Act of 1939 Section 312(c).

SECTION 4.3 Reports by the Issuer. The Issuer covenants to file with the Trustee, within 30 days after the Issuer is required to file the same with the Commission, copies of the annual reports and of the information, documents, and other reports that the Issuer may be required to file with the Commission pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 or pursuant to Section 314 of the Trust Indenture Act of 1939.

SECTION 4.4 Reports by the Trustee. Any Trustee's report required under Section 313(a) of the Trust Indenture Act of 1939 shall be transmitted on or before January 15 in each year beginning January 15, 2000, as provided in Section 313(c) of the Trust Indenture Act of 1939, so long as any Securities are Outstanding hereunder, and shall be dated as of a date convenient to the Trustee no more than 60 days prior thereto.

ARTICLE FIVE

REMEDIES OF THE TRUSTEE AND SECURITYHOLDERS ON EVENT OF DEFAULT

SECTION 5.1 Event of Default Defined; Acceleration of Maturity; Waiver of Default. "Event of Default," with respect to Securities of any series wherever used herein, means each one of the following events which shall have occurred and be continuing (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or

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pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) default in the payment of any installment of interest upon any of the Securities of such series as and when the same shall become due and payable, and continuance of such default for a period of 30 days; or

(b) default in the payment of all or any part of the principal of any of the Securities of such series as and when the same shall become due and payable either at maturity, upon any redemption, by declaration or otherwise; or

(c) failure on the part of the Issuer duly to observe or perform any other of the covenants or agreements on the part of the Issuer in the Securities of such series (other than a covenant or warranty in respect of the Securities of

such series a default in the performance or breach of which is elsewhere in this Section specifically dealt with) or in this Indenture contained for a period of 60 days after the date on which written notice specifying such failure, stating that such notice is a "Notice of Default" hereunder and demanding that the Issuer remedy the same, shall have been given by registered or certified mail, return receipt requested, to the Issuer by the Trustee, or to the Issuer and the Trustee by the holders of at least 25% in aggregate principal amount of the Outstanding Securities of all series affected thereby; or

(d) a court having jurisdiction in the premises shall enter a decree or order for relief in respect of the Issuer in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Issuer or for any substantial part of its property or ordering the winding up or liquidation of its affairs, and such decree or order shall remain unstayed and in effect for a period of 60 consecutive days; or

(e) the Issuer shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consent to the entry of an order for relief in an involuntary case under any such law, or consent to the appointment or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Issuer or for any substantial part of its property, or make any general assignment for the benefit of creditors; or

(f) any other Event of Default provided in the supplemental indenture under which such series of Securities is issued or in the form of Security for such series.

If an Event of Default described in clauses (a), (b), (c) or (f) (if the Event of Default under clause (c) or (f), as the case may be, is with respect to less than all series of Securities then Outstanding) occurs and is continuing, then, and in each and every such case, except for any series of Securities the principal of which shall have already become due and payable, either the Trustee or the Holders of not less than 25% in aggregate principal amount of the Securities of each such affected series then Outstanding hereunder (voting as a single class) by notice in writing to the Issuer (and to the Trustee if given by Securityholders), may declare the entire principal (or, if the Securities of any such affected series are Original Issue Discount Securities, such portion of the principal amount as may

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be specified in the terms of such series) of all Securities of all such affected series, and the interest accrued thereon, if any, to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable. If an Event of Default described in clause (c) or (f) (if the Event of Default under clause (c) or (f), as the case may be, is with respect to all

series of Securities then Outstanding), (d) or (e) occurs and is continuing, then and in each and every such case, unless the principal of all the Securities shall have already become due and payable, either the Trustee or the Holders of not less than 25% in aggregate principal amount of all the Securities then Outstanding hereunder (treated as one class), by notice in writing to the Issuer (and to the Trustee if given by Securityholders), may declare the entire principal (or, if any Securities are Original Issue Discount Securities, such portion of the principal amount as may be specified in the terms thereof) of all the Securities then Outstanding, and interest accrued thereon, if any, to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable.

The foregoing provisions, however, are subject to the condition that if, at any time after the principal (or, if the Securities are Original Issue Discount Securities, such portion of the principal as may be specified in the terms thereof) of the Securities of any series (or of all the Securities, as the case may be) shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered as hereinafter provided, the Issuer shall pay or shall deposit with the Trustee a sum sufficient to pay all matured installments of interest upon all the Securities of such series (or of all the Securities, as the case may be) and the principal of any and all Securities of each such series (or of all the Securities, as the case may be) which shall have become due otherwise than by acceleration (with interest upon such principal and, to the extent that payment of such interest is enforceable under applicable law, on overdue installments of interest, at the same rate as the rate of interest or Yield to Maturity (in the case of Original Issue Discount Securities) specified in the Securities of each such series (or at the respective rates of interest or Yields to Maturity of all the Securities, as the case may be) to the date of such payment or deposit) and such amount as shall be sufficient to cover reasonable compensation to the Trustee and each predecessor Trustee, its agents, attorneys and counsel, and all other expenses and liabilities incurred, and all advances made, by the Trustee and each predecessor Trustee except as a result of negligence or bad faith, and if any and all Events of Default under the Indenture, other than the non-payment of the principal of Securities which shall have become due by acceleration, shall have been cured, waived or otherwise remedied as provided herein --- then and in every such case the Holders of a majority in aggregate principal amount of all the Securities of each such series, or of all the Securities, as the case may be, in each case voting as a single class, then Outstanding, by written notice to the Issuer and to the Trustee, may waive all defaults with respect to each such series (or with respect to all the Securities, as the case may be) and rescind and annul such declaration and its consequences, but no such waiver or rescission and annulment shall extend to or shall affect any subsequent default or shall impair any right consequent thereon.

For all purposes under this Indenture, if a portion of the principal of any Original Issue Discount Securities shall have been accelerated and declared due and payable pursuant to the provisions hereof, then, from and after such declaration, unless such declaration has been rescinded and annulled, the principal amount of such Original Issue Discount Securities shall be deemed, for all purposes hereunder, to be such portion of the principal thereof as shall be due and payable as a result of such acceleration, and payment of such portion of

the principal thereof as shall be due and payable

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as a result of such acceleration, together with interest, if any, thereon and all other amounts owing thereunder, shall constitute payment in full of such Original Issue Discount Securities.

SECTION 5.2 Collection of Indebtedness by Trustee; Trustee May Prove Debt. The Issuer covenants that (a) in case default shall be made in the payment of any installment of interest on any of the Securities of any series when such interest shall have become due and payable, and such default shall have continued for a period of 30 days or (b) in case default shall be made in the payment of all of any part of the principal of any of the Securities of any series when the same shall have become due and payable, whether upon maturity of the Securities of such series or upon any redemption or by declaration or otherwise --- then upon demand of the Trustee, the Issuer will pay to the Trustee for the benefit of the Holders of the Securities of such series the whole amount that then shall have become due and payable on all Securities of such series, and such Coupons, for principal or interest, as the case may be (with interest to the date of such payment upon the overdue principal and, to the extent that payment of such interest is enforceable under applicable law, on overdue installments of interest at the same rate as the rate of interest or Yield to Maturity (in the case of Original Issue Discount Securities) specified in the Securities of such series); and in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including reasonable compensation to the Trustee and each predecessor Trustee, their respective agents, attorneys and counsel, and any expenses and liabilities incurred, and all advances made, by the Trustee and each predecessor Trustee except as a result of its negligence or bad faith.

Until such demand is made by the Trustee, the Issuer may pay the principal of and interest on the Securities of any series to the Holders thereof, whether or not the Securities of such Series be overdue.

In case the Issuer shall fail forthwith to pay such amounts upon such demand, the Trustee, in its own name and as trustee of an express trust, shall be entitled and empowered to institute any action or proceedings at law or in equity for the collection of the sums so due and unpaid, and may prosecute any such action or proceedings to judgment or final decree, and may enforce any such judgment or final decree against the Issuer or other obligor upon the Securities and collect in the manner provided by law out of the property of the Issuer or other obligor upon the Securities, wherever situated the moneys adjudged or decreed to be payable.

In case there shall be pending proceedings relative to the Issuer or any other obligor upon the Securities under Title 11 of the United States Code or any other applicable Federal or state bankruptcy, insolvency or other similar law, or in case a receiver, assignee or trustee in bankruptcy or reorganization,

liquidator, sequestrator or similar official shall have been appointed for or taken possession of the Issuer or its property or such other obligor, or in case of any other comparable judicial proceedings relative to the Issuer or other obligor upon the Securities, or to the creditors or property of the Issuer or such other obligor, the Trustee, irrespective of whether the principal of the Securities shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand pursuant to the provisions of this Section, shall be entitled and empowered, by intervention in such proceedings or otherwise:

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(a) to file and prove a claim or claims for the whole amount of principal and interest (or, if the Securities of any series are Original Issue Discount Securities, such portion of the principal amount as may be specified in the terms of such series) owing and unpaid in respect of the Securities of any series, and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for reasonable compensation to the Trustee and each predecessor Trustee, and their respective agents, attorneys and counsel, and for reimbursement of all expenses and liabilities incurred, and all advances made, by the Trustee and each predecessor Trustee, except as a result of negligence or bad faith) and of the Securityholders allowed in any judicial proceedings relative to the Issuer or other obligor upon the Securities, or to the creditors or property of the Issuer or such other obligor,

(b) unless prohibited by applicable law and regulations, to vote on behalf of the holders of the Securities of any series in any election of a trustee or a standby trustee in arrangement, reorganization, liquidation or other bankruptcy or insolvency proceedings or person performing similar functions in comparable proceedings, and

(c) to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute all amounts received with respect to the claims of the Securityholders and of the Trustee on their behalf; and any trustee, receiver, or liquidator, custodian or other similar official is hereby authorized by each of the Securityholders to make payments to the Trustee, and, in the event that the Trustee shall consent to the making of payments directly to the Securityholders, to pay to the Trustee such amounts as shall be sufficient to cover reasonable compensation to the Trustee, each predecessor Trustee and their respective agents, attorneys and counsel, and all other expenses and liabilities incurred, and all advances made, by the Trustee and each predecessor Trustee except as a result of negligence or bad faith.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or vote for or accept or adopt on behalf of any Securityholder any plan of reorganization, arrangement, adjustment or composition affecting the Securities of any series or the rights of any Holders thereof, or to authorize the Trustee to vote in respect of the claim of any

Securityholder in any such proceeding except, as aforesaid, to vote for the election of a trustee in bankruptcy or similar person.

All rights of action and of asserting claims under this Indenture, or under any of the Securities of any series or Coupons appertaining to such Securities, may be enforced by the Trustee without the possession of any of the Securities of such series or Coupons appertaining to such Securities or the production thereof on any trial or other proceedings relative thereto, and any such action or proceedings instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment, subject to the payment of the expenses, disbursements and compensation of the Trustee, each predecessor Trustee and their respective agents and attorneys, shall be for the ratable benefit of the Holders of the Securities or Coupons appertaining to such Securities in respect of which such action was taken.

In any proceedings brought by the Trustee (and also any proceedings involving the interpretation of any provision of this Indenture to which the Trustee shall be a party) the Trustee shall be held to represent all the Holders of the Securities or Coupons appertaining to such Securities in respect to

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which such action was taken, and it shall not be necessary to make any Holders of such Securities or Coupons appertaining to such Securities parties to any such proceedings.

SECTION 5.3 Application of Proceeds. Any moneys collected by the Trustee pursuant to this Article in respect of any series shall be applied in the following order at the date or dates fixed by the Trustee and, in case of the distribution of such moneys on account of principal or interest, upon presentation of the several Securities and Coupons appertaining to such Securities in respect of which monies have been collected and stamping (or otherwise noting) thereon the payment, or issuing Securities of such series in reduced principal amounts in exchange for the presented Securities of like series if only partially paid, or upon surrender thereof if fully paid:

First: To the payment of costs and expenses applicable to such series in respect of which monies have been collected, including reasonable compensation to the Trustee and each predecessor Trustee and their respective agents and attorneys and of all expenses and liabilities incurred, and all advances made, by the Trustee and each predecessor Trustee except as a result of negligence or bad faith;

Second: In case the principal of the Securities of such series in respect of which moneys have been collected shall not have become and be then due and payable, to the payment of interest on the Securities of such series in default in the order of the maturity of the installments of such interest, with interest (to the extent that such interest has been collected by the Trustee) upon the overdue installments of interest at the same rate as the rate of

interest or Yield to Maturity (in the case of Original Issue Discount Securities) specified in such Securities, such payments to be made ratably to the persons entitled thereto, without discrimination or preference;

Third: In case the principal of the Securities of such series in respect of which moneys have been collected shall have become and shall be then due and payable, to the payment of the whole amount then owing and unpaid upon all the Securities of such series for principal and interest, with interest upon the overdue principal, and (to the extent that such interest has been collected by the Trustee) upon overdue installments of interest at the same rate as the rate of interest or Yield to Maturity (in the case of Original Issue Discount Securities) specified in the Securities of such series; and in case such moneys shall be insufficient to pay in full the whole amount so due and unpaid upon the Securities of such series, then to the payment of such principal and interest or Yield to Maturity, without preference or priority of principal over interest or Yield to Maturity, or of interest or Yield to Maturity over principal, or of any installment of interest over any other installment of interest, or of any Security of such series over any other Security of such series, ratably to the aggregate of such principal and accrued and unpaid interest or Yield to Maturity; and

Fourth: To the payment of the remainder, if any, to the Issuer or any other person lawfully entitled thereto.

SECTION 5.4 Suits for Enforcement. In case an Event of Default has occurred, has not been waived and is continuing, the Trustee may in its discretion proceed to protect and enforce the rights vested in it by this Indenture by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any of such rights, either at law or in equity or in bankruptcy or

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otherwise, whether for the specific enforcement of any covenant or agreement contained in this Indenture or in aid of the exercise of any power granted in this Indenture or to enforce any other legal or equitable right vested in the Trustee by this Indenture or by law.

SECTION 5.5 Restoration of Rights on Abandonment of Proceedings. In case the Trustee shall have proceeded to enforce any right under this Indenture and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, then and in every such case the Issuer and the Trustee shall be restored respectively to their former positions and rights hereunder, and all rights, remedies and powers of the Issuer, the Trustee and the Securityholders shall continue as though no such proceedings had been taken.

SECTION 5.6 Limitations on Suits by Securityholders. No Holder of any Security of any series or of any Coupon appertaining thereto shall have any

right by virtue or by availing of any provision of this Indenture to institute any action or proceeding at law or in equity or in bankruptcy or otherwise upon or under or with respect to this Indenture, or for the appointment of a trustee, receiver, liquidator, custodian or other similar official or for any other remedy hereunder, unless such Holder previously shall have given to the Trustee written notice of default and of the continuance thereof, as hereinbefore provided, and unless also the Holders of not less than 25% in aggregate principal amount of the Securities of each affected series then Outstanding (treated as a single class) shall have made written request upon the Trustee to institute such action or proceedings in its own name as trustee hereunder and shall have offered to the Trustee such reasonable indemnity as it may require against the costs, expenses and liabilities to be incurred therein or thereby and the Trustee for 60 days after its receipt of such notice, request and offer of indemnity shall have failed to institute any such action or proceeding and no direction inconsistent with such written request shall have been given to the Trustee pursuant to Section 5.9; it being understood and intended, and being expressly covenanted by the taker and Holder of every Security or Coupon with every other taker and Holder and the Trustee, that no one or more Holders of Securities of any series or Coupons appertaining to such Securities shall have any right in any manner whatever by virtue or by availing of any provision of this Indenture to affect, disturb or prejudice the rights of any other such Holder of Securities or Coupons appertaining to such Securities, or to obtain or seek to obtain priority over or preference to any other such Holder or to enforce any right under this Indenture, except in the manner herein provided and for the equal, ratable and common benefit of all Holders of Securities of the applicable series and Coupons appertaining to such Securities. For the protection and enforcement of the provisions of this Section, each and every Securityholder and the Trustee shall be entitled to such relief as can be given either at law or in equity.

SECTION 5.7 Unconditional Right of Securityholders to Institute Certain Suits. Notwithstanding any other provision in this Indenture and any provision of any Security, the right of any Holder of any Security or Coupon to receive payment of the principal of and interest on such Security or Coupon on or after the respective due dates expressed in such Security or Coupon or any date fixed for redemption of such Security or Coupon, or to institute suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder.

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SECTION 5.8 Powers and Remedies Cumulative; Delay or Omission Not Waiver of Default. Except as provided in Section 5.6, no right or remedy herein conferred upon or reserved to the Trustee or to the Holders of Securities or Coupons is intended to be exclusive of any right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or

employment of any other appropriate right or remedy.

No delay or omission of the Trustee or of any Holder of Securities or Coupons to exercise any right or power accruing upon any Event of Default occurring and continuing as aforesaid shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein; and, subject to Section 5.6, every power and remedy given by this Indenture or by law to the Trustee or to the Holders of Securities or Coupons may be exercised from time to time, and as often as shall be deemed expedient, by the Trustee or by the Holders of Securities or Coupons.

SECTION 5.9 Control by Holders of Securities. The Holders of a majority in aggregate principal amount of the Securities of each series affected (with all such series voting as a single class) at the time Outstanding shall have the right to direct the time, method, and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee with respect to the Securities of such series by this Indenture; provided that such direction shall not be otherwise than in accordance with law and the provisions of this Indenture and provided further that (subject to the provisions of Section 6.1) the Trustee shall have the right to decline to follow any such direction if the Trustee, being advised by counsel, shall determine that the action or proceeding so directed may not lawfully be taken or if the Trustee in good faith by its board of directors, the executive committee, or a trust committee of directors or Responsible Officers of the Trustee shall determine that the action or proceedings so directed would involve the Trustee in personal liability or if the Trustee in good faith shall so determine that the actions or forebearances specified in or pursuant to such direction would be unduly prejudicial to the interests of Holders of the Securities of all series so affected not joining in the giving of said direction, it being understood that (subject to Section 6.1) the Trustee shall have no duty to ascertain whether or not such actions or forebearances are unduly prejudicial to such Holders.

Nothing in this Indenture shall impair the right of the Trustee in its discretion to take any action deemed proper by the Trustee and which is not inconsistent with such direction or directions by Securityholders.

SECTION 5.10 Waiver of Past Defaults. Prior to the acceleration of the maturity of any Securities as provided in Section 5.1, the Holders of a majority in aggregate principal amount of the Securities of all series at the time Outstanding with respect to which an Event of Default shall have occurred and be continuing (voting as a single class) may on behalf of the Holders of all such Securities waive any past default or Event of Default described in Section 5.1 and its consequences, except a default in respect of a covenant or provision hereof which cannot be modified or amended without the consent of the Holder of each Security affected. In the case of any such waiver, the Issuer, the Trustee and the Holders of all such Securities shall be restored to their former positions

and rights hereunder, respectively; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

Upon any such waiver, such default shall cease to exist and be deemed to have been cured and not to have occurred, and any Event of Default arising therefrom shall be deemed to have been cured, and not to have occurred for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other default or Event of Default or impair any right consequent thereon.

SECTION 5.11 Trustee to Give Notice of Default, But May Withhold in Certain Circumstances. The Trustee shall, within 90 days after the occurrence of a default with respect to the Securities of any series, give notice of all defaults with respect to that series known to the Trustee (i) if any Unregistered Securities of that series are then Outstanding, to the Holders thereof, by publication at least once in an Authorized Newspaper in the Borough of Manhattan, The City of New York, and at least once in an Authorized Newspaper in London (and, if required by Section 3.7, at least once in an Authorized Newspaper in Luxembourg) and (ii) to all Holders of Securities of such series in the manner and to the extent provided herein unless in each case such defaults shall have been cured before the mailing or publication of such notice (the term "defaults" for the purpose of this Section being hereby defined to mean any event or condition which is, or with notice or lapse of time or both would become, an Event of Default); provided that, except in the case of default in the payment of the principal of or interest on any of the Securities of such series, or in the payment of any sinking fund installment on such series, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee, or a trust committee of directors or trustees and/or Responsible Officers of the Trustee in good faith determines that the withholding of such notice is in the interests of the Securityholders of such series.

SECTION 5.12 Right of Court to Require Filing of Undertaking to Pay Costs. All parties to this Indenture agree, and each Holder of any Security or Coupon by his acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken, suffered or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section shall not apply to any suit instituted by the Trustee, to any suit instituted by any Securityholder or group of Securityholders of any series holding in the aggregate more than 10% in aggregate principal amount of the Securities of such series, or, in the case of any suit relating to or arising under clause (c) or (f) of Section 5.1 (if the suite relates to Securities of more than one but less than all series), 10% in aggregate principal amount of Securities then Outstanding and affected thereby, or in the case of any suit relating to or arising under clause (c) or (f) (if the suit under clause (c) or (f) relates to all the Securities then Outstanding), (d) or (e) of Section 5.1, 10% in aggregate principal amount of

all Securities then Outstanding, or to any suit instituted by any Securityholder for the enforcement of the payment of the principal of or interest on any Security on or after the due date expressed in such Security or any date fixed for redemption.

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ARTICLE SIX

CONCERNING THE TRUSTEE

SECTION 6.1 Duties and Responsibilities of the Trustee; During Default; Prior to Default. With respect to the Holders of any series of Securities issued hereunder, the Trustee, prior to the occurrence of an Event of Default with respect to the Securities of a particular series and after the curing or waiving of all Events of Default which may have occurred with respect to such series, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture. In case an Event of Default with respect to the Securities of a series has occurred (which has not been cured or waived) the Trustee shall exercise with respect to such series of Securities such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that:

(a) prior to the occurrence of an Event of Default with respect to the Securities of any series and after the curing or waiving of all such Events of Default with respect to such series which may have occurred:

(i) the duties and obligations of the Trustee with respect to the Securities of any series shall be determined solely by the express provisions of this Indenture, and the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(ii) in the absence of bad faith on the part of the Trustee, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any statements, certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; but in the case of any such statements, certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture;

(b) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer or Responsible Officers of the Trustee, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts; and

(c) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders pursuant to Section 5.9 relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture.

None of the provisions contained in this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or

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in the exercise of any of its rights or powers if there shall be reasonable ground for believing that the repayment of such funds or adequate indemnity against such liability is not reasonably assured to it.

The provisions of this Section 6.1 are in furtherance of and subject to Section 315 of the Trust Indenture Act of 1939.

SECTION 6.2 Certain Rights of the Trustee. In furtherance of and subject to the Trust Indenture Act of 1939, and subject to Section 6.1:

(a) the Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, Officer's Certificate or any other certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, debenture, note, coupon, security or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) any request, direction, order or demand of the Issuer mentioned herein shall be sufficiently evidenced by an Officer's Certificate (unless other evidence in respect thereof be herein specifically prescribed); and any resolution of the Board of Directors may be evidenced to the Trustee by a copy thereof certified by the secretary or an assistant secretary of the Issuer;

(c) the Trustee may consult with counsel and any written advice or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted to be taken by it hereunder in good faith and in reliance thereon in accordance with such advice or Opinion of Counsel;

(d) the Trustee shall be under no obligation to exercise any of the trusts or powers vested in it by this Indenture at the request, order or direction of any of the Securityholders pursuant to the provisions of this Indenture, unless such Securityholders shall have offered to the Trustee reasonable security or

indemnity against the costs, expenses and liabilities which might be incurred therein or thereby;

(e) the Trustee shall not be liable for any action taken or omitted by it in good faith and believed by it to be authorized or within the discretion, rights or powers conferred upon it by this Indenture;

(f) prior to the occurrence of an Event of Default hereunder and after the curing or waiving of all Events of Default, the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval, appraisal, bond, debenture, note, coupon, security, or other paper or document unless requested in writing so to do by the Holders of a majority in aggregate principal amount of the Securities of all series affected then Outstanding; provided that, if the payment within a reasonable time to the Trustee of the costs, expenses or liabilities likely to be incurred by it in the making of such investigation is, in the opinion of the Trustee, not reasonably assured to the Trustee by the security afforded to it by the terms of this Indenture, the Trustee may require reasonable indemnity against such expenses or liabilities as a condition to proceeding; the reasonable expenses

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of every such investigation shall be paid by the Issuer or, if paid by the Trustee or any predecessor Trustee, shall be repaid by the Issuer upon demand; and

(g) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys not regularly in its employ and the Trustee shall not be responsible for any misconduct or negligence on the part of any such agent or attorney appointed with due care by it hereunder.

SECTION 6.3 Trustee Not Responsible for Recitals, Disposition of Securities or Application of Proceeds Thereof. The recitals contained herein and in the Securities, except the Trustee's certificates of authentication, shall be taken as the statements of the Issuer, and the Trustee assumes no responsibility for the correctness of the same. The Trustee makes no representation as to the validity or sufficiency of this Indenture or of the Securities or Coupons. The Trustee shall not be accountable for the use or application by the Issuer of any of the Securities or of the proceeds thereof.

SECTION 6.4 Trustee and Agents May Hold Securities or Coupons; Collections, etc. The Trustee or any agent of the Issuer or the Trustee, in its individual or any other capacity, may become the owner or pledgee of Securities or Coupons with the same rights it would have if it were not the Trustee or such agent and may otherwise deal with the Issuer and receive, collect, hold and retain collections from the Issuer with the same rights it would have if it were not the Trustee or such agent.

SECTION 6.5 Moneys Held by Trustee. Subject to the provisions of Section 10.4 hereof, all moneys received by the Trustee shall, until used or applied as herein provided, be held in trust for the purposes for which they were received, but need not be segregated from other funds except to the extent required by mandatory provisions of law. Neither the Trustee nor any agent of the Issuer or the Trustee shall be under any liability for interest on any moneys received by it hereunder.

SECTION 6.6 Compensation and Indemnification of Trustee and Its Prior Claim. The Issuer covenants and agrees to pay to the Trustee from time to time, and the Trustee shall be entitled to, reasonable compensation (which shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust) and the Issuer covenants and agrees to pay or reimburse the Trustee and each predecessor Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by or on behalf of it in accordance with any of the provisions of this Indenture (including the reasonable compensation and the expenses and disbursements of its counsel and of all agents and other persons not regularly in its employ) except any such expense, disbursement or advance as may arise from its negligence or bad faith. Any such payments and reimbursements not made in a timely fashion shall be made with interest at the Trustee's corporate base rate. The Issuer also covenants to indemnify the Trustee and each predecessor Trustee for, and to hold it harmless against, any loss, liability or expense incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of this Indenture or the trusts hereunder and its duties hereunder, including the costs and expenses of defending itself against or investigating any claim of liability in the premises. The obligations of the Issuer under this Section to compensate and indemnify the Trustee and each

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predecessor Trustee and to pay or reimburse the Trustee and each predecessor Trustee for expenses, disbursements and advances shall constitute additional indebtedness hereunder and shall survive the satisfaction and discharge of this Indenture. Such additional indebtedness shall be a senior claim to that of the Securities upon all property and funds held or collected by the Trustee as such, except funds held in trust for the benefit of the Holders of particular Securities or Coupons, and the Securities are hereby subordinated to such senior claim.

SECTION 6.7 Right of Trustee to Rely on Officer's Certificate, etc. Subject to Section 6.1 and 6.2, whenever in the administration of the trusts of this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering or omitting any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of negligence or bad faith on the part of the Trustee, be deemed to be conclusively proved and established by an Officer's Certificate delivered to the Trustee, and such certificate, in the absence of negligence or bad faith on the part of the Trustee, shall be full

warrant to the Trustee for any action taken, suffered or omitted by it under the provisions of this Indenture upon the faith thereof.

SECTION 6.8

This Section intentionally left blank.

SECTION 6.9 Persons Eligible for Appointment as Trustee. The Trustee for each series of Securities hereunder shall at all times be a corporation organized and doing business under the laws of the United States of America or of any State or the District of Columbia having a combined capital and surplus of at least \$5,000,000, and which is authorized under such laws to exercise corporate trust powers and is subject to supervision or examination by Federal, State or District of Columbia authority. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of the aforesaid supervising or examining authority, then, for the purposes of this Section, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, the Trustee shall resign immediately in the manner and with the effect specified in Section 6.10.

The provisions of this Section 6.9 are in furtherance of and subject to Section 310(a) of the Trust Indenture Act of 1939.

This Indenture shall always have a Trustee who satisfies the requirements of the Trust Indenture Act of 1939 Sections 310(a)(1), (2) and (5). The Trustee is subject to the Trust Indenture Act of 1939 Section 310(b); provided, however, that there shall be excluded from the operation of the Trust Indenture Act of 1939 Section 310(b)(1) any indenture or indentures under which any other securities, or certificates of interest or participation in any other securities of the Issuer are outstanding, if the requirements for such exclusion set forth in the Trust Indenture Act of 1939 Section 310(b)(1) are met.

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SECTION 6.10 Resignation and Removal; Appointment of Successor Trustee. (a) The Trustee, or any trustee or trustees hereafter appointed, may at any time resign and be discharged of the trusts hereby created by giving written notice or resignation to the Issuer and (i) if any Unregistered Securities are then Outstanding, by giving notice of such resignation to the Holders thereof, by publication at least once in an Authorized Newspaper in the Borough of Manhattan, The City of New York, and at least once in an Authorized Newspaper in London (and, if required by Section 3.7, at least once in an Authorized Newspaper in Luxembourg), (ii) if any Unregistered Securities are then outstanding, by mailing notice of such resignation to the Holders thereof who have filed their names and addresses with the Trustee at such addresses as were so furnished to the Trustee and (iii) by mailing notice of such resignation to the Holders of then Outstanding Registered Securities at their addresses as they

shall appear on the registry books. Upon receiving such notice of resignation, the Issuer shall promptly appoint a successor trustee or trustees by written instrument in duplicate, executed by authority of the Board of Directors, one copy of which instrument shall be delivered to the resigning Trustee and one copy to the successor trustee or trustees. If no successor trustee shall have been so appointed and have accepted appointment within 30 days after the mailing of such notice of resignation, the resigning trustee may petition any court of competent jurisdiction for the appointment of a successor trustee, or any Securityholder who has been a bona fide Holder of a Security or Securities for at least six months may, subject to the provisions of Section 5.12, on behalf of himself and all others similarly situated, petition any such court for the appointment of a successor trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, appoint a successor trustee.

(b) In case at any time any of the following shall occur:

(i) the Trustee shall fail to comply with the provisions of Section 310(b) of the Trust Indenture Act of 1939 after written request therefor by the Issuer or by any Securityholder who has been a bona fide Holder of a Security or Securities for at least six months; or

(ii) the Trustee shall cease to be eligible in accordance with the provision of Section 6.9 and Section 3.10(a) of the Trust Indenture Act of 1939 and shall fail to resign after written request therefor by the Issuer or by any Securityholder; or

(iii) the Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent, or a receiver or liquidator of the Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation;

then, in any such case, the Issuer may remove the Trustee and appoint a successor trustee by written instrument, in duplicate, executed by order of the Board of Directors of the Issuer, one copy of which instrument shall be delivered to the Trustee so removed and one copy to the successor trustee, or, subject to the provisions of Section 315(e) of the Trust Indenture Act of 1939, any Securityholder who has been a bona fide Holder of a Security or Securities for at least six months may on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor trustee. Such court may thereupon, after

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such notice, if any, as it may deem proper and described, remove the Trustee and appoint a successor trustee.

(c) The Holders of a majority in aggregate principal amount of the

Securities of all series at the time outstanding may at any time remove the Trustee and appoint a successor trustee by delivering to the Trustee so removed, to the successor trustee so appointed and to the Issuer the evidence provided for in Section 7.1 of the action in that regard taken by the Securityholders.

(d) Any resignation or removal of the Trustee and any appointment of a successor trustee pursuant to any of the provisions of this Section 6.10 shall become effective upon acceptance of appointment by the successor trustee as provided in Section 6.11.

SECTION 6.11 Acceptance of Appointment by Successor Trustee. Any successor trustee appointed as provided in Section 6.10 shall execute and deliver to the Issuer and to its predecessor trustee an instrument accepting such appointment hereunder, and thereupon the resignation or removal of the predecessor trustee shall become effective and such successor trustee, without any further act, deed or conveyance, shall become vested with all rights, powers, duties and obligations of its predecessor hereunder, with like effect as if originally named as trustee hereunder, but, nevertheless, on the written request of the Issuer or of the successor trustee, upon payment of its charges then unpaid, the trustee ceasing to act shall, subject to Section 10.4, pay over to the successor trustee all moneys at the time held by it hereunder and shall execute and deliver an instrument transferring to such successor trustee all such rights, powers, duties and obligations. Upon request of any such successor trustee, the Issuer shall execute any and all instruments in writing for more fully and certainly vesting in and confirming to such successor trustee all such rights and powers. Any trustee ceasing to act shall, nevertheless, retain a prior claim upon all property or funds held or collected by such trustee to secure any amounts then due it pursuant to the provisions of Section 6.6.

No successor trustee shall accept appointment as provided in this Section 6.11 unless at the time of such acceptance such successor trustee shall be qualified under Section 310(b) of the Trust Indenture Act of 1939 and eligible under the provisions of Section 6.9.

Upon acceptance of appointment by any successor trustee as provided in this Section 6.11, the Issuer shall give notice thereof (a) if any Unregistered Securities are then Outstanding, to the Holders thereof, by publication of such notice at least once in an Authorized Newspaper in the Borough of Manhattan, the City of New York and at least once in an Authorized Newspaper in London (and, if required by Section 3.7, at least once in an Authorized Newspaper in Luxembourg), (b) if any Unregistered Securities are then Outstanding, to the Holders thereof who have filed their names and addresses with the trustee, by mailing such notice to such Holders at such addresses as were so furnished to the Trustee (and the Trustee shall make such information available to the Issuer for such purpose) and (c) to the Holders of Registered Securities, by mailing such notice to such Holders at their addresses as they shall appear on the registry books. If the acceptance of appointment is substantially contemporaneous with the registration, then the notice called for by the preceding sentence may be combined with the notice called for by Section 6.10. If the Issuer fails to give such

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notice within ten days after acceptance of appointment by the successor trustee, the successor trustee shall cause such notice to be given at the expense of the Issuer.

SECTION 6.12 Merger, Conversion, Consolidation or Succession to Business of Trustee. Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided that such corporation shall be qualified under Section 310(b) of the Trust Indenture Act of 1939 and eligible under the provisions of Section 6.9, without the execution or filing of any paper or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

In case at the time such successor to the Trustee shall succeed to the trusts created by this Indenture any of the Securities of any series shall have been authenticated but not delivered, any such successor to the Trustee may adopt the certificate of authentication of any predecessor Trustee and deliver such Securities so authenticated; and, in case at that time any of the Securities of any series shall not have been authenticated, any successor to the Trustee may authenticate such Securities either in the name of any predecessor hereunder or in the name of the successor Trustee; and in all such cases such certificate shall have the full force which it is anywhere in the Securities of such series or in this Indenture provided that the certificate of the Trustee shall have; provided, that the right to adopt the certificate of authentication of any predecessor Trustee or to authenticate Securities of any series in the name of any predecessor Trustee shall apply only to its successor or successors by merger, conversion or consolidation.

SECTION 6.13 Preferential Collection of Claims Against the Issuer. The Trustee is subject to the Trust Indenture Act of 1939 Section 311(a), excluding any creditor relationship listed in the Trust Indenture Act of 1939 Section 311(b). A Trustee who has resigned or been removed shall be subject to the Trust Indenture Act of 1939 Section 311(a) to the extent indicated therein.

SECTION 6.14 Appointment of Authenticating Agent. As long as any Securities of a series remain Outstanding, the Trustee may, by an instrument in writing, appoint with the approval of the Issuer an authenticating agent (the "Authenticating Agent") which shall be authorized to act on behalf of the Trustee to authenticate Securities, including Securities issued upon exchange, registration of transfer, partial redemption or pursuant to Section 2.9. Securities of each such series authenticated by such Authenticating Agent shall be entitled to the benefits of this Indenture and shall be valid and obligatory for all purposes as if authenticated by the Trustee. Whenever reference is made in this Indenture to the authentication and delivery of Securities of any series by the Trustee or to the Trustee's Certificate of Authentication, such reference shall be deemed to include authentication and delivery on behalf of the Trustee

by an Authenticating Agent for such series and a Certificate of Authentication executed on behalf of the Trustee by such Authenticating Agent. Such Authenticating Agent shall at all times be a corporation organized and doing business under the laws of the United States of America or of any State, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least \$5,000,000 (determined as provided in Section 6.9 with respect to the Trustee) and subject to supervision or examination by Federal or State authority.

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Any corporation into which any Authenticating Agent may be merged or converted, or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which any Authenticating Agent shall be a party, or any corporation succeeding to the corporate agency business of any Authenticating Agent, shall continue to be the Authenticating Agent with respect to all series of Securities for which it served as Authenticating Agent without the execution or filing of any paper or any further act on the part of the Trustee or such Authenticating Agent. Any Authenticating Agent may at any time, and if it shall cease to be eligible shall, resign by giving written notice of resignation to the Trustee and to the Issuer.

Upon receiving such a notice of resignation or upon such a termination, or in case at any time any Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section 6.14 with respect to one or more series of Securities, the Trustee shall upon receipt of an Issuer Order appoint a successor Authenticating Agent and the Issuer shall provide notice of such appointment to all Holders of Securities of such series in the manner and to the extent provided in Section 11.4. Any successor Authenticating Agent upon acceptance of its appointment hereunder shall become vested with all rights, powers, duties and responsibilities of its predecessor hereunder, with like effect as if originally named as Authenticating Agent. The Issuer agrees to pay to the Authenticating Agent for such series from time to time reasonable compensation. The Authenticating Agent for the Securities of any series shall have no responsibility or liability for any action taken by it as such at the direction of the Trustee.

Sections 6.2, 6.3, 6.4, 6.6, 6.9 and 7.3 shall be applicable to any Authenticating Agent.

ARTICLE SEVEN

CONCERNING THE SECURITYHOLDERS

SECTION 7.1 Evidence of Action Taken by Securityholders. Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by a specified percentage in principal amount of the Securityholders of any or all series may be embodied in and evidenced by one or more instruments of substantially similar tenor signed

(either physically or by means of an electronic transmission) by such specified percentage of Securityholders in person or by agent duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered (either physically or by means of an electronic transmission) to the Trustee. Proof of execution of any instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and (subject to Sections 6.1 and 6.2) conclusive in favor of the Trustee and the Issuer, if made in the manner provided in this Article.

SECTION 7.2 Proof of Execution of Instruments and of Holding of Securities. Subject to Sections 6.1 and 6.2, the execution of any instrument by a Securityholder or his agent or proxy may be proved in the following manner:

(a) The fact and date of the execution by any Holder of any instrument may be proved by the certificate of any notary public or other officer of any jurisdiction authorized to take

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acknowledgments of deeds or administer oaths that the person executing such instruments acknowledged to him the execution thereof, or by an affidavit of a witness to such execution sworn to before any such notary or other such officer. Where such execution is by or on behalf of any legal entity other than an individual, such certificate or affidavit shall also constitute sufficient proof of the authority of the person executing the same. The fact of the holding by any Holder of an Unregistered Security of any series, and the identifying number of such Security and the date of his holding the same, may be proved by the production of such Security or by a certificate executed by any trust company, bank, banker or recognized securities dealer wherever situated satisfactory to the Trustee, if such certificate shall be deemed by the Trustee to be satisfactory. Each such certificate shall be dated and shall state that on the date thereof a Security of such series bearing a specified identifying number was deposited with or exhibited to such trust company, bank, banker or recognized securities dealer by the person named in such certificate. Any such certificate may be issued in respect of one or more Unregistered Securities of one or more series specified therein. The holding by the person named in any such certificate of any Unregistered Securities of any series specified therein shall be presumed to continue for a period of one year from the date of such certificate unless at the time of any determination of such holding (1) another certificate bearing a later date issued in respect of the same Securities shall be produced, or (2) the Security of such series specified in such certificate shall be produced by some other person, or (3) the Security of such series specified in such certificate shall have ceased to be Outstanding. Subject to Sections 6.1 and 6.2, the fact and date of the execution of any such instrument and the amount and numbers of Securities of any series held by the person so executing such instrument and the amount and numbers of any Security or Securities for such series may also be proven in accordance with such reasonable rules and regulations as may be prescribed by the Trustee for such series or in

any other manner which the Trustee for such series may deem sufficient.

(b) In the case of Registered Securities, the ownership of such Securities shall be proved by the Security register or by a certificate of the Security register.

The Issuer may set a record date for purposes of determining the identity of Holders of Registered Securities of any series entitled to vote or consent to any action referred to in Section 7.1, which record date may be set at any time or from time to time by notice to the Trustee, for any date or dates (in the case of any adjournment or reconsideration) not more than 60 days nor less than five days prior to the proposed date of such vote or consent, and thereafter, notwithstanding any other provisions hereof, with respect to Registered Securities of any series, only Holders of Registered Securities of such series of record on such record date shall be entitled to so vote or give such consent or revoke such vote or consent.

SECTION 7.3 Holders to Be Treated as Owners. The Issuer, the Trustee and any agent of the Issuer or the Trustee may deem and treat the person in whose name any Security shall be registered upon the Security register for such series as the absolute owner of such Security (whether or not such Security shall be overdue and notwithstanding any notation of ownership or other writing thereon) for the purpose of receiving payment of or on account of the principal of and, subject to the provisions of this Indenture, interest on such Security and for all other purposes; and neither the Issuer nor the Trustee nor any agent of the Issuer or the Trustee shall be affected by any notice to the contrary. The Issuer, the Trustee and any agent of the Issuer or the Trustee may treat the Holder

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of any Unregistered Security and the Holder of any Coupon as the absolute owner of such Unregistered Security or Coupon (whether or not such Unregistered Security or Coupon shall be overdue) for the purpose of receiving payment thereof or on account thereof and for all other purposes and neither the Issuer, the Trustee, nor any agent of the Issuer or the Trustee shall be affected by any notice to the contrary. All such payments so made to any such person, or upon his order, shall be valid, and, to the extent of the sum or sums so paid, effectual to satisfy and discharge the liability for moneys payable upon any such Security or Coupon.

SECTION 7.4 Securities Owned by Issuer Deemed Not Outstanding. In determining whether the Holders of the requisite aggregate principal amount of Outstanding Securities of any or all series have concurred in any direction, consent or waiver under this Indenture, Securities which are owned by the Issuer or any other obligor on the Securities with respect to which such determination is being made or by any person directly or indirectly controlling or controlled by or under direct or indirect common control with the Issuer or any other obligor on the Securities with respect to which such determination is being made

shall be disregarded and deemed not to be Outstanding for the purpose of any such determination, except that for the purpose of determining whether the Trustee shall be protected in relying on any such direction, consent or waiver only Securities which the Trustee knows are so owned shall be so disregarded. Securities so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Securities and that the pledgee is not the Issuer or any other obligor upon the Securities or any person directly or indirectly controlling or controlled by or under direct or indirect common control with the issuer or any other obligor on the Securities. In case of a dispute as to such right, the advice of counsel shall be full protection in respect of any decision made by the Trustee in accordance with such advice. Upon request of the Trustee, the Issuer shall furnish to the Trustee promptly an Officer's Certificate listing and identifying all Securities, if any, known by the Issuer to be owned or held by or for the account of any of the above-described persons; and, subject to Sections 6.1 and 6.2, the Trustee shall be entitled to accept such Officer's Certificate as conclusive evidence of the facts therein set forth and of the fact that all Securities not listed therein are Outstanding for the purpose of any such determination.

SECTION 7.5 Right of Revocation of Action Taken. At any time prior to (but not after) the evidencing to the Trustee, as provided in Section 7.1, of the taking of any action by the Holders of the percentage in aggregate principal amount of the Securities of any or all series, as the case may be, specified in this Indenture in connection with such action, any Holder of a Security the serial number of which is shown by the evidence to be included among the serial numbers of the Securities the Holders of which have consented to such action may, by filing written notice at the Corporate Trust Office and upon proof of holding as provided in this Article, revoke such action so far as concerns such Security. Except as aforesaid any such action taken by the Holder of any Security shall be conclusive and binding upon such Holder and upon all future Holders and owners of such Security and of any Securities issued in exchange or substitution therefor or on registration of transfer thereof, irrespective of whether or not any notation in regard thereto is made upon any such Security. Any action taken by the Holders of the percentage in aggregate principal amount of the Securities of any or all series, as the case may be, specified in this Indenture in connection with such action shall be conclusively binding upon the Issuer, the Trustee and the Holders of all the Securities affected by such action.

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ARTICLE EIGHT

SUPPLEMENTAL INDENTURES

SECTION 8.1 Supplemental Indentures Without Consent of Securityholders. The Issuer, when authorized by a resolution of its Board of Directors (which resolution may provide general terms or parameters for such action and may

provide that the specific terms of such action may be determined in accordance with or pursuant to an Issuer Order) and the Trustee may from time to time and at any time enter into an indenture or indentures supplemental hereto for one or more of the following purposes:

(a) to convey, transfer, assign, mortgage or pledge to the Trustee as security for the Securities of one or more series any property or assets;

(b) to evidence the succession of another corporation to the Issuer, or successive successions, and the assumption by the successor corporation of the covenants, agreements and obligations of the Issuer pursuant to Article Nine;

(c) to add to the covenants of the Issuer such further covenants, restrictions, conditions or provisions as the Issuer and the Trustee shall consider to be for the protection of the Holders of Securities or Coupons, and to make the occurrence, or the occurrence and continuance, of a default in any such additional covenants, restrictions, conditions or provisions an Event of Default permitting the enforcement of all or any of the several remedies provided in this Indenture as herein set forth; provided, that in respect of any such additional covenant, restriction, condition or provision such supplemental indenture may provide for a particular period of grace after default (which period may be shorter or longer than that allowed in the case of other defaults) or may provide for an immediate enforcement upon such an Event of Default or may limit the remedies available to the Trustee upon such an Event of Default or may limit the right of the Holders of a majority in aggregate principal amount of the Securities of such series to waive such an Event of Default;

(d) to cure any ambiguity or to correct or supplement any provision contained herein or in any supplemental indenture which may be defective or inconsistent with any other provision contained herein or in any supplemental indenture, or to make any other provisions as the Issuer may deem necessary or desirable, provided that no such action shall adversely affect the interests of the Holders of the Securities or Coupons;

(e) to establish the forms or terms of Securities of any series or of the Coupons appertaining to such Securities as permitted by Sections 2.1 and 2.3; and

(f) to evidence and provide for the acceptance of appointment hereunder by a successor trustee with respect to the Securities of one or more series and to add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one trustee, pursuant to the requirements of Section 6.11.

The Trustee is hereby authorized to join with the Issuer in the execution of any such supplemental indenture, to make any further appropriate agreements and stipulations which may be therein contained and to accept the conveyance,

transfer, assignment, mortgage or pledge of any property thereunder, but the Trustee shall not be obligated to enter into any such supplemental indenture which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

Any supplemental indenture authorized by the provisions of this Section may be executed without the consent of the Holders of any of the Securities at the time outstanding, notwithstanding any of the provisions of Section 8.2.

SECTION 8.2 Supplemental Indentures With Consent of Securityholders. With the consent (evidenced as provided in Article Seven) of the Holders of a majority in aggregate principal amount of the Securities at the time Outstanding of all series affected by such supplemental indenture (voting as one class), the Issuer, when authorized by a resolution of its Board of Directors (which resolution may provide general terms or parameters for such action and may provide that the specific terms of such action may be determined in accordance with or pursuant to an Issuer Order), and the Trustee may, from time to time and at any time, enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of any supplemental indenture or of modifying in any manner the rights of the Holders of the Securities of each such series or of the Coupons appertaining to such Securities; provided, that no such supplemental indenture shall (a) extend the final maturity of any Security, or reduce the principal amount thereof, or reduce the rate or extend the time of payment of interest thereon, or reduce any amount payable on redemption thereof, or make the principal thereof (including any amount in respect of original issue discount), or interest thereon, payable in any coin or currency other than that provided in the Securities and Coupons or in accordance with the terms thereof, or reduce the amount of the principal of an Original Issue Discount Security that would be due and payable upon an acceleration of the maturity thereof pursuant to Section 5.1 or the amount thereof provable in bankruptcy pursuant to Section 5.2, or alter the provisions of Section 11.11 or 11.12 or impair or affect the right of any Securityholder to institute suit for the payment thereof or, if the Securities provide therefor, any right of repayment or repurchase at the option of the Securityholder, in each case without the consent of the Holder of each Security so affected, or (b) reduce the aforesaid percentage of Securities of any series, the consent of the Holders of which is required for any such supplemental indenture, without the consent of the Holders of each Security so affected.

A supplemental indenture which changes or eliminates any covenant or other provision of this Indenture which has expressly been included solely for the benefit of one or more particular series of Securities, or which modifies the rights of Holders of Securities of such series, or of Coupons appertaining to such Securities, with respect to such covenant or provision, shall be deemed not to affect the rights under the Indenture of the Holders of Securities of any other series or of the Coupons appertaining to such Securities.

Upon the request of the Issuer, accompanied by a copy of a resolution of the Board of Directors (which resolution may provide general terms or parameters for such action and may provide that the

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specific terms of such action may be determined in accordance with or pursuant to an Issuer Order) certified by the secretary or an assistant secretary of the Issuer authorizing the execution of any such supplemental indenture, and upon the filing with the Trustee of evidence of the consent of the Holders of the Securities as aforesaid and other documents, if any, required by Section 7.1, the Trustee shall join with the Issuer in the execution of such supplemental indenture unless such supplemental indenture affects the Trustee's own rights, duties or immunities under the Indenture or otherwise, in which case the Trustee may in its discretion, but shall not be obligated to, enter into such supplemental indenture.

It shall not be necessary for the consent of the Securityholders under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such consent shall approve the substance thereof.

Promptly after the execution by the Issuer and the Trustee of any supplemental indenture pursuant to the provisions of this Section, the Trustee shall give notice thereof (i) to the Holders of then Outstanding Registered Securities of each series affected thereby, by mailing a notice thereof by first-class mail to such Holders at their addresses as they shall appear on the Security register, (ii) if any Unregistered Securities of a series affected thereby are then Outstanding, to the Holders thereof who have filed their names and addresses with the Trustee, by mailing a notice thereof by first-class mail to such Holders at such addresses as were so furnished to the Trustee and (iii) if any Unregistered Securities of a series affected thereby are then Outstanding, to all Holders thereof, by publication of a notice thereof at least once in an Authorized Newspaper in the Borough of Manhattan, The City of New York and at least once in an Authorized Newspaper in London (and, if required by Section 3.7, at least once in an Authorized Newspaper in Luxembourg), and in each case such notice shall set forth in general terms the substance of such supplemental indenture. Any failure of the Issuer to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental indenture.

SECTION 8.3 Effect of Supplemental Indenture. Upon the execution of any supplemental indenture pursuant to the provisions hereof, this Indenture shall be and be deemed to be modified and amended in accordance therewith and the respective rights, limitations of rights, obligations, duties and immunities under this Indenture of the Trustee, the Issuer and the Holders of Securities of each series affected thereby shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such supplemental indenture shall be and be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

SECTION 8.4 Documents to Be Given to Trustee. The Trustee, subject to the provisions of Sections 6.1 and 6.2, may receive an Officer's Certificate and an

Opinion of counsel as conclusive evidence that any supplemental indenture executed pursuant to this Article Eight complies with the applicable provisions of this Indenture.

SECTION 8.5 Notation on Securities in Respect of Supplemental Indentures. Securities of any series authenticated and delivered after the execution of any supplemental indenture pursuant to the provisions of this Article may bear a notation in form approved by the Trustee for such series as to

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any matter provided for by such supplemental indenture or as to any action taken by Securityholders. If the Issuer or the Trustee shall so determine, new Securities of any series so modified as to conform, in the opinion of the Trustee and the Board of Directors, to any modification of this Indenture contained in any such supplemental indenture may be prepared by the Issuer, authenticated by the Trustee and delivered in exchange for the Securities of such series then Outstanding.

ARTICLE NINE

CONSOLIDATION, MERGER, SALE OR CONVEYANCE

SECTION 9.1 Covenant Not to Merge, Consolidate, Sell or Convey Property Except Under Certain Conditions. The Issuer covenants that it will not merge or consolidate with any other Person or sell, lease or convey all or substantially all of its assets to any other Person, unless (i) either the Issuer shall be the continuing corporation, or the successor corporation or the Person which acquires by sale, lease or conveyance substantially all the assets of the Issuer (if other than the Issuer) shall be a corporation organized under the laws of the United States of America or any State thereof or the District of Columbia and shall expressly assume the due and punctual payment of the principal of and interest on all the Securities and Coupons, if any, according to their tenor, and the due and punctual performance and observance of all of the covenants and conditions of this Indenture to be performed or observed by the Issuer, by supplemental indenture satisfactory to the Trustee, executed and delivered to the Trustee by such corporation, and (ii) the Issuer, such Person or such successor corporation, as the case may be, shall not, immediately after such merger or consolidation, or such sale, lease or conveyance, be in default in the performance of any such covenant or condition.

SECTION 9.2 Successor Corporation Substituted. In case of any such consolidation, merger, sale, lease or conveyance, and following such an assumption by the successor corporation, such successor corporation shall succeed to and be substituted for the Issuer, with the same effect as if it had been named herein. Such successor corporation may cause to be signed, and may issue either in its own name or in the name of the Issuer prior to such succession any or all of the Securities issuable hereunder which together with any Coupons appertaining thereto theretofore shall not have been signed by the

Issuer and delivered to the Trustee; and, upon the order of such successor corporation, instead of the Issuer, and subject to all the terms, conditions and limitations in this Indenture prescribed, the Trustee shall authenticate and shall deliver any Securities together with any Coupons appertaining thereto which previously shall have been signed and delivered by the officers of the Issuer to the Trustee for authentication, and any Securities which such successor corporation thereafter shall cause to be signed and delivered to the Trustee for that purpose. All of the Securities so issued together with any Coupons appertaining thereto shall in all respects have the same legal rank and benefit under this Indenture as the Securities theretofore or thereafter issued in accordance with the terms of this Indenture as though all of such Securities had been issued at the date of the execution hereof.

In case of any such consolidation, merger, sale, lease or conveyance such changes in phrasing and form (but not in substance) may be made in the Securities and Coupons thereafter to be issued as may be appropriate.

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In the event of any such sale or conveyance (other than a conveyance by way of lease) the Issuer or any successor corporation which shall theretofore have become such in the manner described in this Article shall be discharged from all obligations and covenants under the Indenture and the Securities and may be liquidated and dissolved.

SECTION 9.3 Opinion of Counsel Delivered to Trustee. The Trustee, subject to the provisions of Sections 6.1 and 6.2, may receive an Opinion of Counsel as conclusive evidence that any such consolidation, merger, sale, lease or conveyance, and any such assumption, and any such liquidation or dissolution, complies with the applicable provisions of this Indenture.

ARTICLE TEN

SATISFACTION AND DISCHARGE OF INDENTURE; UNCLAIMED MONEYS

SECTION 10.1 Satisfaction and Discharge of Indenture. (A) If at any time (a) the Issuer shall have paid or caused to be paid the principal of and interest on all the Securities of any series Outstanding hereunder and all unmatured Coupons appertaining thereto (other than Securities of such series and Coupons appertaining thereto which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 2.9) as and when the same shall have become due and payable, or (b) the Issuer shall have delivered to the Trustee for cancellation all Securities of any series theretofore authenticated and all unmatured Coupons appertaining thereto (other than Securities of such series and Coupons appertaining thereto which shall have been destroyed, lost or stolen and which shall have been replaced or paid as provided in Section 2.9) or (c) in the case of any series of Securities where the exact amount (including the currency of payment) of principal of and interest due on which can be determined at the time of making the deposit referred to in clause (ii) below,

(i) all the Securities of such series and all unmatured Coupons appertaining thereto not theretofore delivered to the Trustee for cancellation shall have become due and payable, or are by their terms to become due and payable within one year or are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption, and (ii) the Issuer shall have irrevocably deposited or caused to be deposited with the Trustee as trust funds the entire amount in cash (other than moneys repaid by the Trustee or any paying agent to the Issuer in accordance with Section 10.4) or, in the case of any series of Securities the payments on which may only be made in Dollars, obligations issued or guaranteed as to principal and interest by the United States or by a Person controlled or supervised by and acting as an instrumentality of the government of the United States pursuant to authority granted by the Congress of the United States ("U.S. Government Obligations"), maturing as to principal and interest at such times and in such amounts as will insure the availability of cash, or a combination thereof, sufficient in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, to pay (A) the principal and interest on all Securities of such series and Coupons appertaining thereto on each date that such principal or interest is due and payable and (B) any mandatory sinking fund payments on the dates on which such payments are due and payable in accordance with the terms of the Indenture and the Securities of such series; and if, in any such case, the Issuer shall also pay or cause to be paid all other sums payable hereunder by the Issuer, then this Indenture shall cease to be of further effect (except as to (i) rights of registration of transfer and exchange of Securities of such series and of Coupons appertaining thereto and the Issuer's right of

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optional redemption, if any, (ii) substitution of mutilated, defaced, destroyed, lost or stolen Securities or Coupons, (iii) rights of holders of Securities and Coupons appertaining thereto to receive payments of principal thereof and interest thereon, upon the original stated due dates therefor or on the specified redemption dates therefor (but not upon acceleration), and remaining rights of the Holders to receive mandatory sinking fund payments, if any, (iv) the rights, obligations, duties and immunities of the Trustee hereunder, (v) the rights of the Holders of Securities of such series and Coupons appertaining thereto as beneficiaries hereof with respect to the property so deposited with the Trustee payable to all or any of them, and (vi) the obligations of the Issuer under Section 3.2) and the Trustee, on demand of the Issuer accompanied by an Officer's Certificate and an Opinion of Counsel and at the cost and expense of the Issuer, shall execute proper instruments acknowledging such satisfaction of and discharging this Indenture; provided, that the rights of Holders of the Securities and Coupons to receive amounts in respect of principal of and interest on the Securities and Coupons held by them shall not be delayed longer than required by then-applicable mandatory rules or policies of any securities exchange upon which the Securities are listed.

(B) The following provisions shall apply to the Securities of each series

unless specifically otherwise provided in a Board Resolution, Officer's Certificate or indenture supplemental hereto provided pursuant to Section 2.3. In addition to discharge of the Indenture pursuant to the next preceding paragraph, in the case of any series of Securities the exact amounts (including the currency of payment) of principal of and interest due on which can be determined at the time of making the deposit referred to in clause (a) below, the Issuer shall be deemed to have paid and discharged the entire indebtedness on all the Securities of such a series and the Coupons appertaining thereto on the 91st day after the date of the deposit referred to in subparagraph (a) below, and the provisions of this Indenture with respect to the Securities of such series and Coupons appertaining thereto shall no longer be in effect (except as to (i) rights of registration of transfer and exchange of Securities of such series and of Coupons appertaining thereto and the Issuer's right of optional redemption, if any, (ii) substitution of mutilated, defaced, destroyed, lost or stolen Securities or Coupons, (iii) rights of Holders of Securities and Coupons appertaining thereto to receive payments of principal thereof and interest thereon, upon the original stated due dates therefor or on the specified redemption dates therefor (but not upon acceleration), and remaining rights of the Holders to receive mandatory sinking fund payments, if any, (iv) the rights, obligations, duties and immunities of the Trustee hereunder, (v) the rights of the Holders of Securities of such series and Coupons appertaining thereto as beneficiaries hereof with respect to the property so deposited with the Trustee payable to all or any of them, and (vi) the obligations of the Issuer under Section 3.2) and the Trustee, at the expense of the Issuer, shall at the Issuer's request, execute proper instruments acknowledging the same, if

(a) with reference to this provision the Issuer has irrevocably deposited or caused to be irrevocably deposited with the Trustee as trust funds in trust, specifically pledged as security for, and dedicated solely to, the benefit of the Holders of the Securities of such series and Coupons appertaining thereto (i) cash in an amount, or (ii) in the case of any series of Securities the payments on which may only be made in Dollars, U.S. Government Obligations, maturing as to principal and interest at such times and in such amounts as will insure the availability of cash, or (iii) a combination thereof, sufficient, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, to pay (A) the principal and interest on all Securities of such series and Coupons

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appertaining thereto on each date that such principal or interest is due and payable and (B) any mandatory sinking fund payments on the dates on which such payments are due and payable in accordance with the terms of the Indenture and the Securities of such series;

(b) the Issuer has delivered to the Trustee an Opinion of Counsel based on the fact that (x) the Issuer has received from, or there has been published by, the Internal Revenue Service a ruling or (y) since the date

hereof, there has been a change in the applicable Federal income tax law, in either case to the effect that, and such opinion shall confirm that, the Holders of the Securities of such series and Coupons appertaining thereto will not recognize income, gain or loss for Federal income tax purposes as a result of such deposit, defeasance and discharge and will be subject to Federal income tax on the same amount and in the same manner and at the same times, as would have been the case if such deposit, defeasance and discharge had not occurred; and

(c) the Issuer has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each stating that all conditions precedent provided for relating to the defeasance contemplated by this provision have been complied with.

(C) The Issuer shall be released from its obligations under Sections 3.6 and 9.1 with respect to the Securities of any Series, and any Coupons appertaining thereto, Outstanding on and after the date the conditions set forth below are satisfied (hereinafter, "covenant defeasance"). For this purpose, such covenant defeasance means that, with respect to the Outstanding Securities of any Series, the Issuer may omit to comply with and shall have no liability in respect of any term, condition or limitation set forth in such Section, whether directly or indirectly by reason of any reference elsewhere herein to such Section or by reason of any reference in such Section to any other provision herein or in any other document and such omission to comply shall not constitute an Event of Default under Section 5.1, but the remainder of this Indenture and such Securities and Coupons shall be unaffected thereby. The following shall be the conditions to application of this subsection C of this Section 10.1:

(a) The Issuer has irrevocably deposited or caused to be deposited with the Trustee as trust funds in trust for the purpose of making the following payments, specifically pledged as security for, and dedicated solely to, the benefit of the holders of the Securities of such series and coupons appertaining thereto, (i) cash in an amount, or (ii) in the case of any series of Securities the payments on which may only be made in Dollars, U.S. Government Obligations maturing as to principal and interest at such times and in such amounts as will insure the availability of cash, or (iii) a combination thereof, sufficient, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, to pay (A) the principal and interest on all Securities of such series and Coupons appertaining thereto and (B) any mandatory sinking fund payments on the day on which such payments are due and payable in accordance with the terms of the Indenture and the Securities of such series.

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(b) The Issuer shall have delivered to the Trustee an Officer's Certificate stating that all conditions precedent provided for relating to the covenant defeasance contemplated by this provision have been complied

with.

SECTION 10.2 Application by Trustee of Funds Deposited for Payment of Securities. Subject to Section 10.4, all moneys or U.S. Government Obligations deposited with the Trustee (or other trustee) pursuant to Section 10.1 (and all funds earned on such moneys or U.S. Government Obligations) shall be held in trust and applied by it to the payment, either directly or through any paying agent (including the Issuer acting as its own paying agent), to the Holders of the particular Securities of such series and of Coupons appertaining thereto for the payment or redemption of which such moneys have been deposited with the Trustee, of all sums due and to become due thereon for principal and interest; but such money need not be segregated from other funds except to the extent required by law. Subject to Section 10.1, the Trustee promptly shall pay to the Issuer upon request any excess moneys held by it at any time.

SECTION 10.3 Repayment of Moneys Held by Paying Agent. In connection with the satisfaction and discharge of this Indenture with respect to Securities of any series, all moneys then held by any paying agent under the provisions of this Indenture with respect to such series of Securities shall, upon demand of the Issuer, be repaid to it or paid to the Trustee and thereupon such paying agent shall be released from all further liability with respect to such moneys.

SECTION 10.4 Return of Moneys Held by Trustee and Paying Agent Unclaimed for Two Years. Any moneys deposited with or paid to the Trustee or any paying agent for the payment of the principal of or interest on any Security of any series or Coupons attached thereto and not applied but remaining unclaimed for two years after the date upon which such principal or interest shall have become due and payable, shall, upon the written request of the Issuer and unless otherwise required by mandatory provisions of applicable escheat or abandoned or unclaimed property law, be repaid to the Issuer by the Trustee for such series or such paying agent, and the Holder of the Securities of such series and of any Coupons appertaining thereto shall, unless otherwise required by mandatory provisions of applicable escheat or abandoned or unclaimed property laws, thereafter look only to the Issuer for any payment which such Holder may be entitled to collect, and all liability of the Trustee or any paying agent with respect to such moneys shall thereupon cease; provided, however, that the Trustee or such paying agent, before being required to make any such repayment with respect to moneys deposited with it for any payment (a) in respect of Registered Securities of any series, shall at the expense of the Issuer, mail by first-class mail to Holders of such Securities at their addresses as they shall appear on the Security register, and (b) in respect of Unregistered Securities of any series, shall at the expense of the Issuer cause to be published once, in an Authorized Newspaper in the Borough of Manhattan, The City of New York and once in an Authorized Newspaper in London (and if required by Section 3.7, once in an Authorized Newspaper in Luxembourg), notice, that such moneys remain and that, after a date specified therein, which shall not be less than thirty days from the date of such mailing or publication, any unclaimed balance of such money then remaining will be repaid to the Issuer.

ARTICLE ELEVEN

MISCELLANEOUS PROVISIONS

SECTION 11.1 Incorporators, Stockholders, Officers and Directors of Issuer Exempt from Individual Liability. No recourse under or upon any obligation, covenant or agreement contained in this Indenture, or in any Security, or because of any indebtedness evidenced thereby, shall be had against any incorporator, as such, or against any past, present or future stockholder, officer or director, as such, of the Issuer or of any successor, either directly or through the Issuer or any successor, under any rule of law, statute or constitutional provision or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise, all such liability being expressly waived and released by the acceptance of the Securities and the Coupons appertaining thereto by the Holders thereof and as part of the consideration for the issue of the Securities and the Coupons appertaining thereto.

SECTION 11.2 Provisions of Indenture for the Sole Benefit of Parties and Holders of Securities and Coupons. Nothing in this Indenture, in the Securities or in the Coupons appertaining thereto, expressed or implied, shall give or be construed to give to any person, firm or corporation, other than the parties thereto and their successors and the Holders of the Securities or Coupons, if any, any legal or equitable right, remedy or claim under this Indenture or under any covenant or provision herein contained, all such covenants and provisions being for the sole benefit of the parties hereto and their successors and of the Holders of the Securities or Coupons, if any.

SECTION 11.3 Successors and Assigns of Issuer Bound by Indenture. All the covenants, stipulations, promises and agreements in this Indenture contained by or in behalf of the Issuer shall bind its successors and assigns, whether so expressed or not.

SECTION 11.4 Notices and Demands on Issuer, Trustee and Holders of Securities and Coupons. Any notice or demand which by any provision of this Indenture is required or permitted to be given or served by the Trustee or by the Holders of Securities or Coupons to or on the Issuer may be given or served by being deposited postage prepaid, first-class mail (except as otherwise specifically provided herein) addressed (until another address of the Issuer is filed by the Issuer with the Trustee) to TENNECO PACKAGING INC., 1900 West Field Court, Lake Forest, Illinois 60045, Attention: Chief Financial Officer. Any notice, direction, request or demand by the Issuer or any Holder of Securities or Coupons to or upon the Trustee shall be deemed to have been sufficiently given or served by being deposited postage prepaid, first-class mail (except as otherwise specifically provided herein) addressed (until another address of the Trustee is filed by the Trustee with the Issuer) to 450 West 33rd Street, 15th Floor, New York, New York 10001-2697, Attention: Global Trust Services.

Where this Indenture provides for notice to Holders of Registered Securities, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to each Holder entitled thereto, at his last address as it appears in the Security

register. In any case where notice to such Holders is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Holder shall affect the sufficiency of such notice with respect to other Holders. Where this Indenture provides for notice in any manner, such notice may be waived in writing by the person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice

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by Holders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

In case, by reason of the suspension of or irregularities in regular mail service, it shall be impracticable to mail notice to the Issuer when such notice is required to be given pursuant to any provision of this Indenture, then any manner of giving such notice as shall be reasonably satisfactory to the Trustee shall be deemed to be a sufficient giving of such notice.

SECTION 11.5 Officer's Certificates and Opinions of Counsel; Statements to Be Contained Therein. Upon any application or demand by the Issuer to the Trustee to take any action under the provisions of this Indenture, the Issuer shall furnish to the Trustee an Officer's Certificate stating that all conditions precedent provided for in this Indenture relating to the proposed action have been complied with and an Opinion of Counsel stating that in the opinion of such counsel all such conditions precedent have been complied with, except that in the case of any such application or demand as to which the furnishing of such documents is specifically required by any provision of this Indenture relating to such particular application or demand, no additional certificates or opinion need be furnished.

Each certificate or opinion provided for in this Indenture and delivered to the Trustee with respect to compliance with a condition or covenant provided for in this Indenture shall include (a) a statement that the person making such certificate or opinion has read such covenant or condition, (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based, (c) a statement that, in the opinion of such person, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with and (d) a statement as to whether or not, in the opinion of such person, such condition or covenant has been complied with.

Any certificate, statement or opinion of an officer of the Issuer may be based insofar as it relates to legal matters, upon a certificate or opinion of or representations by counsel, unless such officer knows that the certificate or opinion or representations with respect to the matters upon which his certificate, statement or opinion may be based as aforesaid are erroneous, or in

the exercise of reasonable care should know that the same are erroneous. Any certificate, statement or opinion of counsel may be based, insofar as it relates to factual matters, information with respect to which is in the possession of the Issuer, upon the certificate, statement or opinion of or representations by an officer or officers of the Issuer, unless such counsel knows that the certificate, statement or opinion or representations with respect to the matters upon which his certificate, statement or opinion may be based as aforesaid are erroneous, or in the exercise of reasonable care should know that the same are erroneous.

Any certificate, statement or opinion of an officer of the Issuer or of counsel may be based, insofar as it relates to accounting matters, upon a certificate or opinion of or representations by an accountant or firm of accountants in the employ of the Issuer, unless such officer or counsel, as the case may be, knows that the certificate or opinion or representations with respect to the accounting

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matters upon which his certificate, statement or opinion may be based as aforesaid are erroneous, or in the exercise of reasonable care should know that the same are erroneous.

Any certificate or opinion of any independent firm of public accountants filed with and directed to the Trustee shall contain a statement that such firm is independent. The firm of public accountants shall be selected or approved by the Trustee.

SECTION 11.6 Payments Due on Saturdays, Sundays and Holidays. If the date of maturity of interest on or principal of the Securities of any series or any Coupons appertaining thereto or the date fixed for redemption or repayment of any such Security or Coupon shall not be a Business Day, then payment of interest or principal need not be made on such date, but may be made on the next succeeding Business Day with the same force and effect as if made on the date of maturity or the date fixed for redemption, and no interest shall accrue for the period after such date.

SECTION 11.7 Conflict of Any Provision of Indenture with Trust Indenture Act of 1939. If and to the extent that any provision of this Indenture limits, qualifies or conflicts with the duties imposed by, or with another provision (an "incorporated provision") included in this Indenture by operation of, Sections 310 to 318, inclusive, of the Trust Indenture Act of 1939, such imposed duties or incorporated provision shall control.

SECTION 11.8 New York Law to Govern. This Indenture and each Security and Coupon shall be deemed to be a contract under the laws of the State of New York, and for all purposes shall be construed in accordance with the laws of such State, except as may otherwise be required by mandatory provisions of law.

SECTION 11.9 Counterparts. This Indenture may be executed in any number of counterparts, each of which shall be an original; but such counterparts shall together constitute but one and the same instrument.

SECTION 11.10 Effect of Headings. The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

SECTION 11.11 Securities in a Foreign Currency or in EURO. Unless otherwise specified in an Officer's Certificate delivered pursuant to Section 2.3 of this Indenture with respect to a particular series of Securities, whenever for the purposes of this Indenture any action may be taken by the Holders of a specified percentage in aggregate principal amount of Securities of all series or all series affected by a particular action at the time Outstanding and, at such time, there are Outstanding Securities of any series which are denominated in a coin or currency other than Dollars (including EUROS), then the principal amount of Securities of such series which shall be deemed to be Outstanding for the purpose of taking such action shall be that amount of Dollars that could be obtained for such amount at the Market Exchange Rate. For purposes of this Section 11.11, Market Exchange Rate shall mean the noon Dollar buying rate in New York City for cable transfers of that currency as published by the Federal Reserve Bank of New York; provided, however, in the case of EUROS, Market Exchange Rate shall mean the rate of exchange determined by the Commission of the European Communities (or any successor thereto) as published in the Official Journal of the

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European Communities (such publication or any successor publication, the "Journal"). If such Market Exchange Rate is not available for any reason with respect to such currency, the Trustee shall use, in its sole discretion and without liability on its part, such quotation of the Federal Reserve Bank of New York or, in the case of EUROS, the rate of exchange as published in the Journal, as of the most recent available date, or quotations or, in the case of EUROS, rates of exchange from one or more major banks in The City of New York or in the country of issue of the currency in question, which for purposes of the EURO shall be Brussels, Belgium, or such other quotations or, in the case of EURO, rates of exchange as the Trustee shall deem appropriate. The provisions of this paragraph shall apply in determining the equivalent principal amount in respect of Securities of a series denominated in a currency other than Dollars in connection with any action taken by Holders of Securities pursuant to the terms of this Indenture.

All decisions and determinations of the Trustee regarding the Market Exchange Rate or any alternative determination provided for in the preceding paragraph shall be in its sole discretion and shall, in the absence of manifest error, be conclusive to the extent permitted by law for all purposes and irrevocably binding upon the Issuer and all Holders.

SECTION 11.12 Judgment Currency. The Issuer agrees, to the fullest extent that it may effectively do so under applicable law, that (a) if for the purpose of obtaining judgment in any court it is necessary to convert the sum due in respect of the principal of or interest on the Securities of any series (the "Required Currency") into a currency in which a judgment will be rendered (the "Judgment Currency"), the rate of exchange used shall be the rate at which in accordance with normal banking procedures the Trustee could purchase in The City of New York the Required Currency with the Judgment Currency on the day on which final unappealable judgment is entered, unless such day is not a New York Banking Day, then, to the extent permitted by applicable law, the rate exchange used shall be the rate at which in accordance with normal banking procedures the Trustee could purchase in The City of New York the Required Currency with the Judgment Currency on the New York Banking Day preceding the day on which final unappealable judgment is entered and (b) its obligations under this Indenture to make payments in the Required Currency (i) shall not be discharged or satisfied by any tender, or any recovery pursuant to any judgment (whether or not entered in accordance with subsection (a)), in any currency other than the Required Currency, except to the extent that such tender or recovery shall result in the actual receipt, by the payee, of the full amount of the Required Currency expressed to be payable in respect of such payments, (ii) shall be enforceable as an alternative or additional cause of action for the purpose of recovering in the Required Currency the amount, if any, by which such actual receipt shall fall short of the full amount of the Required Currency so expressed to be payable and (iii) shall not be affected by judgment being obtained for any other sum due under this Indenture. For purposes of the foregoing, "New York Banking Day" means any day except a Saturday, Sunday or a legal holiday in The City of New York or a day on which banking institutions in The City of New York are authorized or required by law or executive order to close.

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ARTICLE TWELVE

REDEMPTION OF SECURITIES AND SINKING FUNDS

SECTION 12.1 Applicability of Article. The provisions of this Article shall be applicable to the Securities of any series which are redeemable before their maturity or to any sinking fund for the retirement of Securities of a series except as otherwise specified as contemplated by Section 2.3 for Securities of such series.

SECTION 12.2 Notice of Redemption; Partial Redemptions. Notice of redemption to the Holders of Registered Securities of any series to be redeemed as a whole or in part at the option of the Issuer shall be given by mailing notice of such redemption by first class mail, postage prepaid, at least 30 days and not more than 60 days prior to the date fixed for redemption to such Holders of Securities of such series at their last addresses as they shall appear upon the registry books. Notice of redemption to the Holders of Unregistered Securities to be redeemed as whole or in part, who have filed their names and

addresses with the Trustee, shall be given by mailing notice of such redemption, by first class mail, postage prepaid, at least 30 days and not more than 60 prior to the date fixed for redemption, to such Holders at such addresses as were so furnished to the Trustee (and, in the case of any such notice given by the Issuer, the Trustee shall make such information available to the Issuer for such purpose). Notice of redemption to all other Holders of Unregistered Securities shall be published in an Authorized Newspaper in the Borough of Manhattan, The City of New York and in an Authorized Newspaper in London (and, if required by Section 3.7, in an Authorized Newspaper in Luxembourg), in each case, once in each of three successive calendar weeks, the first publication to be not less than 30 nor more than 60 days prior to the date fixed for redemption. Any notice which is mailed in the manner herein provided shall be conclusively presumed to have been duly given, whether or not the Holder receives the notice. Failure to give notice by mail, or any defect in the notice to the Holder of any Security of a series designated for redemption as a whole or in part shall not affect the validity of the proceedings for the redemption of any other Security of such series.

The notice of redemption to each such Holder shall specify the principal amount of each Security of such series held by such Holder to be redeemed, the date fixed for redemption, the redemption price, the place or places of payment, that payment will be made upon presentation and surrender of such Securities and, in the case of Securities with Coupons attached thereto, of all Coupons appertaining thereto maturing after the date fixed for redemption, that such redemption is pursuant to the mandatory or optional sinking fund, or both, if such be the case, that interest accrued to the date fixed for redemption will be paid as specified in such notice and that on and after said date interest thereon or on the portions thereof to be redeemed will cease to accrue. In case any Security of a series is to be redeemed in part only the notice of redemption shall state the portion of the principal amount thereof to be redeemed and shall state that on and after the date fixed for redemption, upon surrender of such Security, a new Security or Securities of such series in principal amount equal to the unredeemed portion thereof will be issued.

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The notice of redemption of Securities of any series to be redeemed at the option of the Issuer shall be given by the Issuer or, at the Issuer's request, by the Trustee in the name and at the expense of the Issuer.

On or before the redemption date specified in the notice of redemption given as provided in this Section, the Issuer will deposit with the Trustee or with one or more paying agents (or, if the Issuer is acting as its own paying agent, set aside, segregate and hold in trust as provided in Section 3.4) an amount of money sufficient to redeem on the redemption date all the Securities of such series so called for redemption at the appropriate redemption price, together with accrued interest to the date fixed for redemption. The Issuer will deliver to the Trustee at least 70 days prior to the date fixed for redemption an Officer's Certificate stating the aggregate principal amount of Securities to

be redeemed. In case of a redemption at the election of the Issuer prior to the expiration of any restriction on such redemption, the Issuer shall deliver to the Trustee, prior to the giving of any notice of redemption to Holders pursuant to this Section, an Officer's Certificate stating that such restriction has been complied with.

If less than all the Securities of a series are to be redeemed, the Trustee shall select, in such manner as it shall deem appropriate and fair, Securities of such Series to be redeemed in whole or in part. Securities may be redeemed in part in multiples equal to the minimum authorized denomination for Securities of such series or any multiple thereof. The Trustee shall promptly notify the Issuer in writing of the Securities of such series selected for redemption and, in the case of any Securities of such series selected for partial redemption, the principal amount thereof to be redeemed. For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to the redemption of Securities of any series shall relate, in the case of any Security redeemed or to be redeemed only in part, to the portion of the principal amount of such Security which has been or is to be redeemed.

SECTION 12.3 Payment of Securities Called for Redemption. If notice of redemption has been given as above provided, the Securities or portions of Securities specified in such notice shall become due and payable on the date and at the place stated in such notice at the applicable redemption price, together with interest accrued to the date fixed for redemption, and on and after said date (unless the Issuer shall default in the payment of such Securities at the redemption price, together with interest accrued to said date) interest on the Securities or portions of Securities so called for redemption shall cease to accrue, and the unmatured Coupons, if any, appertaining thereto shall be void, and, except as provided in Sections 6.5 and 10.4, such Securities shall cease from and after the date fixed for redemption to be entitled to any benefit or security under this Indenture, and the Holders thereof shall have no right in respect of such Securities except the right to receive the redemption price thereof and unpaid interest to the date fixed for redemption. On presentation and surrender of such Securities at a place of payment specified in said notice, together with all Coupons, if any, appertaining thereto maturing after the date fixed for redemption, said Securities or the specified portions thereof shall be paid and redeemed by the Issuer at the applicable redemption price, together with interest accrued thereon to the date fixed for redemption; provided that payment of interest becoming due on or prior to the date fixed for redemption shall be payable in the case of Securities with Coupons attached thereto, to the Holders of the Coupons for such interest upon surrender thereof, and in the case of

Registered Securities, to the Holders of such Registered Securities registered as such on the relevant record date subject to the terms and provisions of Sections 2.3 and 2.7 hereof.

If any Security called for redemption shall not be so paid upon surrender thereof for redemption, the principal shall, until paid or duly provided for, bear interest from the date fixed for redemption at the rate of interest or Yield to Maturity (in the case of an Original Issue Discount Security) borne by such Security.

If any Security with Coupons attached thereto is surrendered for redemption and is not accompanied by all appurtenant Coupons maturing after the date fixed for redemption, the surrender of such missing Coupon or Coupons may be waived by the Issuer and the Trustee, if there be furnished to each of them such security or indemnity as they may require to save each of them harmless.

Upon presentation of any Security redeemed in part only, the Issuer shall execute and the Trustee shall authenticate and deliver to or on the order of the Holder thereof, at the expense of the Issuer, a new Security or Securities of such series, of authorized denominations, in principal amount equal to the unredeemed portion of the Security so presented.

SECTION 12.4 Exclusion of Certain Securities from Eligibility for Selection for Redemption. Securities shall be excluded from eligibility for selection for redemption if they are identified by registration and certificate number in an Officer's Certificate delivered to the Trustee at least 40 days prior to the last date on which notice of redemption may be given as being owned of record and beneficially by, and not pledged or hypothecated by either (a) the Issuer or (b) an entity specifically identified in such written statement as directly or indirectly controlling or controlled by or under direct or indirect common control with the Issuer.

SECTION 12.5 Mandatory and Optional Sinking Funds. The minimum amount of any sinking fund payment provided for by the terms of the Securities of any series is herein referred to as a "mandatory sinking fund payment," and any payment in excess of such minimum amount provided for by the terms of the Securities of any series is herein referred to as an "optional sinking fund payment." The date on which a sinking fund payment is to be made is herein referred to as the "sinking fund payment date."

In lieu of making all or any part of any mandatory sinking fund payment with respect to any series of Securities in cash, the Issuer may at its option (a) deliver to the Trustee Securities of such series theretofore purchased or otherwise acquired (except upon redemption pursuant to the mandatory sinking fund) by the Issuer or receive credit for Securities of such series (not previously so credited) theretofore purchased or otherwise acquired (except as aforesaid) by the Issuer and delivered to the Trustee for cancellation pursuant to Section 2.10, (b) receive credit for optional sinking fund payments (not previously so credited) made pursuant to this Section, or (c) receive credit for Securities of such series (not previously so credited) redeemed by the Issuer through any optional redemption provision contained in the terms of such series. Securities so delivered or credited shall be received or credited by the Trustee at the sinking fund redemption price specified in such Securities.

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On or before the 60th day next preceding each sinking fund payment date for any series, the Issuer will deliver to the Trustee an Officer's Certificate (which need not contain the statements required by Section 11.5) (a) specifying the portion of the mandatory sinking fund payment to be satisfied by payment of cash and the portion to be satisfied by credit of Securities of such series and the basis for such credit, (b) stating that none of the Securities of such series has theretofore been so credited, (c) stating that no defaults in the payments of interest or Events of Default with respect to such series have occurred (which have not been waived or cured) and are continuing and (d) stating whether or not the Issuer intends to exercise its right to make an optional sinking fund payment with respect to such series and, if so, specifying the amount of such optional sinking fund payment which the Issuer intends to pay on or before the next succeeding sinking fund payment date. Any Securities of such series to be credited and required to be delivered to the Trustee in order for the Issuer to be entitled to credit therefor as aforesaid which have not theretofore been delivered to the Trustee shall be delivered for cancellation pursuant to Section 2.10 to the Trustee with such Officer's Certificate (or reasonably promptly thereafter if acceptable to the Trustee). Such Officer's Certificate shall be irrevocable and upon its receipt by the Trustee the Issuer shall become unconditionally obligated to make all the cash payments or payments therein referred to, if any, on or before the next succeeding sinking fund payment date. Failure of the Issuer, on or before any such 60th day, to deliver such Officer's Certificate and Securities specified in this paragraph, if any, shall not constitute a default but shall constitute, on and as of such date, the irrevocable election of the Issuer (i) that the mandatory sinking fund payment for such series due on the next succeeding sinking fund payment date shall be paid entirely in cash without the option to deliver or credit Securities of such series in respect thereof and (ii) that the Issuer will make no optional sinking fund payment with respect to such series as provided in this Section.

If the sinking fund payment or payments (mandatory or optional or both) to be made in cash on the next succeeding sinking fund payment date plus any unused balance of any preceding sinking fund payments made in cash shall exceed \$50,000 (or the equivalent thereof in any Foreign Currency or EURO) or a lesser sum in Dollars (or the equivalent thereof in any Foreign Currency or EURO) if the Issuer shall so request with respect to the Securities of any particular series, such cash shall be applied on the next succeeding sinking fund payment date to the redemption of Securities of such series at the sinking fund redemption price together with accrued interest to the date fixed for redemption. If such amount shall be \$50,000 (or the equivalent thereof in any Foreign Currency or EURO) or less and the Issuer makes no such request then it shall be carried over until a sum in excess of \$50,000 (or the equivalent thereof in any Foreign Currency or EURO) is available. The Trustee shall select, in the manner provided in Section 12.2, for redemption on such sinking fund payment date a sufficient principal amount of Securities of such series to absorb said cash, as nearly as may be, and shall (if requested in writing by the Issuer) inform the Issuer of the serial numbers of the Securities of such series (or portions thereof) so selected. Securities shall be excluded from eligibility for redemption under

this Section if they are identified by registration and certificate number in an Officer's Certificate delivered to the Trustee at least 60 days prior to the sinking fund payment date as being owned of record and beneficially by, and not pledged or hypothecated by either (a) the Issuer or (b) an entity specifically identified in such Officer's Certificate as directly or indirectly controlling or controlled by or under direct or indirect common control with the Issuer. The Trustee, in the

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name and at the expense of the Issuer (or the Issuer, if it shall so request the Trustee in writing) shall cause notice of redemption of the Securities of such series to be given in substantially the manner provided in Section 12.2 (and with the effect provided in Section 12.3) for the redemption of Securities of such series in part at the option of the Issuer. The amount of any sinking fund payments not so applied or allocated to the redemption of Securities of such series shall be added to the next cash sinking fund payment for such series and, together with such payment, shall be applied in accordance with the provisions of this Section. Any and all sinking fund moneys held on the stated maturity date of the Securities of any particular series (or earlier, if such maturity is accelerated), which are not held for the payment or redemption of particular Securities of such series shall be applied, together with other moneys, if necessary, sufficient for the purpose, to the payment of the principal of, and interest on, the Securities of such series at maturity.

On or before each sinking fund payment date, the Issuer shall pay to the Trustee in cash or shall otherwise provide for the payment of all interest accrued to the date fixed for redemption on Securities to be redeemed on the next following sinking payment date.

The Trustee shall not redeem or cause to be redeemed any Securities of a series with sinking fund moneys or give any notice of redemption of Securities for such series by operation of the sinking fund during the continuance of a default in payment of interest on such Securities or of any Event of Default except that, where the giving of notice of redemption of any Securities shall theretofore have been made, the Trustee shall redeem or cause to be redeemed such Securities, provided that it shall have received from the Issuer a sum sufficient, for such redemption. Except as aforesaid, any moneys in the sinking fund for such series at the time when any such default or Event of Default shall occur, and any moneys thereafter paid into the sinking fund, shall, during the continuance of such default or Event of Default, be deemed to have been collected under Article Five and held for the payment of all such Securities. In case such Event of Default shall have been waived as provided in Section 5.10 or the default cured on or before the 60th day preceding the sinking fund payment date in any year, such moneys shall thereafter be applied on the next succeeding sinking fund payment date in accordance with this Section to the redemption of such Securities.

IN WITNESS WHEREOF, the parties hereto to have cause this Indenture to be

duly executed all as of _____, 1999.

TENNECO PACKAGING INC.
(to be renamed _____)

By: _____
Name:
Title:

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Attest:

Assistant Secretary

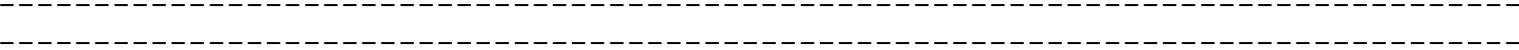
THE CHASE MANHATTAN BANK, TRUSTEE

By: _____
Name: Ronald J. Halleran
Title: Second Vice President

Attest:

Assistant Secretary

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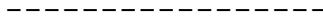


TENNECO INC.

AND

THE CHASE MANHATTAN BANK,

AS TRUSTEE



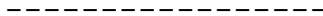
ELEVENTH SUPPLEMENTAL INDENTURE

DATED AS OF _____, 1999

TO

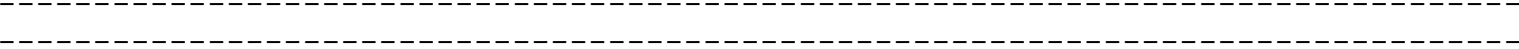
INDENTURE

DATED AS OF NOVEMBER 1, 1996



PROVIDING FOR AMENDMENTS

TO THE INDENTURE



TENNECO INC., a corporation duly organized and existing under the laws of the State of Delaware (hereinafter "Tenneco"), and THE CHASE MANHATTAN BANK, a New York banking corporation, as trustee (hereinafter called the "Trustee").

WHEREAS, Tenneco has heretofore executed and delivered to the Trustee an indenture dated as of November 1, 1996 (as amended through the date hereof, hereinafter called the "Original Indenture"), to provide for the issuance of an unlimited amount of debentures, notes and/or other debt obligations of Tenneco (hereinafter referred to as the "Securities"), the terms of which are to be determined as set forth in Article 2 of the Original Indenture; and

WHEREAS, ss.8.2 of the Original Indenture provides that Tenneco and the Trustee may enter into indentures supplemental to the Original Indenture for, among other things, the purpose of amending the Indenture with the consent of the holders of at least a majority in aggregate principal amount of the Securities then outstanding; and

WHEREAS, the holders of at least a majority in aggregate principal amount of the outstanding Securities have consented to the amendments to the Original Indenture hereinafter set forth and the execution of this Eleventh Supplemental Indenture; and

WHEREAS, Tenneco and the Trustee desire to enter into this Eleventh Supplemental Indenture to effect the amendments to the Original Indenture;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants herein contained, and of the acceptance of this trust by the Trustee, and of the sum of one dollar to Tenneco duly paid by the Trustee at the execution and delivery of these presents, and of other valuable consideration of the receipt whereof is hereby acknowledged,

IT IS HEREBY COVENANTED, DECLARED AND AGREED by and between the parties hereto, for the benefit of holders of the Securities issued under the Original Indenture, as follows:

SECTION 1.

DEFINITIONS

As used herein, the following terms shall have the meanings set forth below.

"Cash Tender Offers" means Tenneco's offers to purchase for cash certain series of Securities issued under the Original Indenture pursuant to the Offer to Purchase and Consent Solicitation of Tenneco dated _____, 1999, as amended from time to time.

"Consent Solicitation" means Tenneco's solicitation of consents to amendments to the Original Indenture and the execution of this Eleventh Supplemental Indenture pursuant to the Exchange Offers and Cash Tender Offers.

"Debt Realignment" means the realignment, prior to the Spin-off, of Tenneco's debt through some combination of tender offers, exchange offers, prepayments and other refinancings.

"Exchange Offers" means Tenneco's offers to exchange notes and debentures issued by Tenneco Packaging Inc. for certain Securities issued under the Original Indenture pursuant to the Prospectus and Consent Solicitation of Packaging and Tenneco dated _____, 1999, as amended from time to time.

"Exchange Securities" means the series of Securities subject to the Exchange Offers.

"Original Indenture" means the Indenture, dated November 1, 1996, between Tenneco Inc. (formerly New Tenneco Inc.) and The Chase Manhattan Bank, as trustee, as amended.

"Packaging" means Tenneco Packaging Inc. (to be renamed), a Delaware corporation.

"Spin-off" means the distribution of all Packaging common stock to the holders of Tenneco common stock at a ratio of one share of Packaging common stock for each share of Tenneco common stock.

"Tender Securities" means the series of Securities subject to the Cash Tender Offers.

"Tenneco" means Tenneco Inc., a Delaware corporation.

"Trustee" means The Chase Manhattan Bank, as trustee under the Original Indenture.

SECTION 2.

WAIVER

Subject to Section 3.2 of this Eleventh Supplemental Indenture, the application of the covenants contained in Sections 3.6, 9.1, 9.2 and 9.3 of the Original Indenture is hereby waived to the extent required to effect the Spin-off, including, without limitation, to effect the Debt Realignment (the "Waiver").

SECTION 3.

OPERATION OF AMENDMENTS AND WAIVER

SECTION 3.1. Upon the execution and delivery of this Eleventh Supplemental Indenture by Tenneco and the Trustee, the Original Indenture shall be amended and supplemented in accordance herewith, and this Eleventh Supplemental Indenture shall form a part of the Original Indenture for all purposes, and every holder of Securities heretofore or hereafter authenticated and delivered under the Original Indenture shall be bound hereby, as hereby amended and

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supplemented; provided, however, that the provisions of the Eleventh Supplemental Indenture, except as described in Section 3.2 with respect to the Waiver, shall not become operative until Tenneco has notified the Trustee that it has accepted for exchange or payment the Exchange Securities and/or Tender Securities, as the case may be, tendered pursuant to the Exchange Offers and/or Tender Offers which represent at least a majority of all Securities outstanding under the Original Indenture (and at such time the provisions of this Eleventh Supplemental Indenture shall automatically become operative without the requirement of any further action by or notice to Tenneco, the Trustee or any holder of Exchange Securities or Tender Securities).

SECTION 3.2. The Waiver shall become operative immediately upon the execution and delivery of this Eleventh Supplemental Indenture by Tenneco and the Trustee. However, if Exchange Securities and/or Tender Securities which represent at least a majority of all Securities outstanding under the Original Indenture are not accepted for exchange or purchase, as the case may be, because the related Exchange Offers, Cash Tender Offers or Consent Solicitation are terminated or withdrawn, the Waiver will cease to be operative.

SECTION 4.

AMENDMENTS TO THE ORIGINAL INDENTURE

SECTION 4.1. Section 1.1 of the Original Indenture is hereby amended to eliminate the following provisions:

"Attributable Debt" means, as to any particular lease under which any Person is at the time liable, at any date as of which the amount thereof is to be determined, the total net amount of rent required to be paid by such Person under such lease during the remaining term thereof, discounted from the respective due dates thereof to such date at the Composite Rate. The net amount

of rent required to be paid under any such lease for any such period shall be the aggregate amount of the rent payable by the lessee with respect to such period after excluding amounts required to be paid on account of maintenance and repairs, financing services, insurance, taxes, assessments, water or electrical rates, contingent rents (such as those based on sales) and similar charges. In the case of any lease which is terminable by the lessee upon the payment of a penalty, such net amount shall also include the amount of such penalty, but no rent shall be considered as required to be paid under such lease subsequent to the first date upon which it may be so terminated.

"Consolidated Net Tangible Assets" shall mean, at any date, the total assets appearing on the consolidated balance sheet of the Issuer and its consolidated Subsidiaries for the Issuer's most recently completed fiscal quarter, prepared in accordance with generally accepted accounting principles, less (a) all current liabilities shown on such balance sheet and (b) Intangible Assets. "Intangible Assets" means the value (net of applicable reserves), as shown on or reflected in such balance sheet, of: (i) all trade names, trademarks, licenses, patents, copyrights and goodwill; (ii) organizational or development costs; (iii) deferred charges (other

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than prepaid items such as insurance, taxes, interest, commissions, rents and similar items and tangible assets being amortized); and (iv) unamortized debt discount and expense, less premium.

"Debt" of any Person shall mean any debt for money borrowed which is issued, assumed, incurred or guaranteed in any manner by such Person.

"Exempted Debt" shall mean the sum of (a) Debt of the Issuer and its Subsidiaries incurred after the date as of which this Indenture is dated and secured by liens created, assumed or permitted to exist pursuant to Section 3.6(b) and (b) Attributable Debt of the Issuer and its Subsidiaries in respect of all sale and leaseback transactions entered into pursuant to Section 3.6(d).

"Mortgage" shall have the meaning set forth in Section 3.6(a).

"Principal Manufacturing Property" shall mean any manufacturing plant or any testing or research and development facility of the Issuer or a Subsidiary located in the United States of America (other than its territories and possessions) unless, in the opinion of the Board of Directors, such plant or facility is not of material importance to the total business conducted by the Issuer and its consolidated Subsidiaries. Principal Manufacturing Property shall include, without limitation, additions, improvements, replacements, repairs, fixtures, appurtenances or component parts of any such plant or facility attaching to or required to be attached to property or assets pursuant to the terms of any Mortgage (including, without limitation, pursuant to any

"after-acquired property" clause or similar term thereof).

"Restricted Subsidiary" shall mean any Subsidiary that owns or is the lessee of any Principal Manufacturing Property; provided, however, that the term "Restricted Subsidiary" does not include any Subsidiary acquired or organized for the purpose of acquiring the stock or business or assets of any Person other than the Issuer or any Restricted Subsidiary, whether by merger, consolidation, acquisition of stock or assets or similar transaction, so long as such Subsidiary does not acquire all or any substantial part of the business or assets of the Issuer or any other Restricted Subsidiary.

SECTION 4.2. Section 3.6 of the Original Indenture is hereby amended and restated in its entirety to read as follows:

"SECTION 3.6. Negative Pledge; Limitation on Sale and Leaseback Transactions.

Intentionally Deleted by Amendment."

SECTION 4.3. Section 9.1 of the Original Indenture is hereby amended and restated in its entirety to read as follows:

"SECTION 9.1. Covenant Not to Merge Consolidate, Sell or Convey Property Except Under Certain Conditions.

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Intentionally Deleted by Amendment."

SECTION 4.4. Section 9.2 of the Original Indenture is hereby amended and restated in its entirety to read as follows:

"SECTION 9.2. Successor Corporation Substituted.

Intentionally Deleted by Amendment."

SECTION 4.5. Section 9.3 of the Original Indenture is hereby amended and restated in its entirety to read as follows:

"SECTION 9.3. Opinion of Counsel Delivered to Trustee.

Intentionally Deleted by Amendment."

SECTION 5.

MISCELLANEOUS

SECTION 5.1. EXECUTION AS SUPPLEMENTAL INDENTURE. This Eleventh Supplemental Indenture is executed and shall be construed as an indenture supplemental to the Original Indenture and, as provided in the Original Indenture, this Eleventh Supplemental Indenture forms a part thereof. Except as herein expressly otherwise defined, the use of the terms and expressions herein is in accordance with the definitions, uses and constructions contained in the Original Indenture.

SECTION 5.2. RESPONSIBILITY FOR RECITALS, ETC. The recitals herein shall be taken as the statements of Tenneco, and the Trustee assumes no responsibility for the correctness thereof. The Trustee makes no representations as to the validity or sufficiency of this Eleventh Supplemental Indenture.

SECTION 5.3. PROVISIONS BINDING ON TENNECO'S SUCCESSORS. All the covenants, stipulations, promises and agreements contained in this Eleventh Supplemental Indenture made by Tenneco shall bind its successors and assigns whether so expressed or not.

SECTION 5.4. NEW YORK CONTRACT. This Eleventh Supplemental shall be deemed to be a contract made under the laws of the State of New York, and for all purposes shall be construed in accordance with the laws of said State without regard to principles of conflicts of laws.

SECTION 5.5. EXECUTION AND COUNTERPARTS. This Eleventh Supplemental Indenture may be executed in any number of counterparts, each of which shall be an original but such counterparts shall together constitute but one and the same instrument.

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IN WITNESS WHEREOF, said TENNECO INC. has caused this Eleventh Supplemental Indenture to be executed in its corporate name by its Chairman of the Board or its President or one of its Vice Presidents, and said THE CHASE MANHATTAN BANK has caused this Eleventh Supplemental Indenture to be executed in its corporate name by one of its Vice Presidents, as of _____, 1999.

TENNECO INC.

By:

Vice President

THE CHASE MANHATTAN BANK

By:

Ronald J. Halleran
Assistant Vice President

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THE BUSINESSES OF TENNECO PACKAGING
 COMBINED WITH 50% OWNED UNCONSOLIDATED SUBSIDIARIES
 COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

<TABLE>
 <CAPTION>

	YEARS ENDED DECEMBER 31,						SIX MONTHS ENDED JUNE 30,		
	-----						-----		
	PRO FORMA 1998	1998	1997	1996	1995	1994	PRO FORMA 1999	1999	1998
	(DOLLARS IN MILLIONS)								
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Income (loss) from continuing operations.....	\$ 69	\$ 82	\$ 106	\$ 65	\$ (55)	\$ 18	\$ 47	\$ 52	\$ 69
Add:									
Interest.....	160	133	124	102	91	48	80	68	67
Portion of rentals representative of interest factor.....	12	12	12	8	2	1	8	8	5
Preferred stock dividend requirements of majority-owned subsidiaries.....	1	1	--	--	--	--	--	--	1
Income tax expense (benefit) and other taxes on income.....	58	67	75	67	(3)	19	20	24	37
Amortization of interest capitalized.....	--	--	--	1	1	--	--	--	--
Undistributed (earnings) losses of affiliated companies in which less than a 50% voting interest is owned.....	--	--	--	--	--	--	--	--	--
	-----	-----	-----	-----	-----	-----	-----	-----	-----
Earnings as defined.....	\$ 300	\$ 295	\$ 317	\$ 243	\$ 36	\$ 86	\$ 155	\$ 152	\$ 179
	=====	=====	=====	=====	=====	=====	=====	=====	=====
Interest.....	\$ 160	\$ 133	\$ 124	\$ 102	\$ 91	\$ 48	\$ 80	\$ 68	\$ 67
Interest capitalized.....	1	1	1	3	2	1	--	--	--
Portion of rentals representative of interest factor.....	12	12	12	8	2	1	8	8	5
Preferred stock dividend requirements of majority-owned subsidiaries on a pre-tax basis.....	2	2	--	--	--	--	--	--	1
	-----	-----	-----	-----	-----	-----	-----	-----	-----
Fixed charges as defined...	\$ 175	\$ 148	\$ 137	\$ 113	\$ 95	\$ 50	\$ 88	\$ 76	\$ 73
	=====	=====	=====	=====	=====	=====	=====	=====	=====
Ratio of earnings to fixed charges...	1.71	1.99	2.31	2.15	NM	1.72	1.76	2.00	2.45
	=====	=====	=====	=====	=====	=====	=====	=====	=====

</TABLE>

In 1995 earnings were inadequate to cover fixed charges by \$59 million.

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the use of our report dated July 2, 1999 included in this registration statement and to the incorporation by reference in this registration statement of our report dated February 17, 1999 (except with respect to the matters discussed in Note 2, as to which the date is August 20, 1999) included in the Tenneco Inc. Current Report on Form 8-K dated August 20, 1999, and to all references to our Firm included in this registration statement.

ARTHUR ANDERSEN LLP

Houston, Texas
September 10, 1999

SECURITIES AND EXCHANGE COMMISSION
 Washington, D.C. 20549

FORM T-1

STATEMENT OF ELIGIBILITY
 UNDER THE TRUST INDENTURE ACT OF 1939 OF
 A CORPORATION DESIGNATED TO ACT AS TRUSTEE

CHECK IF AN APPLICATION TO DETERMINE ELIGIBILITY OF
 A TRUSTEE PURSUANT TO SECTION 305(b) (2) _____

THE CHASE MANHATTAN BANK
 (Exact name of trustee as specified in its charter)

NEW YORK	13-4994650
(State of incorporation if not a national bank)	(I.R.S. Employer Identification No.)

270 PARK AVENUE	
NEW YORK, NEW YORK	10017
(Address of principal executive offices)	(Zip Code)

William H. McDavid
 General Counsel
 270 Park Avenue
 New York, New York 10017
 Tel: (212) 270-2611

(Name, address and telephone number of agent for service)

TENNECO PACKAGING INC.
 (Exact name of obligor as specified in its charter)

DELAWARE	36-2552989
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1900 WEST FIELD COURT	
LAKE FOREST, ILLINOIS	60045
(Address of principal executive offices)	(Zip Code)

DEBT SECURITIES
(Title of the indenture securities)

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GENERAL

Item 1. General Information.

Furnish the following information as to the trustee:

(a) Name and address of each examining or supervising authority to which it is subject.

New York State Banking Department, State House, Albany,
New York 12110.

Board of Governors of the Federal Reserve System, Washington,
D.C., 20551

Federal Reserve Bank of New York, District No. 2, 33 Liberty
Street, New York, N.Y.

Federal Deposit Insurance Corporation, Washington, D.C., 20429.

(b) Whether it is authorized to exercise corporate trust powers.

Yes.

Item 2. Affiliations with the Obligor.

If the obligor is an affiliate of the trustee, describe each such affiliation.

None.

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Item 16. List of Exhibits

List below all exhibits filed as a part of this Statement of Eligibility.

1. A copy of the Articles of Association of the Trustee as now in effect, including the Organization Certificate and the Certificates of Amendment dated February 17, 1969, August 31, 1977, December 31, 1980, September 9, 1982, February 28, 1985, December 2, 1991 and July 10, 1996 (see Exhibit 1 to Form T-1 filed in connection with Registration Statement No. 333-06249, which is incorporated by reference).

2. A copy of the Certificate of Authority of the Trustee to Commence Business (see Exhibit 2 to Form T-1 filed in connection with Registration Statement No. 33-50010, which is incorporated by reference. On July 14, 1996, in connection with the merger of Chemical Bank and The Chase Manhattan Bank (National Association), Chemical Bank, the surviving corporation, was renamed The Chase Manhattan Bank).

3. None, authorization to exercise corporate trust powers being contained in the documents identified above as Exhibits 1 and 2.

4. A copy of the existing By-Laws of the Trustee (see Exhibit 4 to Form T-1 filed in connection with Registration Statement No. 333-76439, which is incorporated by reference).

5. Not applicable.

6. The consent of the Trustee required by Section 321(b) of the Act (see Exhibit 6 to Form T-1 filed in connection with Registration Statement No. 33-50010, which is incorporated by reference. On July 14, 1996, in connection with the merger of Chemical Bank and The Chase Manhattan Bank (National Association), Chemical Bank, the surviving corporation, was renamed The Chase Manhattan Bank).

7. A copy of the latest report of condition of the Trustee, published pursuant to law or the requirements of its supervising or examining authority.

8. Not applicable.

9. Not applicable.

SIGNATURE

Pursuant to the requirements of the Trust Indenture Act of 1939 the Trustee, The Chase Manhattan Bank, a corporation organized and existing under the laws of the State of New York, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in the City of New York and State of New York, on the 30th day of July, 1999.

THE CHASE MANHATTAN BANK

By /s/ Ronald J. Halleran

Ronald J. Halleran
Assistant Vice President

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Exhibit 7 to Form T-1

Bank Call Notice

RESERVE DISTRICT NO.2
CONSOLIDATED REPORT OF CONDITION OF

The Chase Manhattan Bank
of 270 Park Avenue, New York, New York 10017
and Foreign and Domestic Subsidiaries,
a member of the Federal Reserve System,

at the close of business March 31, 1999, in
accordance with a call made by the Federal Reserve Bank of this
District pursuant to the provisions of the Federal Reserve Act.

ASSETS

DOLLAR AMOUNTS
IN MILLIONS

Cash and balances due from depository institutions:	
Noninterest-bearing balances and	
currency and coin	\$ 15,364

Interest-bearing balances		3,811
Securities:		
Held to maturity securities.....		1,084
Available for sale securities.....		49,894
Federal funds sold and securities purchased under agreements to resell		27,638
Loans and lease financing receivables:		
Loans and leases, net of unearned income	\$131,839	
Less: Allowance for loan and lease losses	2,642	
Less: Allocated transfer risk reserve	0	

Loans and leases, net of unearned income, allowance, and reserve		129,197
Trading Assets		45,483
Premises and fixed assets (including capitalized leases).....		3,124
Other real estate owned		242
Investments in unconsolidated subsidiaries and associated companies.....		171
Customers' liability to this bank on acceptances outstanding		974
Intangible assets		2,017
Other assets		12,477

TOTAL ASSETS		\$ 291,476
		=====

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LIABILITIES

Deposits		
In domestic offices		\$ 102,273
Noninterest-bearing	\$ 39,135	
Interest-bearing	63,138	
In foreign offices, Edge and Agreement, subsidiaries and IBF's		74,586
Noninterest-bearing.....	\$ 4,221	
Interest-bearing	70,365	
Federal funds purchased and securities sold under agree- ments to repurchase		41,039
Demand notes issued to the U.S. Treasury		1,000
Trading liabilities		32,929

Otherborrowed money (includes mortgage indebtedness and obligations under capitalized leases):	
With a remaining maturity of one year or less	4,353
With a remaining maturity of more than one year.	
through three years.....	14
With a remaining maturity of more than three years.....	92
Bank's liability on acceptances executed and outstanding.....	974
Subordinated notes and debentures	5,427
Other liabilities	9,684
 TOTAL LIABILITIES	 272,371

EQUITY CAPITAL

Perpetual preferred stock and related surplus.....	0
Common stock	1,211
Surplus (exclude all surplus related to preferred stock).....	11,016
Undivided profits and capital reserves	7,040
Net unrealized holding gains (losses)	
on available-for-sale securities	(179)
Accumulated net gains (losses) on cash flow hedges.....	0
Cumulative foreign currency translation adjustments	17
TOTAL EQUITY CAPITAL	19,105
 TOTAL LIABILITIES AND EQUITY CAPITAL	 \$ 291,476

I, Joseph L. Sclafani, E.V.P. & Controller of the above-named bank, do hereby declare that this Report of Condition has been prepared in conformance with the instructions issued by the appropriate Federal regulatory authority and is true to the best of my knowledge and belief.

JOSEPH L. SCLAFANI

We, the undersigned directors, attest to the correctness of this Report of Condition and declare that it has been examined by us, and to the best of our knowledge and belief has been prepared in conformance with the instructions issued by the appropriate Federal regulatory authority and is true and correct.

WALTER V. SHIPLEY)
THOMAS G. LABRECQUE) DIRECTORS
WILLIAM B. HARRISON, JR.)

<TABLE> <S> <C>

<ARTICLE> 5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE BUSINESSES TENNECO PACKAGING COMBINED. FINANCIAL STATEMENTS AND IS QUALIFIED IN ITE ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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EXHIBIT 99.1

This Letter of Consent/Transmittal is being used with respect to the following series of outstanding debt securities (the "Original Securities") of Tenneco Inc., a Delaware corporation ("Tenneco"). Check only one*.

<TABLE>
 <CAPTION>

<S>	<C>	CUSIP NO. -----	TITLE OF SECURITY -----

</TABLE>

[]
 []

LETTER OF CONSENT/TRANSMITTAL
 OF
 TENNECO INC.
 TO TENDER FOR EXCHANGE AND GIVE CONSENT
 PURSUANT TO THE PROSPECTUS AND CONSENT SOLICITATION OF TENNECO AND
 TENNECO PACKAGING INC. (TO BE RENAMED)

DATED _____, 1999

EACH OF THE EXCHANGE OFFERS WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON _____, 1999, UNLESS EXTENDED (THE "EXPIRATION TIME") OR EARLIER TERMINATED. THE CONSENT SOLICITATION WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON _____, 1999, UNLESS EXTENDED (THE "EARLY EXCHANGE TIME") OR EARLIER TERMINATED. HOLDERS MUST TENDER BEFORE THE EARLY EXCHANGE TIME TO BE ELIGIBLE TO RECEIVE THE EARLY EXCHANGE PREMIUM, AS DESCRIBED BELOW.

TENDERED SECURITIES MAY BE WITHDRAWN AND CONSENTS MAY BE REVOKED AT ANY TIME BEFORE THE EARLIER OF (1) THE EARLY EXCHANGE TIME AND (2) 5:00 P.M., NEW YORK CITY TIME, ON THE DATE THAT TENNECO PUBLICLY ANNOUNCES IT HAS RECEIVED THE REQUIRED CONSENTS, AS DESCRIBED BELOW ("THE WITHDRAWAL TIME").

If you desire to accept any of the Exchange Offers (as defined below), this Letter of Consent/ Transmittal should be completed, signed, and submitted to the Exchange Agent (as defined below):

THE CHASE MANHATTAN BANK

<TABLE>
 <CAPTION>

<S>	<C>	<C>
By Hand:	By Registered Mail or Overnight Delivery:	By Facsimile:
Corporate Trust Securities Window 55 Water Street Room 234 North Building New York, NY 10041 Attn: Carlos Esteves	The Chase Manhattan Bank Money Market Operations 55 Water Street Room 234 North Building New York, NY 10041 Attn: Carlos Esteves	(212) 638-7380 or (212) 638-7381 Confirm by Telephone: (212) 638-0828

</TABLE>

DELIVERY OF THIS LETTER OF CONSENT/TRANSMITTAL TO AN ADDRESS, OR TRANSMISSION VIA FACSIMILE TO A TELEPHONE NUMBER, OTHER THAN AS SET FORTH ABOVE WILL NOT CONSTITUTE A VALID DELIVERY.

 * If more than one series of Original Securities is being tendered, it is necessary to return a separate form in respect of each series. Please check the appropriate box at the top of this page to indicate the series of Original Securities to which this Letter of Consent/Transmittal relates.

For any questions regarding this Letter of Consent/Transmittal or for any additional information, you may contact the Information Agent:

GEORGESON & COMPANY INC.
Wall Street Plaza
New York, NY 10005

Banks and Brokers Call Collect: (212) 440-9800

All Others Call Toll Free: (800) 223-2064

This Letter of Consent/Transmittal (the "Letter of Transmittal") is to be used to accept an Exchange Offer pursuant to the Prospectus and Consent Solicitation of Tenneco and Tenneco Packaging Inc. (to be renamed _____), a Delaware corporation ("Packaging"), dated _____, 1999 (the "Prospectus"). This Letter of Transmittal must be used to accept an Exchange Offer if certificates representing Original Securities are to be physically delivered to The Chase Manhattan Bank, as exchange agent (the "Exchange Agent"). This Letter of Transmittal may be used to accept an Exchange Offer if Original Securities are to be tendered by effecting a book-entry transfer into the Exchange Agent's account at The Depository Trust Company ("DTC") and instructions are not being transmitted through DTC's Automated Tender Offer Program ("ATOP").

Holders of Original Securities that are tendering by book-entry transfer to the Exchange Agent's account at DTC can execute the tender through ATOP, for which the Exchange Offers will be eligible. DTC participants that are accepting the Exchange Offers may transmit their acceptance to DTC, which will verify the acceptance and execute a book-entry delivery to the Exchange Agent's account at DTC. DTC will then send an "agent's message" (as described in the Prospectus) to the Exchange Agent for its acceptance. Delivery of the agent's message by DTC will satisfy the terms of the Exchange Offers as to execution and delivery of a Letter of Transmittal by the participant identified in the agent's message.

DELIVERY OF DOCUMENTS TO DTC DOES NOT CONSTITUTE DELIVERY TO THE EXCHANGE AGENT.

HOLDERS WHO DESIRE TO TENDER THEIR ORIGINAL SECURITIES PURSUANT TO AN EXCHANGE OFFER ARE REQUIRED TO DELIVER THEIR CONSENT (AS DEFINED BELOW) TO AMENDMENTS TO THE INDENTURE UNDER WHICH TENNECO ISSUED THE ORIGINAL SECURITIES. THESE AMENDMENTS WOULD ELIMINATE THE RESTRICTIONS ON TENNECO'S OPERATIONS CURRENTLY CONTAINED IN THAT INDENTURE. THE COMPLETION, EXECUTION AND DELIVERY OF THIS LETTER OF TRANSMITTAL CONSTITUTES THE DELIVERY OF A CONSENT WITH RESPECT TO THE ORIGINAL SECURITIES TENDERED. HOLDERS MAY NOT DELIVER CONSENTS WITHOUT TENDERING ORIGINAL SECURITIES.

ANY NEW SECURITIES (AS DEFINED BELOW) ISSUED IN EXCHANGE FOR ORIGINAL SECURITIES WILL BE ISSUED ONLY IN BOOK-ENTRY FORM THROUGH DTC, WHICH MEANS THAT NO EXCHANGING HOLDER WILL RECEIVE CERTIFICATES EVIDENCING ANY NEW SECURITIES.

Subject to the terms and conditions of each Exchange Offer and the Consent Solicitation and applicable law, Tenneco will make payment for the Original Securities accepted for exchange by depositing with the Exchange Agent: (1) New Securities (in book-entry form); (2) cash for the payment of any applicable early exchange premium as described in the Prospectus; and (3) cash for the payment of any applicable accrued but unpaid interest on Original Securities. This will occur on the first New York Stock Exchange trading day after Tenneco accepts the related Original Securities for exchange. The Exchange Agent will act as agent for the tendering holders for the purpose of receiving payments and/or New Securities (in book-entry form) from Tenneco and then delivering payments and/or New Securities (in book-entry form) to or at the direction of those holders. The Exchange Agent will make this delivery on the same day Tenneco deposits payment for the Original Securities, or as soon thereafter as practicable.

The undersigned should complete, execute and deliver this Letter of Transmittal to indicate the action the undersigned desires to take with respect to the Exchange Offers and Consent Solicitation (as defined below).

TENDER OF ORIGINAL SECURITIES

[] CHECK HERE IF ORIGINAL SECURITIES ARE BEING DELIVERED WITH THIS LETTER OF TRANSMITTAL.

[] CHECK HERE IF ORIGINAL SECURITIES ARE BEING DELIVERED BY BOOK-ENTRY TRANSFER MADE TO THE ACCOUNT MAINTAINED BY THE EXCHANGE AGENT WITH DTC AND COMPLETE THE FOLLOWING (ONLY PARTICIPANTS IN DTC MAY DELIVER ORIGINAL SECURITIES BY BOOK-ENTRY TRANSFER):

NAME OF TENDERING INSTITUTION:

ACCOUNT NUMBER:

TRANSACTION CODE NUMBER:

Holders who wish to tender their Original Securities and deliver a Consent must, at a minimum, complete columns (1) through (4) in the table below entitled "Description of Original Securities Tendered and in Respect of Which Consent is Given" and sign in the appropriate box below. IF ONLY THOSE COLUMNS ARE COMPLETED, THE HOLDER WILL BE DEEMED TO HAVE DELIVERED A CONSENT IN RESPECT OF, AND TO HAVE TENDERED, ALL ORIGINAL SECURITIES LISTED IN THE TABLE. If a holder wishes to tender less than all of such Original Securities, column (5) must be completed in full. See Instruction 2.

3

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List below the Original Securities to which this Letter of Transmittal relates. If the space provided is inadequate, list the certificate number and principal amounts on a separately executed schedule and affix the schedule to this Letter of Transmittal. Tenders of Original Securities will be accepted only in principal amounts of \$1,000 or integral multiples of \$1,000.

<TABLE>

DESCRIPTION OF ORIGINAL SECURITIES TENDERED AND IN RESPECT OF WHICH CONSENT IS GIVEN				
NAME(S) AND ADDRESS(ES) OF REGISTERED HOLDER(S), OR NAME OF DTC PARTICIPANT AND PARTICIPANT'S DTC ACCOUNT NUMBER IN WHICH ORIGINAL SECURITIES ARE HELD (PLEASE FILL IN IF BLANK) (1)	SERIES OF ORIGINAL SECURITIES* (2)	CERTIFICATE NUMBER(S) ** (3)	AGGREGATE PRINCIPAL AMOUNT REPRESENTED BY CERTIFICATE(S) (4)	AGGREGATE PRINCIPAL AMOUNT TENDERED AND IN RESPECT OF WHICH CONSENT IS GIVEN (IF LESS THAN ALL) *** (5)
<S>	<C>	<C>	<C>	<C>

TOTAL PRINCIPAL AMOUNT TENDERED

* Indicate applicable series of Original Securities:

** Need not be completed by persons tendering by book-entry transfer.

*** Unless otherwise indicated in this column, it will be assumed that the entire aggregate principal amount represented by the Original Securities identified above is being tendered. A tendering holder is required to deliver a Consent with respect to all Original Securities tendered by that holder. Completion of column (4) will constitute a Consent in respect of such Original Securities, unless less than all such Original Securities are to be tendered as specified in column (5), in which case Consents only with respect to such lesser amount of such Original Securities tendered shall be given. See Instruction 2.

</TABLE>

The names and addresses of the registered holders should be printed, if not already printed above, exactly as they appear on the Original Securities tendered hereby. The series and the principal amount of Original Securities that the undersigned wishes to tender should be indicated in the appropriate boxes.

4

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NOTE: SIGNATURES MUST BE PROVIDED BELOW.
PLEASE READ THE ACCOMPANYING INSTRUCTIONS CAREFULLY.

Ladies and Gentlemen:

The undersigned hereby consents (the "Consent") to the proposed amendments (the "Proposed Amendments") to the indenture dated as of November 1, 1996 (as amended prior to the date hereof, the "Original Indenture") between Tenneco (formerly known as New Tenneco Inc.) and The Chase Manhattan Bank, as trustee (the "Trustee") as described in the Prospectus, with respect to, and hereby tenders to Tenneco, the principal amount of Original Securities indicated in the table above entitled "Description of Original Securities Tendered and in Respect of Which Consent is Given," upon the terms and subject to the conditions set forth in the Prospectus (receipt of which is hereby acknowledged) and in this Letter of Transmittal. These terms and conditions together constitute (1) Tenneco's offers to exchange (the "Exchange Offers") newly issued debt securities of Packaging (the "New Securities") for the applicable series of Original Securities, as described in the Prospectus, properly tendered and accepted for exchange, and (2) Tenneco's solicitation of Consents to the Proposed Amendments (the "Consent Solicitation"). The Proposed Amendments will be effected through the execution and delivery by Tenneco and the Trustee of a supplemental indenture, as described in the Prospectus (the "Supplemental Indenture").

The undersigned hereby agrees and acknowledges that, by the execution and delivery hereof, the undersigned delivers the written Consent to the Proposed Amendments with respect to the principal amount of Original Securities indicated in the table above entitled "Description of Original Securities Tendered and in Respect of Which Consent is Given." The undersigned understands that the Consent delivered hereby shall remain in full force and effect unless and until such Consent is revoked in accordance with the procedures set forth in the Prospectus and this Letter of Transmittal. The undersigned understands that after the Withdrawal Time, no Consents may be revoked. To amend the Original Indenture, Tenneco must receive Consents from the registered holders of at least a majority in aggregate principal amount of all outstanding debt securities issued under the Original Indenture, voting as a single class (the "Required Consents"). The undersigned understands that the Proposed Amendments will not become operative unless and until Tenneco accepts for exchange or purchase debt securities issued under the Original Indenture that represent at least the Required Consents, whether tendered in the Exchange Offers or Tenneco's concurrent cash tender offers. The undersigned acknowledges that a limited waiver of some provisions of the Original Indenture will apply between the time Tenneco executes the Supplemental Indenture and the time it closes on the Exchange Offers and concurrent cash tender offers. This waiver will terminate if the Proposed Amendments do not take effect.

Tenneco's obligation to accept for payment, and to pay for, Original Securities validly tendered pursuant to the Exchange Offers is conditioned upon, among other things, satisfaction or Tenneco's waiver of the following conditions: (1) receipt by Tenneco of the Required Consents; (2) any and all conditions to Tenneco's concurrent cash tender offers (as described in the Prospectus); and (3) any and all conditions to Tenneco's planned spin-off of Packaging to its public stockholders (as described in the Prospectus).

Subject to, and effective upon, the acceptance for payment of, and payment for, the principal amount of Original Securities tendered herewith in accordance with the terms and subject to the conditions of the Exchange Offers, the undersigned hereby sells, assigns and transfers to, or upon the order of, Tenneco, all right, title and interest in and to all of the Original Securities tendered hereby and also consents to the Proposed Amendments with respect to such Original Securities. The undersigned hereby irrevocably constitutes and appoints the Exchange Agent the true and lawful agent and attorney-in-fact of the undersigned (with full knowledge that the Exchange Agent also acts as the agent of Tenneco) with respect to such Original Securities, with full powers of substitution and revocation (such power of attorney being deemed to be an irrevocable power coupled with an interest) to: (i) present such Original Securities and all evidences of transfer and authenticity to, or transfer ownership of, such Original Securities on the account books maintained by DTC to, or upon the order of, Tenneco; (ii) present such Original Securities for transfer of ownership on the books of Tenneco; (iii) receive all benefits and otherwise exercise all rights of beneficial ownership of such Original Securities; and (iv) deliver to Tenneco and the Trustee this Letter of Transmittal

as evidence of the undersigned's Consent to the Proposed Amendments and as certification that the Required Consents to the Proposed Amendments (duly executed by holders) have been received, all in accordance with the terms and conditions of the Exchange Offers and the Consent Solicitation as described in the Prospectus.

If the undersigned is not the registered holder of the Original Securities listed in the box above labeled "Description of Original Securities Tendered and in Respect of Which Consent is Given," or such holder's legal representative or attorney-in-fact, then in order to validly consent, the undersigned will have to obtain a properly completed irrevocable proxy that authorizes the undersigned (or the undersigned's legal representative or attorney-in-fact) to deliver Consents in respect of such Original Securities on behalf of the holder thereof, and such proxy will have to be delivered with this Letter of Transmittal.

The undersigned understands that tenders of Original Securities may be withdrawn, and Consents may be revoked, at any time prior to the Withdrawal Time. A valid withdrawal of tendered Original Securities prior to the Withdrawal Time will constitute the concurrent valid revocation of such holder's related Consents in respect of such Original Securities. In order for a holder to revoke a Consent, such holder must withdraw the related tendered Original Securities. In the event of a termination of the Exchange Offers, the Original Securities tendered pursuant to the Exchange Offers will be returned to the tendering holders promptly (or in the case of Original Securities tendered by book-entry transfer, such Original Securities will be credited to the account maintained at DTC from which such Original Securities were delivered). If Tenneco makes a material change in the terms of the Exchange Offers or the Consent Solicitation or the information concerning the Exchange Offers or the Consent Solicitation, Tenneco will disseminate additional offer and solicitation materials and extend the Exchange Offers or, if applicable, the Consent Solicitation, if and to the extent required by law.

The undersigned understands that tenders of Original Securities pursuant to any of the procedures described in the Prospectus and in the instructions hereto and acceptance of such Original Securities by Tenneco will constitute a binding agreement between the undersigned and Tenneco upon the terms and subject to the conditions of the Exchange Offers and Consent Solicitation. For purposes of the Exchange Offers, the undersigned understands that validly tendered Original Securities (or defectively tendered Original Securities with respect to which Tenneco has, or has caused to be, waived such defect) will be deemed to have been accepted by Tenneco if, as and when Tenneco gives written or oral (followed by written) notice thereof to the Exchange Agent. For purposes of the Consent Solicitation, the undersigned understands that Consents received by the Exchange Agent will be deemed to have been accepted when (1) Tenneco and the Trustee under the Original Indenture execute the Supplemental Indenture containing the Proposed Amendments, which is expected to occur promptly after the Withdrawal Time, and (2) Tenneco has accepted the tendered Original Securities underlying those Consents for exchange in the Exchange Offers.

The undersigned hereby represents and warrants that the undersigned has full power and authority to tender, sell, assign and transfer the Original Securities tendered hereby and to deliver the Consent contained herein, and that when such tendered Original Securities are accepted for purchase and payment by Tenneco, Tenneco will acquire good title thereto, free and clear of all liens, restrictions, charges and encumbrances and not subject to any adverse claim or right. The undersigned will, upon request, execute and deliver any additional documents deemed by the Exchange Agent or by Tenneco to be necessary or desirable to complete the sale, assignment and transfer of the Original Securities tendered hereby, to perfect the undersigned's Consent to the Proposed Amendments or to complete the execution of the Supplemental Indenture.

All authority conferred or agreed to be conferred by this Letter of Transmittal shall not be affected by, and shall survive, the death or incapacity of the undersigned, and any obligation of the undersigned hereunder shall be binding upon the heirs, executors, administrators, trustees in bankruptcy, personal and legal representatives, successors and assigns of the undersigned.

The undersigned understands that the delivery and surrender of any Original Securities is not effective, and the risk of loss of the Original Securities does not pass to the Exchange Agent, until receipt by the Exchange Agent of this Letter of Transmittal (or a manually signed facsimile hereof), properly completed and duly executed, together with all accompanying evidences of authority and any other required documents in form satisfactory to Tenneco. All questions as to the form of all documents and the validity (including time of

receipt) and acceptance of tenders and withdrawals of Original Securities and

deliveries of related Consents will be determined by Tenneco, in its sole discretion, which determination shall be final and binding.

Unless otherwise indicated under "Special Issuance Instructions," please issue the check for any applicable early exchange premium and/or accrued interest (as described in the Prospectus) for any Original Securities purchased, and any certificates for Original Securities not tendered or not purchased, in the name(s) of the undersigned (and, in the case of Original Securities tendered by book-entry transfer, by credit to the DTC account specified above). Similarly, unless otherwise indicated under "Special Delivery Instructions," please mail the check for the applicable early exchange premium and/or any accrued interest for any Original Securities purchased, and any certificates for Original Securities not tendered or not purchased (and accompanying documents, as appropriate), to the undersigned at the address shown below the undersigned's signature(s). In the event that both "Special Issuance Instructions" and "Special Delivery Instructions" are completed, please issue a check for any applicable Original Securities purchased in the name(s) of, and forward any certificates for Original Securities not tendered or not purchased to, the person(s) so indicated. The undersigned recognizes that Tenneco has no obligation under the "Special Issuance Instructions" or the "Special Delivery Instructions" provision of this Letter of Transmittal to effect the transfer of any Original Securities from the name of the holder(s) thereof if Tenneco does not accept for payment any of the principal amount of such Original Securities so tendered.

SPECIAL ISSUANCE INSTRUCTIONS
(SEE INSTRUCTIONS 3, 4 AND 5)

To be completed ONLY if certificates for Original Securities in a principal amount not tendered or not accepted for purchase are to be issued in the name of, or checks for any applicable early exchange premium and/or accrued interest are to be issued to the order of, someone other than the person or persons whose signature(s) appears within this Letter of Transmittal.

Issue: Original Securities Checks

(check as applicable)

Name:

(Please Print)

Address:

(Zip Code)

(Taxpayer Identification or Social Security Number)

(See Substitute Form W-9 herein)

SPECIAL DELIVERY INSTRUCTIONS
(SEE INSTRUCTIONS 3, 4 AND 5)

To be completed ONLY if certificates for Original Securities in a principal amount not tendered or not accepted for purchase or checks for any applicable early exchange premium and/or accrued interest are to be sent to someone other than the person or persons whose signature(s) appears within this Letter of Transmittal or issued to an address different from that shown in the box titled "Description of Original Securities Tendered and in Respect of Which Consent is Given" within this Letter of Transmittal.

Issue: Original Securities Checks

(check as applicable)

Name:

(Please Print)

Address:

(Zip Code)

DTC PARTICIPANT INFORMATION
(SEE INSTRUCTION 1)

TO BE COMPLETED BY ALL HOLDERS DELIVERING ORIGINAL SECURITIES. NEW SECURITIES
WILL BE DELIVERED ONLY IN BOOK-ENTRY FORM.

Name of DTC Participant:

DTC Participant Number:

Contact at DTC Participant:

Name:

Telephone No.:

PLEASE SIGN HERE

(TO BE COMPLETED BY ALL TENDERING AND CONSENTING HOLDERS OF ORIGINAL SECURITIES
REGARDLESS OF WHETHER ORIGINAL SECURITIES ARE BEING PHYSICALLY DELIVERED
HEREWITH)

By completing, executing and delivering this Letter of Transmittal, the undersigned hereby consents to the Proposed Amendments with respect to the principal amount of the Original Securities listed in the box above labeled "Description of Original Securities Tendered and in Respect of Which Consent is Given."

This Letter of Transmittal must be signed by the registered holder(s) exactly as the name of such holder appears on certificate(s) for Original Securities or, if tendered by a participant in DTC, exactly as such participant's name appears on a security position listing as owner of Original Securities, or by person(s) authorized to become registered holder(s) by endorsements and documents transmitted herewith. If the signature is by a trustee, executor, administrator, guardian, attorney-in-fact, officer of a corporation or another acting in a fiduciary or representative capacity, please set forth the signatory's full title. See Instruction 3.

SIGNATURE(S) OF REGISTERED HOLDER(S) OR AUTHORIZED SIGNATORY

(See guarantee requirement below)

Dated
-----, 1999

Name(s)

(Please Print)

Capacity

Address

(Including Zip Code)

Area Code and Tel Number

Tax Identification or Social Security No

(Complete Accompanying Substitute Form W-9)

MEDALLION SIGNATURE GUARANTEE
(IF REQUIRED -- SEE INSTRUCTIONS 1 AND 3)

Authorized Signature

[place seal here]

INSTRUCTIONS TO LETTER OF CONSENT/TRANSMITTAL
FORMING PART OF THE TERMS AND CONDITIONS OF THE EXCHANGE OFFERS AND CONSENT
SOLICITATION

1. DELIVERY OF THIS LETTER OF TRANSMITTAL AND ORIGINAL SECURITIES. This Letter of Transmittal is to be completed by holders if (i) certificates representing Original Securities are to be physically delivered to the Exchange Agent herewith by such holders, or (ii) tender of Original Securities is to be made by book-entry transfer to the Exchange Agent's account at DTC, and, in each case, instructions are not being transmitted through ATOP.

All physically delivered Original Securities, or a confirmation of a book-entry transfer into the Exchange Agent's account at DTC of all Original Securities delivered electronically, as well as a properly completed and duly executed Letter of Transmittal (or a manually signed facsimile thereof) or properly transmitted agent's message, and any other documents required by this Letter of Transmittal, must be received by the Exchange Agent at its address set forth herein before the Early Exchange Time (if the holder wishes to be eligible to receive the early exchange premium) or applicable Expiration Time (if the holder wishes to be eligible to participate in the Exchange Offers but does not wish to be eligible to receive the early exchange premium), as the case may be.

Any financial institution that is a participant in DTC may electronically transmit its acceptance of the Exchange Offers by causing DTC to transfer Original Securities to the Exchange Agent in accordance with DTC's ATOP procedures for such transfer prior to the Early Exchange Time or Expiration Time, as the case may be. The Exchange Agent will make available its general participant account for the Original Securities at DTC for purposes of the Exchange Offers. DELIVERY OF A LETTER OF TRANSMITTAL TO DTC WILL NOT CONSTITUTE VALID DELIVERY TO THE EXCHANGE AGENT.

The method of delivery of this Letter of Transmittal, the Original Securities and all other required documents, including delivery through DTC and any acceptance or agent's message delivered through ATOP, is at the option and risk of the tendering holder. If delivery is by mail, registered mail with return receipt requested, properly insured, is recommended. Instead of delivery by mail, it is recommended that the holder use an overnight or hand delivery service. In all cases, sufficient time should be allowed to assure timely delivery.

No Letter of Transmittal or tendered Original Securities should be sent to Tenneco, Packaging, the Information Agent, DTC, Morgan Stanley Dean Witter or Credit Suisse First Boston. Neither Tenneco nor the Exchange Agent is under any obligation to notify any tendering holder of Tenneco's acceptance of tendered Original Securities prior to the closing of the Exchange Offers.

NEW SECURITIES WILL BE DELIVERED ONLY IN BOOK-ENTRY FORM THROUGH DTC AND ONLY TO THE DTC ACCOUNT OF THE TENDERING HOLDER OR THE TENDERING HOLDER'S CUSTODIAN. ACCORDINGLY, A HOLDER WHO TENDERS ORIGINAL SECURITIES MUST SPECIFY IN THE BOX TITLED "DTC PARTICIPANT INFORMATION" THE DTC PARTICIPANT NAME, NUMBER AND CONTACT INFORMATION TO WHICH ANY NEW SECURITIES SHOULD BE DELIVERED.

2. AMOUNT OF TENDERS. Tenders of Original Securities will be accepted only in principal amounts of \$1,000 or integral multiples of \$1,000. If less than the entire principal amount of Original Securities held by the holder is tendered, the holder should fill in the principal amount tendered in column (5) labeled "Aggregate Principal Amount Tendered and in Respect of Which Consent is Given (If Less Than All)" of the box entitled "Description of Original Securities Tendered And in Respect of Which Consent is Given" above. The entire principal amount of Original Securities delivered to the Exchange Agent will be deemed to have been tendered for exchange unless otherwise indicated. If the entire principal amount of all Original Securities held by the holder is not tendered for exchange, then new certificates representing the Original Securities for the principal amount of Original Securities not tendered for exchange will be sent to the holder at its registered address, unless a different address is provided in the box entitled "Special Delivery Instructions" in this Letter of Transmittal, as soon as practicable following the applicable Expiration Time.

3. SIGNATURES ON THE LETTER OF TRANSMITTAL; INSTRUMENTS OF TRANSFER AND ENDORSEMENTS; GUARANTEE OF SIGNATURES. For purposes of this discussion, the term "registered holder" means an owner of record as well as any DTC participant that has Original Securities credited to its DTC account. Except as otherwise

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below, all signatures on this Letter of Transmittal must be guaranteed by a recognized participant in the Securities Transfer Agents Medallion Program, the NYSE Medallion Signature Program or the Stock Exchange Medallion Program (each, a "Medallion Signature Guarantor"). Signatures on the Letter of Transmittal need not be guaranteed if:

- the Letter of Transmittal is signed by the registered physical holder(s) of the Original Securities or by a participant in DTC whose name appears on a security position listing as the owner of the Original Securities and the holder(s) have not completed the portion entitled "Special Issuance Instructions" or "Special Delivery Instructions" on the Letter of Transmittal; or
- the Original Securities are tendered for the account of an "eligible institution."

An "eligible institution" is one of the following firms or other entities identified in Rule 17Ad-15 under the Securities Exchange Act of 1934 (as the terms are defined in the Rule): (a) a bank; (b) a broker, dealer, municipal securities dealer, municipal securities broker, government securities dealer or government securities broker; (c) a credit union; (d) a national securities exchange, registered securities association or clearing agency; or (e) a savings institution.

If the Letter of Transmittal is signed by the registered holder(s) of Original Securities tendered, the signature(s) must correspond with the name(s) as written on the face of the Original Securities without alteration, enlargement or any change whatsoever. If any of the Original Securities tendered are held by two or more registered holders, all of the registered holders must sign the Letter of Transmittal. If any of the Original Securities are registered in different names on different Original Securities, the holders must complete, sign and submit as many separate Letters of Transmittal as there are different registrations of certificates.

In the following cases, the certificates for Original Securities that are tendered must be endorsed or accompanied by an appropriate instrument of transfer, signed exactly as the name of the registered owner appears on the certificates, with the signatures on the certificates or instruments of transfer guaranteed by a Medallion Signature Guarantor:

- if the New Securities issued in the Exchange Offers are to be registered in the name of, or payments are to be made to, a person other than the person whose signature is on the Letter of Transmittal;
- if Original Securities that are not exchanged are to be returned to a person other than the registered owner; or
- if a Letter of Transmittal is signed by a person other than the registered holder(s) of the Original Securities tendered.

In addition, a tender of Original Securities before the Early Exchange Time by someone other than the registered holder must be accompanied by either a valid proxy of, or a Consent signed by, the registered holder(s). This is because Original Securities may not be tendered before the Early Exchange Time without also delivering a Consent with respect to those Original Securities, and only registered holders are entitled to deliver Consents. The signature on the proxy or Consent must be guaranteed by a Medallion Signature Guarantor.

Tenneco will not accept any alternative, conditional, irregular or contingent tenders. By executing the Letter of Transmittal (or facsimile thereof) or transmitting an agent's message, you waive any right to receive any notice of the acceptance of your Original Securities for exchange.

If this Letter of Transmittal or any tendered Original Securities or instruments of transfer are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such persons should so indicate when signing and, unless waived by Tenneco, evidence satisfactory to Tenneco of their authority to so act must be submitted with this Letter of Transmittal.

Beneficial owners whose tendered Original Securities are registered in the

name of a broker, dealer, commercial bank, trust company or other nominee must contact such broker, dealer, commercial bank, trust company or other nominee if they desire to tender such Original Securities.

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4. SPECIAL ISSUANCE AND DELIVERY INSTRUCTIONS. If a check and/or certificates for unpurchased or untendered Original Securities are to be issued in the name of a person other than the signer of this Letter of Transmittal, or if a check is to be sent and/or such Original Securities are to be returned to someone rather than the signer of this Letter of Transmittal or to an address other than that shown above, the appropriate "Special Issuance Instructions" and/or "Special Delivery Instructions" boxes on this Letter of Transmittal should be completed. All Original Securities tendered by book-entry transfer and not accepted for payment will be returned by crediting the account at DTC designated above as the account for which such Original Securities were delivered.

5. TRANSFER TAXES. Tenneco will pay all transfer taxes, if any, applicable to the transfer and sale of Original Securities to Tenneco in the Exchange Offers. If transfer taxes are imposed for any other reason, the amount of those transfer taxes (whether imposed on the registered holder or any other persons) will be payable by the tendering holder. Other reasons transfer taxes could be imposed include: (a) if New Securities in book-entry form and/or substitute Original Securities for Original Securities not exchanged are to be delivered to, or are to be registered or issued in the name of, any person other than the registered holder of the Original Securities tendered; or (b) if tendered Original Securities are registered in the name of any person other than the person signing the Letter of Transmittal. If satisfactory evidence of payment of such taxes or exemption therefrom is not submitted with this Letter of Transmittal, the amount of such transfer taxes will be billed directly to such holder and/or withheld from any payments due with respect to the Original Securities tendered by such holder. It will not be necessary for transfer tax stamps to be affixed to the tendered Original Securities listed in this Letter of Transmittal.

6. BACKUP U.S. FEDERAL INCOME TAX WITHHOLDING; TAX IDENTIFICATION NUMBER. U.S. federal income tax law requires that the holder(s) of any Original Securities which are accepted for exchange (or other payee) must provide the Exchange Agent (as payer) with the holder's correct taxpayer identification number ("TIN"), which, in the case of a holder who is an individual (other than a resident alien), is his or her social security number. For holders other than individuals, such holders' TIN is their employer identification number. If the Exchange Agent is not provided with the correct TIN, the holder (or other payee) may be subject to backup U.S. federal income tax withholding on payments made in exchange for any Original Securities and a penalty may be imposed by the Internal Revenue Service ("IRS"). Backup withholding is not an additional federal income tax. Rather, the amount of tax withheld will be credited against the federal income tax liability of persons subject to backup withholding. If backup withholding results in an over-payment of taxes, a refund may be obtained from the IRS. Exempt holders (including, among others, all corporations and certain foreign individuals) are not subject to these backup withholding and reporting requirements. Each holder should consult with a tax advisor regarding qualifications for exemption from backup withholding and the procedure for obtaining such exemption. See the enclosed "Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9" for additional instructions.

To prevent backup withholding, each holder of tendered Original Securities must provide such holder's correct TIN by completing the Substitute Form W-9 set forth herein, certifying that the TIN provided is correct (or that such holder or other payee is awaiting a TIN), and that either: (1) the holder (or other payee) has not been notified by the IRS that such holder (or other payee) is subject to backup withholding as a result of failure to report all interest or dividends; or (2) if previously so notified, the IRS has notified the holder (or other payee) that such holder (or other payee) is no longer subject to backup withholding. If the tendered Original Securities are registered in more than one name or are not in the name of the actual owner, consult the "Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9" for information on which TIN to report.

Tenneco reserves the right in its sole discretion to take all necessary or appropriate measures to comply with Tenneco's obligation regarding backup withholding.

7. VALIDITY OF TENDERS. All questions concerning the validity, form, eligibility (including time of receipt), acceptance, and withdrawal of tendered Original Securities will be determined by Tenneco in its sole discretion, which determination will be final and binding. Tenneco reserves the absolute right to reject any and all Original Securities not validly tendered or any Original Securities the acceptance of which would, in the

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opinion of its counsel, be unlawful. Tenneco also reserves the absolute right to waive any defects or irregularities in tenders of Original Securities, whether or not similar defects or irregularities are waived in the case of other tendered securities. The interpretation of the terms and conditions of the Exchange Offers and Consent Solicitation (including this Letter of Transmittal and the instructions hereto) by Tenneco shall be final and binding on all parties. Unless waived, any defects or irregularities in connection with tenders of Original Securities must be cured within such time as Tenneco shall determine. Neither Tenneco, the Exchange Agent, nor any other person shall be under any duty to give notification of defects or irregularities with respect to tenders of Original Securities, nor shall any of them incur any liability for failure to give such notification. Tenders of Original Securities will not be deemed to have been made until such defects or irregularities have been cured or waived. Any Original Securities received by the Exchange Agent that are not properly tendered and as to which the defects or irregularities have not been cured or waived will be returned by the Exchange Agent to the holders, unless otherwise provided in this Letter of Transmittal, as soon as practicable following the applicable Expiration Time.

8. WAIVER OF CONDITIONS. Tenneco reserves the absolute right to amend or waive any of the conditions in the Exchange Offers and Consent Solicitation concerning any Original Securities.

9. MUTILATED, LOST, STOLEN, OR DESTROYED SECURITIES. Any holder whose tendered Original Securities have been mutilated, lost, stolen or destroyed should contact the Exchange Agent at the address indicated herein for further instructions.

10. REQUESTS FOR ASSISTANCE OR ADDITIONAL COPIES. Questions and requests for assistance and requests for additional copies of the Prospectus or this Letter of Transmittal may be directed to the Information Agent at the address and telephone number indicated herein. Holders may also contact their broker, dealer, commercial bank, trust company or other nominee for assistance concerning the Exchange Offers and Consent Solicitation.

11. WITHDRAWAL. Tenders may be withdrawn only pursuant to the procedures set forth in the Prospectus under the caption "The Exchange Offers and Consent Solicitation -- Withdrawal Rights."

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IMPORTANT TAX INFORMATION

Under U.S. federal income tax law, a holder who tenders Original Securities for payment and who delivers Consent is required to provide the Exchange Agent (as payer) with such holder's correct TIN on the Substitute Form W-9 below and to certify that the TIN provided on the Substitute Form W-9 is correct (or that such holder is awaiting a TIN) or otherwise establish a basis for exemption from backup withholding. If such holder is an individual, the TIN is his or her social security number. If a holder is a resident alien, such holder is not eligible to obtain a social security number. Such holder must provide the payer with an IRS individual taxpayer identification number (ITIN). If the Exchange Agent is not provided with the correct TIN, a \$50 penalty may be imposed by the IRS, and payments made to such holder with respect to Original Securities purchased pursuant to an Exchange Offer may be subject to backup withholding.

Certain holders (including, among others, certain foreign persons) are not subject to these backup withholding and reporting requirements. Exempt holders (other than certain foreign persons) should indicate their exempt status on Substitute Form W-9. A foreign person may qualify as an exempt recipient by submitting to the Exchange Agent a properly completed IRS Form W-8, signed under penalties of perjury, attesting to that holder's exempt status. A Form W-8 can be obtained from the Exchange Agent. See the enclosed "Guidelines for

that, if I do not provide a taxpayer identification number to the Exchange Agent, 31% of all reportable payments made to me will be withheld until I provide a certified taxpayer identification number.

Signature

-----, 1999
Date

Name (Please Print)

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GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION
NUMBER ON SUBSTITUTE FORM W-9

GUIDELINES FOR DETERMINING THE PROPER IDENTIFICATION NUMBER TO GIVE THE PAYER. Social Security numbers have nine digits separated by two hyphens: i.e. 000-00-0000. Employer identification numbers have nine digits separated by only one hyphen: i.e. 00-0000000. The table below will help determine the number to give the payer.

<TABLE>

<p><C> <S></p> <p>FOR THIS TYPE OF ACCOUNT:</p> <p>1. An individual account</p> <p>2. Two or more individuals (joint account)</p> <p>3. Custodian account of a minor (Uniform Gift to Minors Act)</p> <p>4. a. The usual revocable savings trust account (grantor is also trustee)</p> <p> b. So-called trust account that is not legal or valid trust under state law.</p> <p>5. Sole proprietorship</p> <p>FOR THIS TYPE OF ACCOUNT:</p> <p>6. A valid trust, estate, or pension trust</p> <p>7. Corporate account</p> <p>8. Association, club, religious, charitable, educational or other tax-exempt organization</p> <p>9. Partnership account</p> <p>10. A broker or registered nominee</p> <p>11. Account with the Department of Agriculture in the name of a public entity (such as a state or local government, school district, or prison) that receives agricultural program payments</p>	<p><C></p> <p>GIVE THE SOCIAL SECURITY NUMBER OF-</p> <p>The individual</p> <p>The actual owner of the account or, if combined funds, the first individual on the account(1)</p> <p>The minor(2)</p> <p>The grantor-trustee(1)</p> <p>The actual owner(1)</p> <p>The owner(3)</p> <p>GIVE THE EMPLOYER IDENTIFICATION NUMBER OF-</p> <p>The legal entity(4)</p> <p>The corporation</p> <p>The organization</p> <p>The partnership</p> <p>The broker nominee</p> <p>The public entity</p>
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</TABLE>

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- (1) List first and circle the name of the person whose number you furnish. If only one person on a joint account has an SSN, that person's number must be furnished.
- (2) Circle the minor's name and furnish the minor's social security number.
- (3) You must show your individual name. You may also enter your business or "doing business as" name. You may use either your social security number or your employer identification number.
- (4) List first and circle the name of the legal trust, estate, or pension trust. (Do not furnish the identifying number of the personal representative or trustee unless the legal entity itself is not designated in the account title.)
- NOTE: If no name is circled when there is more than one name listed, the number will be considered to be that of the first name listed.

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GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION
NUMBER ON SUBSTITUTE FORM W-9

PAGE 2

Note: Section references are to the Internal Revenue Code unless otherwise noted.

OBTAINING A NUMBER

If you do not have a taxpayer identification number or you don't know your number, obtain Form SS-5, Application for a Social Security Number Card (for individuals), or Form SS-4, Application for Employer Identification Number (for businesses and all other entities), at the local office of the Social Security Administration or the Internal Revenue Service (the "IRS") and apply for a number.

PAYEES AND PAYMENTS EXEMPT FROM BACKUP WITHHOLDING

The following is a list of payees exempt from backup withholding and for which no information reporting is required. For interest and dividends, all listed payees are exempt except item (9). For broker transactions, payees listed in items (1) through (13) and persons registered under the Investment Advisors Act of 1940 who regularly act as brokers are exempt. Payments subject to reporting under sections 6041 and 6041A are generally exempt from backup withholding only if made to payees described in items (1) through (7), except a corporation (other than certain hospitals described in Regulations section 1.6041-3(c)) that provides medical and health care services or bills and collects payments for such services is not exempt from backup withholding or information reporting. Only payees described in items (1) through (5) are exempt from backup withholding for barter exchange transactions and patronage dividends.

- (1) An organization exempt from tax under section 501(a), or an IRA, or a custodial account under section 403(b)(7), if the account satisfies the requirements of section 401(f)(2).
- (2) The United States or any of its agencies or instrumentalities.
- (3) A state, the District of Columbia, a possession of the United States, or any of their political subdivisions or instrumentalities.
- (4) A foreign government or any of its political sub-divisions, agencies or instrumentalities.
- (5) An international organization or any of its agencies or instrumentalities.
- (6) A corporation
- (7) A foreign central bank of issue.
- (8) A dealer in securities or commodities required to register in the United States, the District of Columbia or a possession of the United States.
- (9) A futures commission merchant registered with the Commodity Futures Trading Commission.
- (10) A real estate investment trust.
- (11) An entity registered at all times during the tax year under the Investment Company Act of 1940.
- (12) A common trust fund operated by a bank under section 584(a).
- (13) A financial institution.
- (14) A middleman known in the investment community as a nominee or listed in the most recent publication of the American Society of Corporate Secretaries, Inc. Nominee List.
- (15) A trust exempt from tax under section 664 or described in Section 4947.

Payments of dividends and patronage dividends that generally are exempt from backup withholding include the following: - Payments to nonresident aliens subject to withholding under section 1441.

- Payments to partnerships not engaged in a trade or business in the U.S. and which have at least one nonresident alien partner.
- Payments of patronage dividends not paid in money.
- Payments made by certain foreign organizations.
- Section 404(k) payments made by an ESOP.

Payments of interest that generally are exempt from backup withholding include the following:

- Payments of interest on obligations issued by individuals. Note: You may be subject to backup withholding if this interest is \$600 or more and is paid in the course of the payer's trade or business and you have not provided your correct taxpayer identification number to the payer.

- Payments of tax-exempt interest (including exempt-interest dividends under section 852).
- Payments described in section 6049(b)(5) to nonresident aliens.
- Payments on tax-free covenant bonds under section 1451.
- Payments made by certain foreign organizations.
- Payments of mortgage interest to you.

Exempt payees described above should file substitute Form W-9 to avoid possible erroneous backup withholding. FILE THIS FORM WITH THE PAYER, FURNISH YOUR TAXPAYER IDENTIFICATION NUMBER, WRITE "EXEMPT" ON THE FACE OF THE FORM AND CHECK THE BOX IN PART 2, SIGN AND DATE THE FORM AND RETURN IT TO THE PAYER. IF YOU ARE A NON-RESIDENT ALIEN OR A FOREIGN ENTITY NOT SUBJECT TO BACKUP WITHHOLDING, FILE WITH PAYER A COMPLETED INTERNAL REVENUE FORM W-8 (CERTIFICATE OF FOREIGN STATUS).

Payments that are not subject to information reporting are also not subject to backup withholding. For details, see sections 6041, 6041A, 6042, 6044, 6045, 6049, 6050A and 6050N and the regulations promulgated thereunder.

PRIVACY ACT NOTICE. Section 6109 requires most recipients of dividend, interest, or other payments to give taxpayer identification numbers to payers who must report the payments to the IRS. The IRS uses the numbers for identification purposes. Payers must generally withhold 31% of taxable interest, dividend, and certain other payments to a payee who does not furnish a taxpayer identification number to a payer. Certain penalties may also apply.

PENALTIES

- (1) PENALTY FOR FAILURE TO FURNISH TAXPAYER IDENTIFICATION NUMBER. If you fail to furnish your correct taxpayer identification number to a requester, you are subject to a penalty of \$50 for each such failure unless your failure is due to reasonable cause and not to willful neglect.
- (2) CIVIL PENALTY FOR FALSE INFORMATION WITH RESPECT TO WITHHOLDING. If you make a false statement with no reasonable basis which results in no imposition of backup withholding, you are subject to a penalty of \$500.
- (3) CRIMINAL PENALTY FOR FALSIFYING INFORMATION. Willfully falsifying certifications or affirmations may subject you to criminal penalties including fines and/or imprisonment.

FOR ADDITIONAL INFORMATION CONTACT YOUR TAX CONSULTANT OR THE INTERNAL REVENUE SERVICE.

18

THE DEALER MANAGERS FOR THE EXCHANGE OFFERS AND CONSENT SOLICITATION ARE:

<TABLE>	
<S>	<C>
MORGAN STANLEY DEAN WITTER	CREDIT SUISSE FIRST BOSTON
1585 Broadway, Second Floor	Eleven Madison Avenue
New York, NY 10036	New York, NY 10010
Attn: Liability Management Group	Attn: Liability Management Group
(800) 624-1808	(800) 820-1653
</TABLE>	

Any questions concerning the terms of the Exchange Offers may be directed to the Dealer Managers.

THE INFORMATION AGENT FOR THE EXCHANGE OFFERS AND CONSENT SOLICITATION IS:

GEORGESON & COMPANY INC.
 Wall Street Plaza
 New York, New York 10005
 Banks and Brokers Call Collect: (212) 440-9800
 All Others Call Toll Free: (800) 223-2064

Any questions concerning tender procedures or requests for additional copies of this document may be directed to the Information Agent.

EXHIBIT 99.2

LETTER TO DTC PARTICIPANTS

MORGAN STANLEY DEAN WITTER
CREDIT SUISSE FIRST BOSTON

[\$]

EXCHANGE OFFERS AND CONSENT SOLICITATION
OUTSTANDING DEBT SECURITIES OF TENNECO INC.
(TO BE RENAMED TENNECO AUTOMOTIVE INC.)
EXCHANGED FOR

NEW DEBT SECURITIES OF TENNECO PACKAGING INC.

(TO BE RENAMED)

EACH OF THE EXCHANGE OFFERS WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON
, 1999, UNLESS EXTENDED (THE "EXPIRATION TIME") OR
EARLIER TERMINATED.

THE CONSENT SOLICITATION WILL EXPIRE AT 5:00 P.M., NEW YORK CITY, ON
, 1999, UNLESS EXTENDED (THE "EARLY EXCHANGE
TIME") OR EARLIER TERMINATED. HOLDERS MUST TENDER BEFORE THE EARLY EXCHANGE TIME
TO BE ELIGIBLE TO RECEIVE THE EARLY EXCHANGE PREMIUM, AS DESCRIBED BELOW.

TENDERED SECURITIES MAY BE WITHDRAWN AND CONSENTS MAY BE REVOKED AT ANY
TIME BEFORE THE EARLIER OF (1) THE EARLY EXCHANGE TIME AND (2) 5:00 P.M., NEW
YORK CITY TIME, ON THE DATE THAT TENNECO PUBLICLY ANNOUNCES IT HAS RECEIVED THE
REQUIRED CONSENTS, AS DESCRIBED BELOW.

To DTC Participants, Including Brokers, Dealers,
Commercial Banks, Trust Companies and Other Nominees:

We have been appointed by Tenneco Inc., a Delaware corporation ("Tenneco"),
to act as Dealer Managers in connection with the offers to exchange, upon the
terms and subject to the conditions set forth in the Prospectus and Consent
Solicitation of Tenneco and Tenneco Packaging Inc. (to be renamed), a Delaware
corporation ("Packaging"), dated , 1999 (the
"Prospectus"), and in the related Letter of Consent/Transmittal enclosed
herewith (the "Letter of Transmittal"), up to [\$] aggregate principal

amount of newly issued debt securities (the "New Securities") of Packaging for any and all of the [\$] aggregate principal amount of certain outstanding securities issued by Tenneco (the "Original Securities") described herein (each such offer is referred to individually as an "Exchange Offer" and collectively as the "Exchange Offers"). In connection with the Exchange Offers, Tenneco is soliciting consents ("Consents") to amendments to the indenture under which Tenneco issued the Original Securities (the "Proposed Amendments") that would eliminate the restrictions on Tenneco's operations currently included in that indenture (the "Consent Solicitation").

For each \$1,000 principal amount of Original Securities validly tendered and accepted for exchange, Tenneco is offering (1) \$1,000 principal amount of the corresponding series of Packaging's New Securities, as

2

shown in the table below, plus (2) the "Early Exchange Premium" shown in the table below for holders who validly tender their Original Securities before the Early Exchange Time.

<TABLE>

<CAPTION>

FOR EACH:		EXCHANGING HOLDERS WILL RECEIVE:	
AGGREGATE PRINCIPAL AMOUNT	\$1,000 PRINCIPAL AMOUNT OF TENNECO'S ORIGINAL SECURITIES	\$1,000 PRINCIPAL AMOUNT OF PACKAGING'S NEW SECURITIES	EARLY EXCHANGE PREMIUM*
<S>	<C>	<C>	<C>

[To come]

</TABLE>

* Tenneco will pay the Early Exchange Premium only for Original Securities validly tendered before the Early Exchange Time, and only if Tenneco accepts those Original Securities for exchange.

Tenneco will also pay accrued but unpaid interest on Original Securities exchanged through the date Tenneco accepts them for exchange. If, however, Tenneco accepts for exchange any particular series of Original Securities after an interest record date for that series and on or before the related interest payment date, accrued but unpaid interest will instead be paid to the holder of those Original Securities as of the record date (if different from the tendering holder).

ANY NEW SECURITIES ISSUED IN EXCHANGE FOR ORIGINAL SECURITIES WILL BE ISSUED ONLY IN BOOK-ENTRY FORM THROUGH THE DEPOSITORY TRUST COMPANY ("DTC"),

WHICH MEANS THAT NO EXCHANGING HOLDER WILL RECEIVE CERTIFICATES EVIDENCING ANY NEW SECURITIES.

Subject to the terms and conditions of each Exchange Offer and the Consent Solicitation and applicable law, Tenneco will make payment for the Original Securities accepted for exchange by depositing with The Chase Manhattan Bank, as exchange agent (the "Exchange Agent"): (1) New Securities (in book-entry form); (2) cash for the payment of any applicable Early Exchange Premium; and (3) cash for the payment of any applicable accrued but unpaid interest on Original Securities. This will occur on the first New York Stock Exchange trading day after Tenneco accepts the related Original Securities for exchange. The Exchange Agent will act as agent for the tendering holders for the purpose of receiving payments and/or New Securities (in book-entry form) from Tenneco and then delivering payments and/or New Securities (in book-entry form) to or at the direction of those holders. The Exchange Agent will make this delivery on the same day Tenneco deposits payment for the related Original Securities, or as soon thereafter as practicable.

For your information and for forwarding to your clients for whom you hold Original Securities registered in your name or in the name of your nominee or who hold Original Securities registered in their own names, we are enclosing the following documents:

1. The Prospectus;
2. The Letter of Transmittal to be used by holders of Original Securities to tender their Original Securities and to Consent to the Proposed Amendments and the execution of a supplemental indenture relating thereto (as described in the Prospectus);
3. A form of letter which may be sent to your clients for whose accounts you hold Original Securities in your name or in the name of your nominees with space provided for obtaining such clients' instructions with regard to the Exchange Offers and Consent Solicitation.
4. Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9; and
5. A return envelope addressed to the Exchange Agent.

YOUR PROMPT ACTION IS REQUESTED. WE URGE YOU TO CONTACT YOUR CLIENTS PROMPTLY.

IMPORTANT: A PROPERLY COMPLETED LETTER OF TRANSMITTAL (OR A FACSIMILE THEREOF) OR A PROPERLY TRANSMITTED "AGENT'S MESSAGE" (AS DESCRIBED IN THE PROSPECTUS), TOGETHER WITH THE ORIGINAL SECURITIES AND ALL OTHER REQUIRED DOCUMENTS, MUST BE RECEIVED BY THE EXCHANGE AGENT PRIOR TO THE EARLY EXCHANGE TIME

2

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WITH RESPECT TO HOLDERS WISHING TO RECEIVE THE EARLY EXCHANGE PREMIUM TOGETHER WITH THE APPLICABLE NEW SECURITIES (IN BOOK-ENTRY FORM) AND ACCRUED INTEREST. A PROPERLY COMPLETED LETTER OF TRANSMITTAL (OR A FACSIMILE THEREOF) OR PROPERLY TRANSMITTED AGENT'S MESSAGE, TOGETHER WITH THE ORIGINAL SECURITIES AND ALL OTHER REQUIRED DOCUMENTS, MUST BE RECEIVED BY THE EXCHANGE AGENT PRIOR TO THE APPLICABLE EXPIRATION TIME WITH RESPECT TO HOLDERS WISHING TO RECEIVE ONLY THE APPLICABLE NEW SECURITIES (IN BOOK-ENTRY FORM) AND ACCRUED INTEREST (BUT NOT THE EARLY EXCHANGE PREMIUM).

Holders of Original Securities who desire to accept an Exchange Offer in respect of their Original Securities must Consent to the Proposed Amendments and the execution of the related supplemental indenture with respect to those Original Securities. The Proposed Amendments and supplemental indenture are described in the Prospectus under the caption "The Proposed Amendments."

CONSUMMATION OF THE EXCHANGE OFFERS AND CONSENT SOLICITATION IS CONDITIONED UPON, AMONG OTHER THINGS, SATISFACTION OR TENNECO'S WAIVER OF THE FOLLOWING CONDITIONS: (1) RECEIPT BY TENNECO OF THE REQUIRED CONSENTS TO AMEND THE INDENTURE UNDER WHICH TENNECO ISSUED THE ORIGINAL SECURITIES (AS DESCRIBED IN THE PROSPECTUS); (2) ANY AND ALL CONDITIONS TO TENNECO'S CONCURRENT CASH TENDER OFFERS (AS DESCRIBED IN THE PROSPECTUS); AND (3) ANY AND ALL CONDITIONS TO TENNECO'S PLANNED SPIN-OFF OF PACKAGING TO ITS PUBLIC STOCKHOLDERS (AS DESCRIBED IN THE PROSPECTUS).

In order to take advantage of the Exchange Offers, a duly executed and properly completed Letter of Transmittal and any signature guarantees, or a properly transmitted agent's message, should be delivered to the Exchange Agent, and certificates representing the tendered Original Securities (or confirmations of book-entry transfer) should be delivered to the Exchange Agent, all in accordance with the instructions set forth in the Letter of Transmittal and the Prospectus.

Neither Tenneco nor Packaging will pay any fees or commissions to any broker, dealer or other person in connection with the solicitation of tenders of Original Securities and Consents pursuant to the Exchange Offers and Consent

Solicitation, except for the Dealer Managers, Information Agent and Exchange Agent as identified and described in the Prospectus. Tenneco will, however, reimburse brokers, dealers, commercial banks and trust companies for customary mailing and handling expenses incurred by them in forwarding material to their customers.

Tenneco will pay or cause to be paid all transfer taxes, if any, with respect to the sale and transfer of any Original Securities to it pursuant to the Exchange Offers, except as otherwise provided in Instruction 5 of the Letter of Transmittal.

Questions and requests for assistance should be addressed to either of the Dealer Managers at the addresses and telephone numbers set forth on the back cover page of the enclosed Prospectus. Requests for additional copies of the enclosed materials should be directed to Georgeson & Company Inc., as Information Agent, at its address and telephone number set forth on the back cover page of the enclosed Prospectus. Such additional copies will be furnished promptly at Tenneco's expense.

Very truly yours,

MORGAN STANLEY DEAN WITTER
CREDIT SUISSE FIRST BOSTON

NOTHING CONTAINED HEREIN OR IN THE ENCLOSED DOCUMENTS IS INTENDED TO CONSTITUTE YOU OR ANY PERSON THE AGENT OF TENNECO, PACKAGING, MORGAN STANLEY DEAN WITTER, CREDIT SUISSE FIRST BOSTON, THE EXCHANGE AGENT, THE INFORMATION AGENT OR ANY OF THEIR AFFILIATES OR AUTHORIZE YOU OR ANY OTHER PERSON TO MAKE ANY STATEMENT ON THEIR BEHALF OTHER THAN STATEMENTS EXPRESSLY MADE IN THE PROSPECTUS OR THE LETTER OF TRANSMITTAL OR USE ANY DOCUMENTS IN CONNECTION WITH THE EXCHANGE OFFERS OR CONSENT SOLICITATION OTHER THAN FOR THE PURPOSES DESCRIBED HEREIN.

EXHIBIT 99.3

LETTER TO BENEFICIAL HOLDERS

[\$]
EXCHANGE OFFERS AND CONSENT SOLICITATION
OUTSTANDING DEBT SECURITIES
OF

TENNECO INC.
(TO BE RENAMED TENNECO AUTOMOTIVE INC.)
EXCHANGED FOR

NEW DEBT SECURITIES OF

TENNECO PACKAGING INC. (TO BE RENAMED)

EACH OF THE EXCHANGE OFFERS WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON
, 1999, UNLESS EXTENDED (THE "EXPIRATION TIME") OR
EARLIER TERMINATED.

THE CONSENT SOLICITATION WILL EXPIRE AT 5:00 P.M., NEW YORK CITY, ON
, 1999, UNLESS EXTENDED ("THE EARLY EXCHANGE
TIME") OR EARLIER TERMINATED. HOLDERS MUST TENDER BEFORE THE EARLY EXCHANGE TIME
TO BE ELIGIBLE TO RECEIVE THE EARLY EXCHANGE PREMIUM, AS DESCRIBED BELOW.

TENDERED SECURITIES MAY BE WITHDRAWN AND CONSENTS MAY BE REVOKED AT ANY TIME
BEFORE THE EARLIER OF (1) THE EARLY EXCHANGE TIME AND (2) 5:00 P.M., NEW YORK
CITY TIME, ON THE DATE THAT TENNECO PUBLICLY ANNOUNCES IT HAS RECEIVED THE
REQUIRED CONSENTS, AS DESCRIBED BELOW.

[,] 1999

To Our Clients:

Enclosed for your consideration are a Prospectus and Consent Solicitation
of Tenneco Inc., a Delaware corporation ("Tenneco"), and Tenneco Packaging Inc.
(to be renamed), a Delaware corporation ("Packaging"), dated [],
1999 (the "Prospectus"), and the related Letter of Consent/Transmittal (the
"Letter of Transmittal"). These documents relate to:

- the offers by Tenneco to exchange, upon the terms and subject to the conditions set forth in the Prospectus and in the Letter of Transmittal, up to [\$] aggregate principal amount of newly issued debt securities (the "New Securities") of Packaging for any and all of the [\$] aggregate principal amount of certain outstanding debt

securities issued by Tenneco (the "Original Securities") described herein (each such offer is referred to individually as an "Exchange Offer" and collectively as the "Exchange Offers"); and

- in connection with the Exchange Offers, Tenneco's solicitation of consents (the "Consent Solicitation") to amendments to the indenture under which Tenneco issued the Original Securities that would eliminate the restrictions on Tenneco's operations currently included in that indenture (the "Proposed Amendments").

2

For each \$1,000 principal amount of Original Securities validly tendered and accepted for exchange, Tenneco is offering (1) \$1,000 principal amount of the corresponding series of Packaging's New Securities, as shown in the table below, plus (2) the "Early Exchange Premium" shown in the table below for holders who validly tender their Original Securities before the Early Exchange Time.

<TABLE>

<CAPTION>

FOR EACH:		EXCHANGING HOLDERS WILL RECEIVE:	
AGGREGATE PRINCIPAL AMOUNT	\$1,000 PRINCIPAL AMOUNT OF TENNECO'S ORIGINAL SECURITIES	\$1,000 PRINCIPAL AMOUNT OF PACKAGING'S NEW SECURITIES	EARLY EXCHANGE PREMIUM*
<S>	<C>	<C>	<C>

</TABLE>

[To come]

* Tenneco will pay the Early Exchange Premium only for Original Securities validly tendered before the Early Exchange Time, and only if Tenneco accepts those Original Securities for exchange.

Tenneco will also pay accrued but unpaid interest on Original Securities exchanged through the date Tenneco accepts them for exchange. If, however, Tenneco accepts for exchange any particular series of Original Securities after an interest record date for that series and on or before the related interest payment date, accrued but unpaid interest will instead be paid to the holder of those Original Securities as of the record date (if different from the tendering holder).

THE LETTER OF TRANSMITTAL IS FURNISHED TO YOU FOR YOUR INFORMATION ONLY AND CANNOT BE USED BY YOU TO TENDER ORIGINAL SECURITIES HELD BY US FOR YOUR ACCOUNT OR TO CONSENT TO THE PROPOSED AMENDMENTS (A "CONSENT").

ANY NEW SECURITIES ISSUED IN EXCHANGE FOR ORIGINAL SECURITIES WILL BE ISSUED ONLY IN BOOK-ENTRY FORM THROUGH THE DEPOSITORY TRUST COMPANY ("DTC"),

WHICH MEANS THAT NO EXCHANGING HOLDER WILL RECEIVE CERTIFICATES EVIDENCING ANY NEW SECURITIES.

We are the registered holder of Original Securities held for your account. A tender of these securities can be made and a Consent to the Proposed Amendments described in the Prospectus may be given only by us as the registered holder and pursuant to your instructions.

We request that you advise us whether you wish us to tender and to deliver a Consent to the Proposed Amendments with respect to any or all of the Original Securities held by us for your account, upon the terms and subject to the conditions set forth in the Prospectus and the Letter of Transmittal.

Your instructions to us should be forwarded as promptly as possible in order to permit us to execute the Letter of Transmittal and tender your Original Securities and Consent to the Proposed Amendments on your behalf in accordance with the terms of the Exchange Offers and Consent Solicitation. THE DEADLINE FOR HOLDERS TO QUALIFY TO RECEIVE THE EARLY EXCHANGE PREMIUM ALONG WITH THEIR NEW SECURITIES IS 5:00 P.M., NEW YORK CITY TIME, ON [], 1999, UNLESS EXTENDED OR EARLIER TERMINATED.

Your attention is directed to the following:

1. Subject to the terms and conditions of each Exchange Offer and the Consent Solicitation and applicable law, Tenneco will make payment for the Original Securities accepted for exchange by depositing with The Chase Manhattan Bank, as exchange agent (the "Exchange Agent"): (1) New Securities (in book-entry form); (2) cash for the payment of any applicable Early Exchange Premium; and (3) cash for the payment of any applicable accrued but unpaid interest on Original Securities. This will occur on the first New York Stock Exchange trading day after Tenneco accepts the related Original Securities for exchange. The Exchange Agent will act as agent for the tendering holders for the purpose of receiving payments and/or New Securities (in book-entry form) from Tenneco and then delivering payments and/or New Securities (in book-entry form) to or at the direction of those holders. The Exchange Agent will make this delivery on the same day Tenneco deposits payment for the related Original Securities, or as soon thereafter as practicable.

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2. Packaging is currently owned by Tenneco. Tenneco intends to spin-off Packaging to its public stockholders. Upon completion of the spin-off, Packaging will become an independent, publicly held company engaged in Tenneco's current packaging businesses. The Exchange Offers are one component of a plan to realign Tenneco's debt before the spin-off.

3. Each Exchange Offer will expire at 5:00 p.m., New York City time, on [], 1999, unless extended or earlier terminated. The Consent

Solicitation will expire at 5:00 p.m., New York City time, on [], 1999, unless extended or earlier terminated. Consummation of the Exchange Offers and Consent Solicitation is conditioned upon, among other things, satisfaction or Tenneco's waiver of the following conditions: (1) receipt by Tenneco of the required consents to amend the indenture under which Tenneco issued the Original Securities (as described in the Prospectus); (2) any and all conditions to Tenneco's concurrent cash tender offers (as described in the Prospectus); and (3) any and all conditions to the spin-off (as described in the Prospectus).

4. Holders of Original Securities who desire to accept an Exchange Offer in respect of their Original Securities must Consent to the Proposed Amendments with respect to those Original Securities. The valid tender of any Original Securities will automatically constitute a Consent to the Proposed Amendments with respect to those Original Securities. The Proposed Amendments would eliminate the restrictions on Tenneco's operations currently included in the indenture under which Tenneco issued the Original Securities. This includes eliminating a covenant that might, if held to apply to the spin-off, otherwise require Packaging to become the obligor of the Original Securities (the application of which Tenneco and Packaging believe is uncertain in these circumstances).

5. If you desire to receive the Early Exchange Premium, as well as the applicable New Securities (in book-entry form) and accrued interest, we must receive your instructions in ample time to permit us to effect a tender of Original Securities and delivery of a related Consent on your behalf before the Early Exchange Time, which is 5:00 p.m., New York City time, on [], 1999, unless extended or earlier terminated.

6. If you desire to tender any Original Securities and receive only the applicable New Securities (in book-entry form) and accrued interest, and not the Early Exchange Premium, we must receive your instructions in ample time to permit us to effect a tender of Original Securities on your behalf before the applicable Expiration Time.

7. Tenders of Original Securities may only be withdrawn (and Consents thereby may only be revoked) before the earlier of (1) the Early Expiration Time and (2) 5:00 p.m., New York City time, on the date that Tenneco publicly announces it has received the required consents to amend the indenture under which Tenneco issued the Original Securities.

8. Any transfer taxes with respect to the sale and transfer of any Original Securities pursuant to the Exchange Offers will be paid by Tenneco, except as otherwise provided in Instruction 5 of the Letter of Transmittal.

If you wish to have us tender any or all of your Original Securities and Consent to the Proposed Amendments, please complete, detach and return to us the instruction form set forth below. An envelope to return your instructions is enclosed. Your instructions should be forwarded to us in ample time to permit us to submit a tender and Consent on your behalf by the Early Exchange Time or applicable Expiration Time, as the case may be.

Address

Daytime Phone

Dated

Type of Original Securities to be tendered
and as to which Consent is given:

<TABLE>

<CAPTION>

ORIGINAL SECURITY BEING TENDERED (CHECK ONLY ONE*):

PRINCIPAL AMOUNT TENDERED**

<S>

<C>

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[] [TO COME]

[]

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[]

[]

</TABLE>

* A separate instruction must be completed for each type of Original Security tendered.

** The tender of Original Securities will constitute a Consent to the Proposed Amendments and the execution of a supplemental indenture relating thereto, as described in the Prospectus.

EXHIBIT 99.4

LETTER TO HOLDERS
OF PHYSICAL SECURITIES

MORGAN STANLEY DEAN WITTER
CREDIT SUISSE FIRST BOSTON

[\$]

EXCHANGE OFFERS AND CONSENT SOLICITATION
OUTSTANDING DEBT SECURITIES OF TENNECO INC.
(TO BE RENAMED TENNECO AUTOMOTIVE INC.)
EXCHANGED FOR

NEW DEBT SECURITIES OF TENNECO PACKAGING INC.

(TO BE RENAMED)

EACH OF THE EXCHANGE OFFERS WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON
, 1999, UNLESS EXTENDED (THE "EXPIRATION TIME") OR
EARLIER TERMINATED.

THE CONSENT SOLICITATION WILL EXPIRE AT 5:00 P.M., NEW YORK CITY, ON
, 1999, UNLESS EXTENDED ("THE EARLY EXCHANGE
TIME") OR EARLIER TERMINATED. HOLDERS MUST TENDER BEFORE THE EARLY EXCHANGE TIME
TO BE ELIGIBLE TO RECEIVE THE EARLY EXCHANGE PREMIUM, AS DESCRIBED BELOW.

TENDERED SECURITIES MAY BE WITHDRAWN AND CONSENTS MAY BE REVOKED AT ANY TIME
BEFORE THE EARLIER OF (1) THE EARLY EXCHANGE TIME AND (2) 5:00 P.M., NEW YORK
CITY TIME, ON THE DATE THAT TENNECO PUBLICLY ANNOUNCES IT HAS RECEIVED THE
REQUIRED CONSENTS, AS DESCRIBED BELOW.

, 1999

To Holders of Physical Securities:

We have been appointed by Tenneco Inc., a Delaware corporation ("Tenneco"),
to act as Dealer Managers in connection with the offers to exchange, upon the
terms and subject to the conditions set forth in the Prospectus and Consent
Solicitation of Tenneco and Tenneco Packaging Inc. (to be renamed), a Delaware
corporation ("Packaging"), dated , 1999 (the "Prospectus"), and in the
related Letter of Consent/Transmittal enclosed herewith (the "Letter of

Transmittal"), up to [\$] aggregate principal amount of newly issued debt securities (the "New Securities") of Packaging for any and all of the [\$] aggregate principal amount of certain outstanding securities issued by Tenneco (the "Original Securities") described herein (each such offer is referred to individually as an "Exchange Offer" and collectively as the "Exchange Offers"). In connection with the Exchange Offers, Tenneco is soliciting consents ("Consents") to amendments to the indenture under which Tenneco issued the Original Securities that would eliminate the restrictions on Tenneco's operations currently included in that indenture (the "Consent Solicitation").

For each \$1,000 principal amount of Original Securities validly tendered and accepted for exchange, Tenneco is offering (1) \$1,000 principal amount of the corresponding series of Packaging's New Securities, as

2

shown in the table below, plus (2) the "Early Exchange Premium" shown in the table below for holders who validly tender their Original Securities before the Early Exchange Time.

<TABLE>

<CAPTION>

FOR EACH:		EXCHANGING HOLDERS WILL RECEIVE:	
AGGREGATE PRINCIPAL AMOUNT	\$1,000 PRINCIPAL AMOUNT OF TENNECO'S ORIGINAL SECURITIES	\$1,000 PRINCIPAL AMOUNT OF PACKAGING'S NEW SECURITIES	EARLY EXCHANGE PREMIUM*
<S>	<C>	<C>	<C>

[To come]

</TABLE>

* Tenneco will pay the Early Exchange Premium only for Original Securities validly tendered before the Early Exchange Time, and only if Tenneco accepts those Original Securities for exchange.

Tenneco will also pay accrued but unpaid interest on Original Securities exchanged through the date Tenneco accepts them for exchange. If, however, Tenneco accepts for exchange any particular series of Original Securities after an interest record date for that series and on or before the related interest payment date, accrued but unpaid interest will instead be paid to the holder of those Original Securities as of the record date (if different from the tendering holder).

ANY NEW SECURITIES ISSUED TO YOU IN EXCHANGE FOR YOUR ORIGINAL SECURITIES

WILL BE ISSUED ONLY IN BOOK-ENTRY FORM THROUGH THE DEPOSITORY TRUST COMPANY ("DTC"), WHICH MEANS THAT YOU WILL NOT RECEIVE A CERTIFICATE EVIDENCING ANY NEW SECURITIES THAT ARE ISSUED TO YOU.

Subject to the terms and conditions of each Exchange Offer and the Consent Solicitation and applicable law, Tenneco will make payment for the Original Securities accepted for exchange by depositing with The Chase Manhattan Bank, as exchange agent (the "Exchange Agent"): (1) New Securities (in book-entry form); (2) cash for the payment of any applicable Early Exchange Premium; and (3) cash for the payment of any applicable accrued but unpaid interest on Original Securities. This will occur on the first New York Stock Exchange trading day after Tenneco accepts the related Original Securities for exchange. The Exchange Agent will act as agent for the tendering holders for the purpose of receiving payments and/or New Securities (in book-entry form) from Tenneco and then delivering payments and/or New Securities (in book-entry form) to or at the direction of those holders. The Exchange Agent will make this delivery on the same day Tenneco deposits payment for the related Original Securities, or as soon thereafter as practicable.

For your information, we are enclosing the following documents:

1. The Prospectus;
2. The Letter of Transmittal to be used by you to tender your Original Securities and to Consent to the proposed amendments (as described in the Prospectus);
3. Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9; and
4. A return envelope addressed to the Exchange Agent.

If you decide to tender any or all of the Original Securities that you hold in the Exchange Offers, you must complete the accompanying Letter of Transmittal and send it, with any other required documents, to the Exchange Agent at one of the addresses indicated on the front of the Letter of Transmittal, in compliance with the procedures described in the Prospectus and in the Letter of Transmittal. To receive your New Securities in book-entry form, you will need to contact a broker, dealer, commercial bank, trust company or other nominee in order to provide the necessary DTC account information on the Letter of Transmittal (see Instruction 1 of

the Letter of Transmittal) and inform them that delivery of the New Securities will be made through a DTC deposit transaction. Failure to provide the necessary account information may result in your tender being rejected or may cause a delay in confirmation of your New Securities, as well as a delay in payment of any applicable Early Exchange Premium or accrued but unpaid interest on your Original Securities that are exchanged. The Letter of Transmittal requires you to provide other information as well, so please be sure to follow the instructions carefully.

Questions and requests for assistance should be addressed to either of the Dealer Managers at the addresses and telephone numbers set forth on the back cover page of the enclosed Prospectus. Requests for additional copies of the enclosed materials should be addressed to Georgeson & Company Inc., the Information Agent for the Exchange Offers, at its address and telephone number set forth on the back cover page of the enclosed Prospectus. Such additional copies will be furnished promptly at Tenneco's expense.

Very truly yours,

MORGAN STANLEY DEAN WITTER
CREDIT SUISSE FIRST BOSTON

Consents to be a director of Packaging of the following persons:

- Mark Andrews
- Larry D. Brady
- Roger B. Porter
- Paul T. Stecko

FOR DIRECTORS AND OFFICERS OF TENNECO PACKAGING INC. AFTER THE SPIN-OFF:

The undersigned does hereby consent to the being appointed or continuing to serve as a director and/or officer of Tenneco Packaging Inc., a Delaware corporation (the "CORPORATION"), in connection with the spin-off of the Corporation by Tenneco Inc., which is currently the parent corporation of the Corporation. The undersigned further consents to being named as a director and/or officer of the Corporation, as applicable, in any filing made by the Corporation or any of its affiliates with the Securities and Exchange Commission in connection with the spin-off and agrees to serve as such a director and/or officer for the term provided in the by-laws of the Corporation.

Dated: August 5, 1999

/s/ MARK ANDREWS

Name: Mark Andrews

FOR DIRECTORS AND OFFICERS OF TENNECO PACKAGING INC. AFTER THE SPIN-OFF:

The undersigned does hereby consent to the being appointed or continuing to serve as a director and/or officer of Tenneco Packaging Inc., a Delaware corporation (the "CORPORATION"), in connection with the spin-off of the Corporation by Tenneco Inc., which is currently the parent corporation of the Corporation. The undersigned further consents to being named as a director and/or officer of the Corporation, as applicable, in any filing made by the Corporation or any of its affiliates with the Securities and Exchange Commission in connection with the spin-off and agrees to serve as such a director and/or officer for the term provided in the by-laws of the Corporation.

Dated: August 14, 1999

/s/ LARRY D. BRADY

Name: Larry D. Brady

FOR DIRECTORS AND OFFICERS OF TENNECO PACKAGING INC. AFTER THE SPIN-OFF:

The undersigned does hereby consent to the being appointed or continuing to serve as a director and/or officer of Tenneco Packaging Inc., a Delaware corporation (the "CORPORATION"), in connection with the spin-off of the Corporation by Tenneco Inc., which is currently the parent corporation of the Corporation. The undersigned further consents to being named as a director and/or officer of the Corporation, as applicable, in any filing made by the Corporation or any of its affiliates with the Securities and Exchange Commission in connection with the spin-off and agrees to serve as such a director and/or officer for the term provided in the by-laws of the Corporation.

Dated: August 19, 1999

/s/ ROGER B. PORTER

Name: Roger B. Porter

FOR DIRECTORS AND OFFICERS OF TENNECO PACKAGING INC. AFTER THE SPIN-OFF:

The undersigned does hereby consent to the being appointed or continuing to serve as a director and/or officer of Tenneco Packaging Inc., a Delaware corporation (the "CORPORATION"), in connection with the spin-off of the Corporation by Tenneco Inc., which is currently the parent corporation of the Corporation. The undersigned further consents to being named as a director and/or officer of the Corporation, as applicable, in any filing made by the Corporation or any of its affiliates with the Securities and Exchange Commission in connection with the spin-off and agrees to serve as such a director and/or officer for the term provided in the by-laws of the Corporation.

Dated: August 7, 1999

/s/ PAUL T. STECKO

Name: Paul T. Stecko