TENERA INC
Form 10-K
March 29, 2002

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2001

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________ to __________

Commission File Number
1-9812

TENERA, INC.
(Exact name of registrant as specified in its charter)

Delaware	94-3213541
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

100 Bush Street, Suite 850, San Francisco, California 94104
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (415) 445-3200

Securities registered pursuant to Section 12(b) of the Act:
Common Stock

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes X No .

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy as information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

As of March 1, 2002, the aggregate market value of the Registrant's Common Stock held by nonaffiliates of the Registrant was $2,731,716 based on the last transaction price as reported on the American Stock Exchange. This calculation does not reflect a determination that certain persons are affiliates of the Registrant for any other purposes.

The number of shares outstanding on March 1, 2002 was 9,984,259.

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PART I

Item 1. Business

Except for historical information, the following description of the Company's business contains forward-looking statements which involve risks and uncertainties. The Company's actual results could differ materially from those set forth in these forward-looking statements as a result of a number of factors, including those set forth in this Annual Report under the heading, "Risk Factors".

General

TENERA, Inc. (including its subsidiaries, "TENERA", or the "Company") provides a broad range of technology-based professional and technical services, and business-to-business web-based e-Learning services. The Company's professional and technical services are designed to solve complex management, engineering, environmental, health and safety challenges associated with the management of federal government properties, energy assets, and petrochemical and manufacturing concerns. TENERA's web-based e-Learning products and services are designed to provide a suite of on-line, interactive, compliance and regulatory-driven training applications for use by clients' employees.

TENERA, Inc., a Delaware corporation, is the parent company of the subsidiaries described below.

In 1995, the Company formed TENERA Rocky Flats, LLC ("Rocky Flats"), a Colorado limited liability company, to provide professional and technical services in connection with participation in the Performance Based Integrating Management Contract ("Rocky Flats Contract") at the Department of Energy's ("DOE") Rocky Flats Environmental Technology Site ("Site"). In August 2000, Closure Mission Support Services, LLC ("CMSS"), a Colorado limited liability company, was formed by Rocky Flats as a majority-owned joint venture to provide professional and technical services in connection with a recompete of the professional support services at the Site. In the fourth quarter of 2000, the Company was awarded a new contract for an initial three (3) year period followed by three one-year renewal options exercisable by the prime contractor.

In 1997, the Company formed TENERA Energy, LLC ("Energy"), a Delaware limited liability company, to consolidate its commercial electric power utility business into a separate legal entity. Energy offers professional environmental and ecological services, and risk management services to nuclear and fossil plant operators.

In 1999, the Company formed TENERA GoTrain.Net, LLC ("GoTrain"), a Delaware limited liability company, initially as a joint venture operation with a minority interest partner, SoBran, Inc., an Ohio corporation, specializing in Internet technologies. In February 2000, the Company purchased certain Internet-based development assets of SoBran, Inc., including SoBran's minority interest in TENERA GoTrain, LLC. GoTrain, now a wholly-owned subsidiary, is an e-Learning application service provider offering Web-based, e-Learning solutions to selected industries needing regulatory-driven environmental, safety, and health (ES&H) training, specifically manufacturing, utilities, petrochemical, and Fortune 1000 companies. In March 2000, GoTrain and EnviroWin Software, LLC, a Delaware limited liability company, an ES&H desktop solutions provider, formed Training, LLC, a joint venture to produce certain Web-based ES&H training products for delivery via the GoTrain distance learning platform. In June 2001, Training, LLC was dissolved with GoTrain free to use the training courses developed by the joint venture. Also in June 2001, GoTrain entered into a five-year co-development and distribution agreement with SmartForce, a leader in e-Learning solutions and content. The agreement provides for collaborating in the creation of ES&H and regulatory content, and the co-marketing and distribution of such content and other e-Learning offerings via the SmartForce internet platform (see Note 6 to Consolidated Financial Statements). As of January 1, 2002, TENERA GoTrain.Net, LLC changed its legal structure and all of the assets and liabilities were transferred to GoTrain Corp, a Delaware corporation.

The Company is principally organized into two operating segments: Professional and Technical Services and e-Learning (see Note 7 to Consolidated Financial Statements for additional information regarding Company segments).

Markets and Business Strategy

Professional and Technical Services Segment. TENERA provides professional and technical services to DOE owned sites and national research laboratories, commercial electric generating plants and other regulatory-impacted industries to solve complex management, engineering, environmental, health and safety issues associated with their properties and energy assets. TENERA's services primarily focus on environmental and ecological services, and risk management, which assist its commercial clients with respect to their nuclear and fossil plant operations, maintenance, and safety. TENERA provides its governmental clients, the DOE and DOE prime contractors with assistance in devising, implementing, and monitoring strategies to improve performance and cost effectiveness from an operational, safety, and environmental perspective at DOE-owned nuclear reactor sites and national research laboratories.

TENERA has developed expertise in providing solutions to complex technical and regulatory issues facing the commercial electric power generation industry. Over the past several years, commercial electric utilities have experienced increased competitive pressure due to continued deregulation of the electric industry. For example, utilities are no longer able to recover capital expenditures through rate increases, due to mandated rate changes, and increasing competition from independent power producers, alternative energy production, and cogeneration. During the same period, utilities and independent power producers have responded to continued regulatory pressures to comply with complex safety and environmental guidelines.

Safety problems and environmental issues have also emerged at government-owned weapons production facilities. The end of the "Cold War" has prompted DOE to shut down many of its aging weapons production facilities and begin the challenging task of dismantling, disposal, and clean-up of the facilities. A massive program is underway throughout the DOE complex of nuclear weapons production facilities and national laboratories to implement this new shutdown mission, while complying with health, safety, and environmental requirements similar to those applicable to commercial facilities, principally in the areas of hazardous wastes, decontamination, decommissioning, and remediation. Electric power generators, as well as a variety of other industries, have been subjected to extensive regulation regarding environmentally safe handling of hazardous materials.

The Company's principal markets are the DOE-owned nuclear materials production sites and national research laboratories, and the electric power generation industry, including regulated and deregulated producers. The Company's largest business area, DOE-owned nuclear weapons production sites, faces close scrutiny resulting from public concern over health, safety, and the environment. The Company believes that DOE's mission of closing aging weapons plants, coupled with increased enforcement of environmental laws and regulations continues to be prompted by publicity and public awareness of environmental problems and health hazards posed by hazardous materials and toxic wastes. The dismantlement and cleanup of the aging DOE weapons complex represents a significant market for the Company's service offerings.

The DOE has begun programs to address safety problems and environmental concerns, which have emerged at its nuclear facilities. These programs are designed to bring the operations into compliance with a variety of health, safety, and environmental requirements, similar to those applicable to the commercial electric utility industry. The DOE's decontamination, decommissioning, and remediation programs are also aimed at achieving significant cleanup of its hazardous waste production and storage facilities and the partial shutdown of nuclear operations at a number of its sites.

The electric utility industry has undergone considerable change in recent years and faces a complex mix of economic and regulatory pressures. There is continuing deregulation of the production and distribution of electricity, accompanied by the desire of utilities to meet demand for electricity through higher operating efficiency. Some of the Company's largest electric utility clients have responded to a more competitive environment by implementation of significant cost control measures and activity in the merger and acquisition arena.

Economic pressures have resulted in certain changes in the focus of electric utility management. For example, the ratemaking process now represents a significant area of risk to utilities. This has highlighted the importance of careful planning and documentation in connection with rate case preparation.

Furthermore, utilities appear to be shifting their emphasis to ongoing performance reviews in making their rate base decisions, related to such measures as plant capacity factors. These changes in the ratemaking process subject the utilities to substantial economic penalties for extended plant outages and have stimulated actions by them to assure more reliable operations.

The markets for electric utility and DOE facility professional and technical services cover a broad range of activities. Typical markets include waste management, outage support, operating plant services, licensing support, safety and health management, maintenance and information services, decommissioning consulting, risk assessment, quality assurance and control, organizational effectiveness, engineering support, records management, fuel-related services, plant security, and surplus asset disposal.

It has been TENERA's strategy to provide solutions to these issues by providing clients with a high level of professional skills and a broad range of scientific, technological, and management resources. These include software and databases, which are used in support of consulting projects. The Company assists its clients in the initial identification and analysis of a problem, the implementation of a feasible solution that the client believes will be sensitive to business and public interest constraints, and the ongoing monitoring of that solution.

e-Learning Segment. The Company, through its GoTrain subsidiary, develops, markets, and delivers an extensive library of e-Learning products designed to provide cost-effective solutions to regulatory mandated ES&H-related training needs for its clients. The Company also provides custom e-Learning products and services in response to all aspects of enterprise and workforce effectiveness, safety, compliance, and performance. The Company's proprietary Training Management Operating System ("Training System") is designed to provide a set of e-Learning tools that is generally scalable to any size client.

e-Learning courses and tools are applicable to large companies, often with geographically distributed work forces involved in complex "around-the-clock" operations, as well as, small companies that lack dedicated training resources. The Company believes that the transition to internet-based training will replace a substantial portion of instructor-led training, currently representing 70% of all training programs.

The Company serves clients required to comply with a wide range of Federal and state laws and regulations governing environmental, health, and safe work practices in the workplace. The Company applies its expertise in adult learning, regulatory processes, performance improvement techniques, and Web designed and delivered interactive content, to improve the competitive position for its clients by supporting a safe, productive, and compliant work environment.

The Company believes many factors affect the ES&H Web-based e-Learning market. Highly competitive marketplaces encourage many companies to seek performance gains from lowered costs and improved competitive positioning. e-Learning provides opportunities to lower training costs and establish a safer, more productive, and compliant work force spending more time at their respective workstations, leading to improved competitive positioning. Recently promulgated standards from OSHA, EPA, DOT and ISO 9000 present new opportunities for the e-Learning products that contain, manage and report the training data necessary to demonstrate compliance.

Services and Products

The following table reflects the percentage of revenues derived for each of these segments for the period indicated during the fiscal years ended December 31, 1999 through 2001:

	Year Ended Decem	
	2001	2000
Professional and Technical Services	94.5%	98.7%
e-Learning	5.5%	1.3%

Professional and Technical Services Segment. Services performed by the Company typically include one or more of the following: consultation with the client to determine the nature and scope of the problem, identification and evaluation of the problem and its impact, development and design of a process for correcting the problem, preparation of business plans, preparation of reports for obtaining regulatory agency permits, and analysis in support of regulatory and legal proceedings. The Company's professional and technical services involve determining a solution to client problems and challenges in the design, operation, and management of large facilities. Focus is also placed on providing expertise in the wide range of disciplines required to resolve complex legal and regulatory issues and offering executives guidance in strategic planning and implementing a coordinated, effective response to such issues. The Company applies its professional skills, software, and specialized databases to all aspects of these problems and challenges in the following general areas:

- Environmental and ecological issues at DOE and electric utility facilities
- Risk management
- Operations and maintenance performance improvement
- Plant safety
- Nuclear safety and criticality at DOE facilities
- Engineering design review and verification

e-Learning Segment. The Company's products include a suite of on-line interactive, compliance and regulatory-driven training applications for business clients' use with their employee base. The applications support a suite of automated back office functions and tools that manage training curriculum and records for business clients. These training applications are provided from a Company-owned library of courses, or are customized to clients' specifications. GoTrain products and services include:

- Training Management Operating System (Web-based delivery platform)
- Library of ES&H Web-based e-Learning
- Custom Web-based e-Learning
- Courseware tools
- Multi-lingual e-Learning

Marketing

Professional and Technical Services Segment. The Company's marketing strategy emphasizes its ability to offer a broad range of services designed to meet the needs of its clients in a timely and cost-efficient manner. The Company can undertake not only small tasks requiring a few professionals but also the management, staffing, design, and implementation of major projects that may last for many months and involve large numbers of professionals and subcontractors in several geographic locations. Characteristic of TENERA's marketing strategy are significant projects in which initial contracts have been only a fraction of the ultimate sale.

The Company provides financial incentives to attract senior technical professionals with extensive utility industry experience and to encourage these individuals to market the complete range of TENERA's services throughout existing and potential customer organizations.

TENERA's marketing efforts are facilitated by the technical reputation and industry recognition often enjoyed by its professional staff. TENERA's reputation in the electric power industry and as a DOE contractor often leads to invitations to participate at an early stage in the conceptualization of a project. During this phase, the Company assists clients in developing an approach for efficiently and productively solving a problem. If new services or products are developed for a client, they generally are marketed to other clients with similar needs.

The Company's reputation also leads to invitations to participate in multi-company teams assembled to bid on large DOE or utility projects.

e-Learning Segment. The Company uses a multiple sales channel strategy to penetrate targeted markets. The Company uses a sales channel approach to connect products to markets. Field salesmen activity currently accounts for a majority of sales, however, other channels used by the Company include a customer service center and via-Internet sales. In late 2000, the Company began its marketing and communications campaign designed to gain market attention, generate sales leads, achieve brand recognition, and grow market share. This campaign continued through the first half of 2001 and was reduced considerably in the second half of the year to conserve cash. The Company expects to increase its marketing and sales program during 2002, having completed $1.5 million of convertible debt financing in March 2002 (see Note 9 to Consolidated Financial Statements). Multiple venues used in implementing the strategy include direct advertising, publication interviews and reviews, speaking circuits, trade shows, and industry and trade associations.

The Company has developed, and has opportunities to expand, a number of strategic alliances. Alliances form an integral component in the Company's ability to obtain product content and in establishing its full-service e-Learning approach. Alliances pursued by the Company can be categorized into the following three primary groups: teaming agreements, distributorships, and content or technology partners. In June 2001, GoTrain entered into a five-year co-development and distribution agreement with SmartForce, a leader in e-Learning solutions and content. The agreement provides for collaborating in the creation of ES&H and regulatory content, and the co-marketing and distribution of such content and other e-Learning offerings via the SmartForce internet platform (see Note 6 to Consolidated Financial Statements).

Clients

During the year ended December 31, 2001, TENERA provided services to approximately 60 clients involving over 70 contracts. During the year ended December 31, 2000, TENERA provided services to over 40 clients involving over 50 contracts. Over 60% of TENERA's clients during the year ended December 31, 2001, had previously used its services. Less than 1% of all revenues were from clients outside of the United States.

Professional and Technical Services Segment. During the year ended December 31, 2001, one Professional and Technical Services Segment client, Kaiser-Hill Company, LLC ("Kaiser-Hill"), prime contractor of the Rocky Flats Contract, accounted for 71% of the Company's total revenue. During the year ended December 31, 2000, Kaiser-Hill accounted for 70% of the Company's total revenue. The Company has maintained a working relationship with Kaiser-Hill for six years, during which time various contracts have been completed and replaced with new or follow-on contracts. The existing contract, awarded in the fourth quarter of 2000, is for a lower value than the Company's prior contract, reflecting Kaiser-Hill's decision to discontinue use of lower-tier subcontractor teams at the Site. There can be no assurance that this relationship will be maintained beyond the existing contract, and the loss of this client would have a material adverse effect on the Company (see "Risk Factors").

e-Learning Segment. The Company provided services to fifteen e-Learning Segment clients during 2001 versus ten clients during 2000. At December 31, 2001, ten e-Learning Segment clients had contracted access for over 200,000 learners in the Company's Web-based Training System for use within the next twelve months.

Operations

TENERA generally receives payments on amounts billed 30 to 90 days after billing, except for retention under contracts. TENERA has historically experienced a low percentage of losses due to poor credit risks since the majority of TENERA's clients are utility companies, DOE, or DOE prime contractors,.

Professional and Technical Services Segment. The Company primarily contracts for its services in one of three ways: time and materials ("T & M"), time and materials plus incentive fee ("TMIF"), or fixed price. T & M and TMIF contracts, which cover the majority of TENERA's revenues, are generally billed monthly by applying a multiplier factor to specific labor costs or by use of a fixed hourly labor rate charged to each project. T & M and TMIF contracts are generally structured to include "not-to-exceed" ceilings; however, if after

initial review or after work has started, it is noted that additional work is required, the contract normally can be renegotiated to include such additional work and to increase the contract ceiling accordingly. Fixed-price contracts are generally applicable where TENERA has been requested to deliver services and/or products previously developed by it or deliverable to multiple customers. At December 31, 2001, of the total outstanding contracts, less than 10% were fixed-price.

e-Learning Segment. The typical medium and large business contract for GoTrain products has annual renewal options and is volume priced based on the individual learner annual subscriptions. Custom training course development is provided to clients on a non-refundable fixed-price contract basis, with entitlement to unlimited client use of the product. However, a per-use fee (learner seat) is charged in custom training course contracts for use of the Training System. For small businesses and individual learners, the buying process typically involves use of credit cards or pre-established task orders.

Backlog

As of December 31, 2001, TENERA had contracted a backlog of approximately $13.9 million, all of which is cancelable by the clients. The Professional and Technical Services and e-Learning segments account for $10.2 million and $3.7 million, respectively, of the backlog. Contracted backlog represents the aggregate of the remaining value of those active contracts entered into by TENERA for services that are limited by a contractual amount and does not include any estimates of open-ended services contracts or unfunded backlog that may result from additions to existing contracts.

Since all outstanding contracts are cancelable, there is no assurance that the Company will realize the revenues from these contracts. If any contract is canceled, there is no assurance that the Company will be successful in replacing such contract (see "Risk Factors").

Competition

The markets for professional and technical services, and e-Learning are highly competitive. TENERA competes with several larger firms with significantly greater resources (see "Risk Factors").

The primary competitive factor in the market for Professional and Technical Services is price, and certain of TENERA's competitors are able to offer similar services at prices that are lower than those offered by TENERA.

In the e-Learning marketplace, the most significant competitive factors are product features and price. Although many larger competitors offer broad-based e-Learning solutions for various industries, no competitors currently dominate the Company's targeted niche of the e-Learning marketplace: ES&H compliance and regulatory driven training.

Product Development

Professional and Technical Services Segment. TENERA's policy is to undertake development projects of software, systems, and databases only if they can be expected to lead directly to proprietary products that may be generally marketable. A portion of TENERA's product development effort may be funded through customer-sponsored projects, although the rights to the systems and databases generally remain with TENERA. Because TENERA's development activities involve the integration of customer-funded, cost sharing, and TENERA-funded projects, it is not possible to segregate, on a historical basis, all of the specific costs allocable as development costs. Over the past three years, costs associated with TENERA funded projects were immaterial.

e-Learning Segment. In 2001, TENERA spent approximately $800,000 in acquiring and developing products related to its e-Learning business. In 2000 and 1999, the Company spent approximately $700,000 and $100,000, respectively, on development for similar activities. These development efforts were responsible for the Company's successful launch, operation and access to its Web-based Training System and accompanying training course library.

Patents and Licenses

The Company does not hold any patents material to its business. TENERA relies upon trade secret laws and contracts to protect its proprietary rights in software systems and databases. The service and license agreements under which clients acquire certain rights to access and use TENERA's e-Learning software technologies generally restrict the clients' use of the systems to their own operations and prohibit disclosure to others.

Personnel

At December 31, 2001, the Company employed a total of 144 consultants, engineers, scientists and software developers, and a supporting administrative staff of 18 employees. Many employees hold advanced degrees. TENERA also retains the services of numerous independent contractors in order to fulfill specific needs for particular projects. None of TENERA's employees are represented by a labor union.

Item 2. Properties

The Company's headquarters are located in San Francisco, California, and consist of approximately 5,400 square feet of leased office space, expiring in December 2005. TENERA also leases approximately 12,800 square feet in Knoxville, Tennessee, expiring in January 2004, 6,500 square feet in Louisville, Colorado on a month-to-month basis, and approximately 5,300 square feet in San Luis Obispo, California, with 26% of the space expiring in December 2002 and 74% expiring in December 2004.

Item 3. Legal Proceedings

None.

Item 4. Submission of Matters to a Vote of Security Holders

None.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

Shares of the Company's Common Stock are listed for trading on AMEX under the symbol TNR. The first trading day on AMEX was June 30, 1995, at which time 10,417,345 shares were outstanding. There were approximately 500 shareholders of record as of March 1, 2002.

	2001		2000		
	Price Range of TENERA, Inc. Shares		Price Range of TENERA, Inc. Shares		Price TENERA,
	High	Low	High	Low	High
First Quarter	$0.875	$0.250	$2.250	$0.8125	$2.000

Second Quarter	0.490	0.355	1.625	0.875	1.625
Third Quarter	0.590	0.300	1.250	0.750	1.500
Fourth Quarter	0.440	0.210	0.875	0.500	1.125

The Board of Directors of the Company determines the amount of cash dividends that the Company may make to shareholders after consideration of projected cash requirements and a determination of the amount of retained funds necessary to provide for growth of the Company's business. The Company has made no distributions since 1991. The Company does not anticipate resumption of dividends in the foreseeable future.

Item 6. Selected Financial Data

The following consolidated selected financial data of the Company for the five prior years should be read in conjunction with the consolidated financial statements and related notes included elsewhere.

TENERA, INC.
FINANCIAL HIGHLIGHTS

(In thousands, except per share and statistical amounts)

	Year Ended December 31,			
	2001	2000	1999	199
OPERATIONS DATA				
Revenue	$20,065	$32,443	$37,922	$27,4
Operating (Loss) Income.........................	(3,100)	(19)	2,336	1,8
Net (Loss) Earnings.............................	(2,030)	100	1,342	1,6
(Loss) Earnings per Share-- Basic	(0.20)	0.01	0.13	0.
(Loss) Earnings per Share-- Diluted	(0.20)	0.01	0.13	0.
Weighted Average Shares-- Basic.................	9,984	9,960	10,050	10,1
Weighted Average Shares-- Diluted...............	9,984	10,195	10,409	10,4
CASH FLOW DATA				
Net Cash (Used) Provided by Operating Activities	$(1,052)	$ (164)	$ 631	$ 9
Net (Decrease) Increase in Cash and Cash Equivalents	(1,201)	(1,006)	132	1,0
FINANCIAL POSITION AT DECEMBER 31				
Cash and Cash Equivalents	1,286	2,487	3,493	3,3
Working Capital	2,087	4,443	5,467	4,4
Total Assets	6,978	10,074	10,710	9,2
Total Liabilities	3,113	4,181	4,950	4,5
Stockholders' Equity............................	3,865	5,893	5,760	4,6

OTHER INFORMATION				
Number of Employees	162	192	187	1

Item 7. Management's Discussion and Analysis of Results of Operations and Financial Condition

Forward-Looking Statements

With the exception of historical facts, the statements contained in this discussion are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and are subject to the Safe Harbor provisions created by that statute. Certain statements contained in the following Management's Discussion and Analysis of Results of Operations and Financial Condition, including, without limitation, statements containing the words "believes", "anticipates", "estimates", "expects", "future", "intends", and words of similar import, constitute forward-looking statements that involve risks and uncertainties. Such statements are based on current expectations and are subject to risk, uncertainties and changes in condition, significance, value and effect, including those described in the Risk Factors section of this report and other recent documents the Company files with the Securities and Exchange Commission, specifically forms 10-Q and 8-K. Such risks, uncertainties and changes in condition, significance, value and effect could cause the Company's actual results to differ materially from those anticipated events.

Critical Accounting Policies

The Company considers certain accounting policies related to revenue recognition, allowance for doubtful accounts, and cost capitalization and impairment to be critical policies due to the estimation processes involved in each.

Revenue Recognition. A significant portion of the Company's e-Learning Segment revenue relates to sales of custom training courses, set-up fees, and subscription licensing arrangements. Revenue is recognized ratably over the term of the contract and begins when delivery of product occurs. In some cases, the term of the contract is not a fixed time period and management must estimate the expected revenue recognition period based upon cancellation provisions in the contract, as well as experience with similar contracts. Changes in these factors could have a significant effect on e-Learning revenue recognition. Additionally, a portion of the Professional and Technical Services Segment revenue is derived from fixed-price contracts. Revenue for these contracts is recognized using the percentage-of-completion method, which relies on estimates of total expected contract revenue and costs. Recognized revenues are subject to revisions as the contract progresses to completion. Revisions in revenue estimates are made in the period in which the facts that give rise to the revision become known.

Allowance for Doubtful Accounts. The Company is required to estimate the collectibility of its trade receivables. A considerable amount of judgment is required in assessing the ultimate realization of these receivables, including the credit-worthiness of each client. If the financial condition of the

Company's clients were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Cost Capitalization and Impairment. The Company has significant assets related to the capitalization of costs of internal-use e-Learning operating system software and costs related to the development of e-Learning training courses. The determination of related estimated useful lives and whether or not these assets are impaired involves significant judgments. Changes in strategy and/or market conditions could significantly impact these judgments and require adjustments to recorded asset balances.

TENERA, INC.
RESULTS OF OPERATIONS

	Percent of Rev	
	Year Ended Decemb	
	2001	2000
Revenue	100.0%	100.0%
Direct Costs	78.2	78.5
General and Administrative Expenses	37.3	21.6
Other Income	--	*
Operating (Loss) Income	(15.5)	(0.1)
Interest Income, net	0.1	0.6
Net (Loss) Earnings Before Income Tax (Benefit) Expense	(15.4%)	0.5%

Year Ended December 31, 2001 versus Year Ended December 31, 2000

Net losses before income tax benefit for the year ended December 31, 2001 were $3,100,000, compared to net earnings before tax expense of $163,000 for the same period in 2000. The decrease in earnings primarily results from lower Professional and Technical Services Segment revenue, coupled with higher sales and marketing expenses in the e-Learning Segment.

Professional and Technical Services Segment revenue for the period ended December 31, 2001 decreased 41% ($13.0 million) from 2000, primarily due to a lower allocation at the Rocky Flats Site of work to lower-tier subcontractor teams, including the Company under its new contract effective October 1, 2000, as previously reported, and closure of the Company's commercial strategic consulting business area. For the year 2001, the concentration of revenue from government projects decreased to 73% of total Company revenue, from 85% in 2000.

Revenue in the e-Learning Segment increased by 156% ($671,000) for the period ended December 31, 2001, as compared to 2000, mainly due to a greater number of new contracts.

Direct costs were lower in 2001, compared to a year ago, primarily as a result of decreased revenue generation. Gross margin was 22% in 2001, the same as in 2000.

General and administrative costs were 8% higher for the year ended December 31, 2001, compared to a year ago, primarily as a result of increased business development costs in the e-Learning Segment and costs associated with pursuit of a DOE contract at Grand Junction, Colorado for Professional and Technical Services. In March 2002, the DOE announced the award of the Grand Junction contract to another team of companies.

The lower net interest income in 2001, as compared to a year ago, is primarily due to lower average cash balances and lower interest rates, together with the impact of a receivables assignment in the third quarter of 2001. As reported previously, an electric utility client in the Company's Professional and Technical Services Segment initiated bankruptcy proceedings in early April 2001. The Company assigned all of its pre-petition receivables to a third party in August 2001 in return for 75% of the amounts owed. For the third quarter of 2001, the Company reported the 25% finance charge discount as interest expense.

Year Ended December 31, 2000 versus Year Ended December 31, 1999

Net earnings before income tax expense for the year ended December 31, 2000 were $163,000, compared to $2,455,000 for the same period in 1999. The decrease in earnings primarily resulted from lower Professional and Technical

Services Segment revenue, coupled with higher sales and marketing expenses in the e-Learning Segment.

Professional and Technical Services Segment revenue for 2000 decreased 13% ($5.2 million) from 1999, primarily due to a decline in the use of the Company's subcontractor teams at the Site, and closure of the commercial strategic consulting business area, partially offset by increased contract activity in the commercial environmental and ecological services business area. For the year 2000, the concentration of revenue from government projects increased to 85% of total Company revenue from 81% in 1999.

Revenue in the e-Learning Segment decreased by $280,000 in 2000, as compared to 1999, mainly due to less fixed-priced contract work in 2000 than 1999. The majority of the contracts in 2000 were based on a per-use structure (see Item 1, "Business"), which began in the fourth quarter.

Direct costs were lower in 2000, compared to the year before, primarily as a result of decreased revenue generation. Gross margin decreased to 22% in 2000 from 23% in 1999, mainly due to an increase in the proportion of revenue derived from lower margin government business.

General and administrative costs were 12% higher in 2000, compared to 1999, primarily reflecting increased costs associated with the infrastructure and business development of the e-Learning Segment, and the purchase of the Internet-based development and support business of SoBran, Inc. (see Note 1 to Consolidated Financial Statements). General and administrative expenses, as a percentage of revenue, increased to 22% in 2000 from 16% in 1999.

Net interest income in 2000 and 1999 related to earnings from the investment of cash balances in short-term, high quality, money market accounts and corporate debt instruments. The higher net interest income in 2000, as compared to a year ago, primarily reflects larger average cash balances and higher interest rates. The Company had no borrowings under its line of credit during 2000 and 1999.

Liquidity and Capital Resources

Cash and cash equivalents decreased by $1,201,000 during 2001. The decrease was primarily due to cash used by operations ($1,052,000) and acquisition of property and equipment ($151,000).

Trade receivables, net of sales allowance, decreased by $2,641,000 from December 31, 2000, primarily due to a decrease in the rate of revenue generation in 2001. The allowance for sales adjustments decreased by $417,000 from December 31, 2000, related to the closure and settlement of old government contracts.

Income tax receivable increased by $723,000 during 2001 related to the carryback of 2001 tax losses to 1999. In early February 2002, the Company filed its 2001 federal tax return and application for refund of $884,000 of 1999 taxes paid. The tax refund was received in March 2002.

Other current assets decreased $169,000 from December 31, 2000, reflecting a reduced amount of custom development of e-Learning courses for clients in 2001. Other assets increased by $793,000 in 2001, primarily relating to increased development of library training courses and operating system enhancements in the e-Learning Segment (see Note 2 to Consolidated Financial Statements).

Accounts payable decreased by $1,117,000 since the end of 2000 primarily resulting from lower direct costs supporting decreased revenues. Accrued compensation and related expenses decreased by $81,000 during the period, primarily reflecting fewer employees than at the end of the prior year.

No cash dividend was declared in 2001.

The impact of inflation on project revenue and costs of the Company was minimal.

In May 2001, the Company's $3,000,000 revolving loan facility expired and was not renewed. To meet and deal with the aggregate liquidity issues of the Company as a whole, the Company implemented a plan in August 2001 to reduce its cash requirements in all business segments through a salary reduction program and furloughing non-essential personnel. The Company also postponed certain planned non-essential infrastructure and marketing costs in its e-Learning segment.

At December 31, 2001, the Company has operating lease commitments through 2005 totaling $2,465,000, principally for real property (see Note 5 to Consolidated Financial Statements). Additionally, the Company has other long-term obligations through 2006, totaling $1,302,000, related to an agreement with SmartForce to co-develop and distribute ES&H and regulatory content via the SmartForce internet platform (see Note 6 to Consolidated Financial Statements). The table below schedules these contractual obligations:

Contractual Obligations	Payments Due By Period			
(In thousands)	Total	Less Than 1 Year	1 - 3 Years	4 - Year
Capital Lease Obligations	$ 2,465	$ 902	$ 1,181	$ 3
Other Long-Term Obligations.....................	1,302	274	548	4
Total Contractual Cash Obligations	$ 3,767	$ 1,176	$ 1,729	$ 8

In March 2002, the Company's GoTrain subsidiary sold subordinated convertible debentures to private investors for a total principal amount of $1,500,000. Each debenture bears simple interest at the rate of 8% per annum, with cumulative interest payable only if the debenture is not converted into preferred stock of GoTrain, pursuant to the debenture terms. The maturity date of each debenture is July 31, 2003. The larger debenture, in the amount of $1,000,000, can be converted at any time by the holder into convertible preferred stock of GoTrain. The other debenture, in the amount of $500,000 can be repaid or converted into preferred stock at any time by GoTrain. Otherwise, the debentures will automatically convert into preferred stock at the earlier of the maturity date, or upon an underwritten public offering of GoTrain common stock. At maximum conversion, the holders would own approximately 33% of GoTrain (see Note 9 to Consolidated Financial Statements).

Management believes that cash expected to be generated by operations of the Company's Professional and Technical Services Segment, coupled with the tax refund in March 2002, should be sufficient to enable the Company to support its Professional and Technical Services Segment operations as currently structured through the end of 2002. The funds generated by the issuance of the GoTrain convertible debentures can only be used for GoTrain operations pursuant to the terms of the debentures. Management believes this private placement financing will provide necessary support for GoTrain's business development activities based upon its simultaneous conversion to a self-sufficient mode of operation. The Company is currently seeking bank lines of credit for each of its segment operations to provide additional working capital support of their respective business activities. There can be no assurance that such sources of capital will be available in sufficient amounts or on terms favorable to the Company, or at all (see "Risk Factors").

Risk Factors

The following risk factors and other information included in this Annual Report should be carefully considered. The risks and uncertainties described below are not the only ones the Company faces. Additional risks and uncertainties not presently known to the Company or that management currently deems immaterial, also may impair the business operations. If any of the following risks occur, the Company's business, financial condition, operating results and cash flows could be materially adversely affected.

Uncertainty of Access to Capital. Management currently believes that cash expected to be generated from operations and the Company's working capital will not be adequate to support the cash requirements of a desired significant expansion of its e-Learning Segment. The Company is seeking new lines of credit and additional equity financing of its e-Learning business. There can be no guarantee that such sources will be available in sufficient amounts or on terms favorable to TENERA, or at all.

Reliance on Major Customers; Concentration of Revenue from the Government Sector. During 2001 and 2000, one customer, Kaiser-Hill, accounted for 71% and 70%, respectively, of the Company's total revenues. Additionally, for 2001 and 2000, the concentration of the Company's total revenue from the government

sector was 73% and 85%, respectively. This level of concentration of revenues from the lower margin government sector is expected to continue and possibly increase in the future. However, the new contract awarded to the Company by Kaiser-Hill in the fourth quarter of 2000 was a lower value and margin than the Company's prior contract, reflecting Kaiser-Hill's decision to discontinue use of lower-tier subcontract teams at the Site. Further, all outstanding customer contracts are cancelable upon notice by either party, and therefore, there can be no assurance that relationships with customers will be maintained at existing levels, or at all. The discontinuation or material reduction of business relations with any of these customers would have a material adverse impact on TENERA's business (see Item 1, "Business -- Clients").

History of Losses; Uncertainty of Future Profitability; Market for Shares. The Company recorded a net (loss) of $(2.2 million) in 2001. And although the Company had net earnings of $0.8 million in 1992, $1.7 million in 1998, $1.3 million in 1999, and $0.1 million in 2000, net (losses) over the period 1991 through 1997 were $(6.4 million) in 1991, $(0.3 million) in 1993, $(1.2 million) in 1994, $(0.9 million) in 1995, $(1.1 million) in 1996, and $(1.9 million) in 1997. There can be no assurance of the level of earnings, if any, that the Company will be able to derive in the future, or the effect such losses will have on the Company's ability to meet exchange listing requirements, and the associated creation of a public market for its shares.

Competition. The market for professional and technical services, and e-Learning is highly competitive and TENERA competes with several larger firms with significantly greater resources. Significant competitive factors in the market for the Company's offerings are price and the ability to offer new products and services designed to meet changing customer demand. A number of TENERA's competitors are able to offer such services at prices that are lower than those offered by TENERA, and to devote far greater resources toward the development of new products and services. This competition has had, and is expected to continue to have, a material adverse impact on TENERA's business.

Reliance on Key Personnel. Due to the nature of the consulting and professional services business, the Company's success depends, to a significant extent, upon the continued services of its officers and key technical personnel and the ability to recruit additional qualified personnel. The Company has experienced a historically high rate of turnover as revenue and earnings have declined. Further loss of such officers and technical personnel, and the inability to recruit sufficient additional qualified personnel, could have a material adverse effect on the Company.

Uncertainty Regarding Industry Trends and Customer Demand. As a result of the slowdown in the construction of power plants and the absence of new power plants scheduled for construction, as well as the gradual deregulation of the production and distribution of electricity, the market for engineering services relating to licensing and construction of power plants has contracted, and the market for services related to efficient and profitable operation of existing capacity has expanded. There can be no assurance that (i) TENERA will have the financial and other resources necessary to successfully research, develop, introduce, and market new products and services, (ii) if, or when, such new products or services are introduced, they will be favorably accepted by current or potential customers, or (iii) TENERA will be otherwise able to fully adjust its services and products to meet the changing needs of the industry (see Item 1, "Business -- General").

Government Contracts Audits. The Company's United States government contracts are subject in all cases to audit by governmental authorities. In 1994, an audit was concluded, which began in 1991, of certain of its government contracts with the DOE relating to the allowability of certain employee compensation costs. The Company made a special charge to earnings in 1991 for a $2.4 million provision for the potential rate adjustments then disputed by the Company and the government. As a result of resolving certain issues in the dispute, the Company recognized increases to earnings of $500,000 in 1994, $250,000 in 1996, $150,000 in 2000, and $150,000 in 2001. Remaining cash payments to clients associated with the settlement are estimated to be approximately $300,000, which were accrued for in a prior year, and are expected to be made as government contracts with individual clients are closed out. There can be no assurance that no additional charges to earnings of the Company may result from future audits of the Company's government contracts.

Item 7A. Quantitative and Qualitative Disclosure about Market Risk

The Company has minimal exposure to market and interest risk as the Company invests its excess cash in instruments, which mature within 90 days from the date of purchase. The Company does not have any derivative instruments.

15

Item 8. Financial Statements and Supplementary Data

TENERA, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

	Year Ended December	
	2001	2000
Revenue	$ 20,065	$ 32,443
Direct Costs	15,697	25,465
General and Administrative Expenses	7,487	7,001
Other Income	--	4
Operating (Loss) Income	(3,119)	(19)
Interest Income, net	19	182
Net (Loss) Earnings Before Income Tax Expense	(3,100)	163
Income Tax (Benefit) Expense	(1,070)	63
Net (Loss) Earnings	$ (2,030)	$ 100
Net (Loss) Earnings per Share-- Basic	$ (0.20)	$ 0.01
Net (Loss) Earnings per Share-- Diluted	$ (0.20)	$ 0.01
Weighted Average Number of Shares Outstanding-- Basic	9,984	9,960
Weighted Average Number of Shares Outstanding-- Diluted	9,984	10,195

16

TENERA, INC.
CONSOLIDATED BALANCE SHEETS

(In thousands, except share amounts)

	December
	2001
ASSETS	
Current Assets	
Cash and cash equivalents	$ 1,286
Trade receivables, less allowances of $547 (2000 - $964)	
Billed	1,533
Unbilled	1,259
Income tax receivable	884
Other current assets	238
Total Current Assets	5,200
Property and Equipment, Net	546
Other Assets	1,232
Total Assets	$ 6,978
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current Liabilities	
Accounts payable	$ 1,136
Accrued compensation and related expenses	1,751
Deferred revenue	226
Total Current Liabilities	3,113
Stockholders' Equity	
Common Stock, $0.01 par value, 25,000,000 authorized, 10,417,345 issued	104
Paid in capital, in excess of par	5,677
Retained earnings (Accumulated deficit)	(1,423)
Treasury stock-- 433,086 shares (2000 - 433,086 shares)	(493)
Total Stockholders' Equity	3,865
Total Liabilities and Stockholders' Equity	$ 6,978

TENERA, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands)

	Common Stock Shares	Common Stock Amount	Paid-In Capital in Excess of Par	Retained Earnings (Accumulated Deficit)	
December 31, 1998	10,129	104	5,699	(835)	
Repurchase of Stock	(195)	--	--	--	
Net Earnings	--	--	--	1,342	
December 31, 1999	9,934	104	5,699	507	
Exercise of Stock Options	50	--	(24)	--	
Net Earnings	--	--	--	100	
December 31, 2000	9,984	104	5,675	607	
Capital Contribution ...	--	--	2	--	
Net (Loss) Earnings	--	--	--	(2,030)	
December 31, 2001	9,984	$ 104	$ 5,677	$ (1,423)	$

18

TENERA, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Year Ended December 2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) earnings	$ (2,030)	$ 100
Adjustments to reconcile net earnings to cash provided by operating activities:		
Depreciation and amortization	752	392
Gain on sale of assets	--	(4)
Changes in assets and liabilities:		
Trade receivables, net of allowance..................	2,641	1,122
Income tax receivable	(723)	(11)
Other current assets	169	(396)
Other assets	(793)	(598)
Accounts payable	(1,117)	(857)
Accrued compensation and related expenses	(81)	(6)

Deferred revenue	130	94
Income taxes payable	--	--
Net Cash (Used) Provided by Operating Activities	(1,052)	(164)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(151)	(756)
Acquisition of application development software	--	(125)
Proceeds from sale of assets	--	6
Net Cash Used by Investing Activities	(151)	(875)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repurchase of equity	--	--
Issuance of equity in subsidiary	2	--
Issuance of common stock from Treasury	--	33
Net Cash Provided (Used) by Financing Activities	2	33
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,201)	(1,006)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,487	3,493
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 1,286	$ 2,487

TENERA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2001

Note 1. Organization

TENERA, Inc. (including its subsidiaries, "TENERA", or the "Company") provides a broad range of professional and technical services, and web-based e-Learning solutions. The Company's professional and technical services are designed to solve complex management, engineering, environmental, health and safety challenges associated with the management of federal government properties, energy assets, and petrochemical and manufacturing concerns. TENERA's web-based e-Learning products and services, provided through the Company's GoTrain Corp. subsidiary (`GoTrain"), are designed to provide a suite of on-line, interactive, compliance and regulatory-driven training applications for use by clients' employees.

The Company is principally organized into two operating segments: Professional and Technical Services and e-Learning (see Note 7 to Consolidated Financial Statements).

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company experienced a consolidated profit of $100,000 in 2000 and a consolidated net loss of approximately $2 million in 2001, with cash balances declining to approximately $1.3 million at December 31, 2001 from $2.5 million at December 31, 2000. The consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

The principal factor for the Company's consolidated profit-and-loss performance in recent years and its reduced cash position has been the dedication of resources to the Company's e-learning subsidiary, GoTrain Corp., and the resultant losses from the start-up phase of this new business segment.

In 2001, management explored financing alternatives that could address the reduction of the Company's working capital resulting from this internal investment strategy. Additionally, in 2001, the Company took steps to reduce its cash requirements through a salary reduction program and furloughing personnel. These actions allowed the Company to maintain a higher working capital position at the end of 2001 than would have otherwise been the case. Further, in March 2002, GoTrain Corp. issued convertible debentures in the amount of $1,500,000 to an investment fund to permit it to continue to develop its business without requiring further significant financial resources from the Company, which previously had been the sole source of GoTrain's funding.

Subsequent to the close of 2001, GoTrain Corp. is positioning itself to be able to generate sufficient cash flow to fund working capital to the end of 2002 primarily through continuing cost reduction plans, use of the newly invested private venture funding, and expansion of its business. In March 2002, the Company received approximately $900,000 of federal income tax refunds for taxes paid in prior years. Management believes that these resources will be adequate to fund its operating and capital requirements through the end of 2002. For additional liquidity, the Company is currently pursuing individual secured lines of credit for each of its business segments to support the short-term funding requirements associated with meeting working capital needs. However, there can be no assurance that such sources of capital will be available in sufficient amounts or on terms favorable to the Company, or at all.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation. The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany accounts and transactions have been eliminated.

Use of Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ materially from these estimates.

Cash and Cash Equivalents. Cash and cash equivalents at December 31, 2001 consist of deposited cash and money market accounts at a banking institution. At the end of the previous year, the Company's cash and cash equivalents included money market accounts and commercial paper issued by companies with strong credit ratings. Cash equivalents are carried at cost, which approximates fair value. The Company includes in cash and cash equivalents, all short-term, highly liquid investments, which mature within three months of acquisition.

Concentrations of Credit Risk and Credit Risk Evaluations. Financial instruments, which potentially subject the Company to concentrations of credit risk, consist primarily of cash and cash equivalents and accounts receivable. Cash and cash equivalents consist principally of money market accounts. Cash and cash equivalents are held with a domestic financial institution with high credit standing. The Company has not experienced any significant losses on its cash and cash equivalents. The Company conducts business with companies in various industries primarily in the United States. The Company performs ongoing credit evaluations of its customers and generally does not require collateral. Allowances are maintained for potential credit issues, and such losses to date have been within management's expectations. At December 31, 2001, three clients accounted for 42%, 12%, and 10% of the Company's trade receivables. At December 31, 2000, one client accounted for 75% of trade receivables. All the above concentrations relate to Professional and Technical Services Segment clients.

Property and Equipment. Property and equipment are stated at cost ($3,360,000 and $3,265,000 at December 31, 2001 and 2000, respectively), net of accumulated depreciation ($2,814,000 and $2,506,000 at December 31, 2001 and 2000, respectively). Depreciation is calculated using the straight-line method over the estimated useful lives, which range from three to five years.

Other Assets. Included in this asset category are the costs of internal-use e-Learning operating system software, both acquired and developed by the Company, and certain costs related to the development of the Company's e-Learning training courses used in its application service provider business. These costs have been capitalized in accordance with Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use". Under the Company's business model, the Company grants a limited license to its clients to access the Company's training system via the internet. The proprietary software resides on the Company's computers and clients have no other rights to the software. All training and maintenance costs are expensed as incurred. The Company capitalized $793,000 of acquired and developed software costs during 2001, compared to $723,000 (included $125,000 of acquired software) in 2000. The estimated useful life of costs capitalized is three years. In 2001 and 2000, the amortization of capitalized costs on the Company's books totaled $252,000 and $88,000, respectively.

In the future, the Company expects to continue to capitalize costs relating to new course development, as well as costs associated with material enhancements and functionality of the existing software, as dictated by the marketplace. This is a new business model and segment for the Company and to date, management believes there have been no indicators of impairment for these assets.

Revenue. The Company's Professional and Technical Services Segment primarily offers its services to the United States electric power industry and the DOE. Revenue from time-and-material and cost plus fixed-fee contracts is recognized when service is performed and costs are incurred. Revenue from fixed-price contracts is recognized on the basis of percentage of work completed (measured by costs incurred relative to total estimated project costs) under compliance with Statement of Position 81-1, "Accounting for Performance of Construction-Type and Certain Production-Type Contracts".

The Company's e-Learning Segment's nonrefundable upfront subscription/license fees are recognized ratably over the contractual term, which is typically one year. Revenue recognition commences when delivery of product occurs. Usage fee revenue is recognized on an actual usage basis.

Reserves are maintained for potential sales adjustments and credit losses; such losses to date have been within management's expectations. Actual revenue and cost of contracts in progress may differ from management estimates and such differences could be material to the financial statements.

During 2001 and 2000, one client accounted for 71% and 70%, respectively, of total revenue. In 1999, three clients accounted for 32%, 26%, and 17% of the Company's total revenue. All the above concentrations relate to Professional and Technical Services Segment clients.

Income Taxes. The Company uses the liability method to account for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Accounting for Stock-Based Compensation. The Company accounts for employee stock options in accordance with Accounting Principles Board Opinion No. 25 ("APB 25") and has provided the pro forma disclosures required by Statement of Financial Standards No. 123, "Accounting for Stock-Based Compensation," ("FAS 123") in Note 3.

Per Share Computation. Basic earnings per share is computed by dividing net earnings by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution of securities by adding other common stock equivalents, including stock options, warrants and convertible preferred stock, in the weighted average number of common shares outstanding for a period, if dilutive.

The following table sets forth the computation of basic and diluted earnings per share as required by Financial Accounting Standards Board Statement No. 128:

(In thousands, except per share amounts)

	Year Ended December	
	2001	2000
Numerator:		
Net (loss) earnings	$ (2,030)	$ 100
Denominator:		
Denominator for basic earnings per share-- weighted-average shares outstanding......................	9,984	9,960
Effect of dilutive securities:		
Employee & Director stock options (Treasury stock method)	--	235
Denominator for diluted earnings per share-- weighted-average common and common equivalent shares	9,984	10,195
Basic (loss) earnings per share	$ (0.20)	$ 0.01

Diluted (loss) earnings per share	$ (0.20)	$ 0.01

Comprehensive Income. The Company does not have any components of comprehensive income. Therefore, comprehensive income is equal to net earnings reported for all periods presented.

Disclosures about Segments of an Enterprise. The Company has two reportable operating segments, which are: Professional and Technical Services and e-Learning (see Note 7 to Consolidated Financial Statements).

Recent Accounting Pronouncements. In October 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("FAS 144"), which supersedes FAS No. 121, and Accounting Principles Board No. 30, "Reporting the Results of Operations - Reporting the Effects of Disposal of a

Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions". FAS 144 also amends Accounting Research Bulletin No. 51, "Consolidated Financial Statements". FAS 144 requires that long-lived assets that are disposed of by sale be measured at the lower of book value or fair value less cost to sell. The statement also significantly changes the criteria required to classify an asset as held-for-sale. Additionally, FAS 144 expands the scope of discontinued operations to include all components of an entity with operations that (1) can be distinguished from the rest of the entity and (2) will be eliminated from the ongoing operations of the entity in a disposal transaction. The Company is required to adopt FAS 144 for its fiscal year beginning January 1, 2002. The Company does not anticipate that the adoption of FAS 144 will have a material effect on the Company's consolidated financial position, results of operations, or cash flows.

Reclassifications. Certain reclassifications of prior year amounts have been made to conform with current presentation.

Note 3. Employee Benefit Plans

401(k) Savings Plan. The 401(k) Savings Plan is administered through a trust that covers substantially all employees. During 2001, employees could contribute amounts to the plan up to 15% of salary. The Company matches employee contributions equal to 50% of the first 4% of salary deferred. The Company, at its discretion, may also contribute funds to the plan for the benefit of employees. In 2001, 2000, and 1999, charges to earnings for the 401(k) Savings Plan were $117,000, $143,000, and $164,000, respectively. During 2001, 2000, and 1999, the Company contributed no discretionary amounts to the plan.

Stock Option Plans. The Company has elected to follow APB 25 and related interpretations in accounting for its employee stock options because, as discussed below, the alternative fair value accounting provided for under FAS 123 requires use of option valuation models that were not developed for use in valuing employee stock options. Under APB 25, because the exercise price of the Company's employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized.

Under the provisions of the Company's 1992 Option Plan, 1,500,000 shares are reserved for issuance upon the exercise of options granted to key employees and consultants. In 2001, options were granted for 260,000 shares at an exercise price of $0.48, the then fair market value, expiring August 13, 2007. During 2000, options were granted for 30,000 shares at an exercise price of $1.2625, the then fair market value, expiring on April 18, 2006. In 1999, options were granted for 285,000 shares at an exercise price of $1.3625, the then fair market value, expiring on March 9, 2005. During 2001, options for 38,000 shares were forfeited (70,000 and 94,000 in 2000 and 1999, respectively). No options were exercised in 2001 (15,000 in 2000 and none in 1999). As of December 31, 2001, options for 1,439,500 shares were outstanding and options for 1,302,000 shares were exercisable.

Under the provisions of the 1993 Outside Directors Compensation and Option Plan, which was approved by the Board of Directors, effective March 1, 1994, as amended in 1998, 500,000 shares are reserved for issuance upon the exercise of options granted to non-employee directors. In 2001, options were granted for 50,000 shares at an exercise price of $0.57, the then fair market value, expiring on March 1, 2011. During 2000, options were granted for 46,000 shares at an exercise price of $2.125, the then fair market value, expiring on March 1, 2010. In 1999, options were granted for 62,500 shares at an exercise price of $1.375, the then fair market value, expiring on March 1, 2009. During 2001 and 2000, no options were forfeited (12,500 share options were canceled in 1999). No options were exercised in 2001 and 1999 (35,500 share options were exercised in 2000). As of December 31, 2001, options for 314,500 shares were outstanding and 264,500 were exercisable.

The combined stock option activity of the Company's two option plans is summarized below:

(In thousands, except per share amounts)

	Year Ended December 31,				
	2001		2000		
	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price	Options
Outstanding-- Beginning of Year ..	1,482	$ 1.06	1,526	$ 1.00	1,285
Granted	310	0.49	76	1.78	347
Exercised	--	--	(50)	.67	--

Forfeited	(38)	1.26	(70)	.87	(106)
Outstanding-- End of Year	1,754	$ 0.95	1,482	$ 1.06	1,526
Exercisable at End of Year	1,567	$ 1.01	1,319	$ 1.02	1,125

Exercise prices for options outstanding as of December 31, 2001, ranged from $0.5625 to $2.125. The weighted-average remaining contractual life of those options is 3.3 years.

Proforma Disclosures of the Effect of Stock-Based Compensation. Pro forma information regarding net earnings (loss) and earnings (loss) per share is required by FAS 123 and has been determined as if the Company had accounted for its stock options under the fair value method of FAS 123. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions for 2001, 2000, and 1999: risk-free interest rates of 5.5% and 5.0% for March and August 2001 grants,respectively, 6.25% for the March and April 2000 grants, and 5.3% for the March 1999 grants; dividend yield of 0% for all years; volatility factors of the expected market price of the Company's common stock of 0.695, 0.65, and 0.56 for the years 2001, 2000, and 1999, respectively; and a weighted-average expected life of the option of five years for all employee grants and seven years for director grants.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. In addition, options valuation models require the input of highly subjective assumptions including the expected stock price volatility. Since the Company's stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its stock options.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the vesting periods of the options. The Company has elected to base its initial estimate of compensation expense on the total number of options granted. Subsequent revisions to reflect actual forfeitures are made in the period the forfeitures occur through a catch-up adjustment.

Pro forma information regarding the Company's net earnings (loss) and earnings per share follows:

(In thousands, except per share amounts)

	Year Ended December	
	2001	2000
Net (Loss) Earnings -- As Reported	$ (2,030)	$ 100
Pro Forma Net (Loss) Earnings--FAS 123	(2,119)	(2)
Net (Loss) Earnings per Share-- As Reported Basic	$ (0.20)	$ 0.01
Net (Loss) Earnings per Share-- As Reported Diluted	$ (0.20)	$ 0.01
Pro Forma Net (Loss) Earnings per Share-- FAS 123 Basic	$ (0.21)	$ --
Pro Forma Net (Loss) Earnings per Share-- FAS 123 Diluted ..	$ (0.21)	$ --

The weighted-average grant-date fair value of options granted, which is the value assigned to the options under FAS 123, was $0.32, $1.20, and $0.75 for grants made during years ended December 31, 2001, 2000, and 1999, respectively.

Note 4. Income Taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities as of December 31, 2001 and 2000 are as follows, using the liability method:

	Decemb
	2001
Current Deferred Tax Assets	
Net Operating Loss	$ 456
Accrued Expenses Not Currently Deductible	545
Differences Between Book and Tax Depreciation and Amortization	146
Other	129
Total Current Gross Deferred Tax Assets	1,276
Less: Valuation Allowance	(791)
Current Deferred Tax Liabilities	
Software Development Costs..	485
Other	--
Net Current Deferred Tax Liabilities	$ --

The current tax benefit/provision for the years ended December 31, 2001, 2000, and 1999, are as follows:

	Year Ended December	
	2001	2000
Current:		
Federal	$ (1083)	$ 42
State	13	21
Tax (Benefit) Provision	$ (1,070)	$ 63

Realization of deferred tax assets is dependent upon future earnings, if any, the timing and amount of which are uncertain. Accordingly, the net deferred tax assets have been fully offset by a valuation allowance. The valuation allowance increased by $96,000 for the year ended December 31, 2001 and decreased by $32,000 during the year ended December 31, 2000 for those deferred tax assets that may not be realized. Utilization of the Company's net operating loss may be subject to substantial annual limitations due to ownership change limitations provided by the Internal Revenue Code and similar state provisions. Such limitations could result in the expiration of the net operating loss before utilization.

The benefit/provision for income taxes differed from the amount computed by applying the statutory federal and state income tax rate for the years ended December 31, 2001, 2000, and 1999, as follows:

	Year Ended December	
	2001	2000
Federal Statutory Rate	34%	34%
State Taxes, Net of Federal Benefit	0%	8%
Permanent Differences	(1%)	12%
Increase in Valuation Allowance	(3%)	(20%)
Other	5%	5%
Income Tax Benefit/Provision	35%	39%

The Company paid no income taxes in 2001 and $64,000 in 2000.

Note 5. Commitments and Contingencies

Leases. The Company occupies facilities under noncancelable operating leases expiring at various dates through 2005. The leases call for proportionate increases due to property taxes and certain other expenses. Rent expense amounted to $710,000 for the year ended December 31, 2001 ($537,000 in 2000 and $349,000 in 1999).

Minimum rental commitments under operating leases, principally for real property, are as follows (in thousands):

(Year Ending December 31)

(Year Ending December 31)
2002 ....
2003 ....
2004 ....
2005 ....
2006 and Thereafter ....
Total Minimum Payments Required ....

Revolving Loan Agreement. A loan agreement with the Company's bank expired in May 2001 and was not renewed. The Company is currently pursuing a new credit facility with its bank and others. During 2001, 2000, and 1999, the Company paid no interest expense, as there were no borrowings.

Note 6. Long-Term Obligations

In June 2001, GoTrain entered into a five-year agreement with SmartForce to co-develop and distribute ES&H and regulatory content via the SmartForce internet platform. Under the agreement, GoTrain retains the ownership of its proprietary content and GoTrain shares in the revenue of any GoTrain content sold by SmartForce. As part of the agreement, GoTrain was required to make an initial payment of $50,000 to SmartForce at inception and quarterly payments of $68,500 commencing September 30, 2001 (due sixty day thereafter), for platform license and maintenance, and integration of existing GoTrain content. The Company paid $118,500 to SmartForce under the agreement in 2001.

Minimum net payments are as follows (in thousands):

(Year Ending December 31)
2002 ....
2003 ....
2004 ....
2005 ....
2006 and Thereafter ....
Total Minimum Payments Required ....

Note 7. Segment Information

Based on the criteria established by Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" (FAS 131"), the Company operates in two business segments based on product/service differentiation. In accordance with FAS 131, the Company is required to describe its reportable segments and provide data that is consistent with the data made available to the Company's Chief Operating Decision Maker to assess performance and make decisions.

The measure of profit or loss used for each reportable segment is net earnings (loss) before the effect of income taxes. The accounting policies for the segments are the same as for the Company taken as a whole. Certain corporate expenses are allocated to these operating segments and are included for performance evaluation. Annual employee bonuses, if any, are recorded at the corporate level. Assets are not allocated to operating segments for reporting to the Company's Chief Operating Decision Maker ("CODM") and the Company does not prepare segmental balance sheets. Depreciation and amortization expenses are allocated to the operating segments based on the fixed assets in the underlying subsidiaries comprising the segments. Depreciation and amortization expenses for the e-Learning segment were combined with the Professional and Technical Services Segment in 1999. There are no intersegment revenues on transactions between reportable segments.

Information about the operating segments for the years 2001, 2000, and 1999, and reconciliation to the Consolidated Statements of Operations, are as follows:

(In thousands)

	Year Ended December	
	2001	2000
REVENUE		
Professional and Technical Services.....................	$ 18,964	$ 32,013
e-Learning	1,101	430
Total	$ 20,065	$ 32,443
NET (LOSS) EARNINGS BEFORE INCOME TAX		
Professional and Technical Services	$ 815	$ 2,981
e-Learning	(3,542)	(1,827)
Corporate and Other	(373)	(991)
Total	$ (3,100)	$ 163
DEPRECIATION AND AMORTIZATION EXPENSE		
Professional and Technical Services	$ 59	$ 88
e-Learning	671	281
Corporate and Other	22	19
Total	$ 752	$ 388

Revenues outside of the United States have been less than 1% of total Company revenues in each of the years ended December 31, 2001, 2000, and 1999, respectively. Therefore, no enterprise-wide geographical data has been provided. The Company provides services and products to clients throughout the United States, and the geographical location of the client is not used for decision-making or performance evaluation.

29

Note 8. Selected Quarterly Combined Financial Data (Unaudited)

A summary of the Company's quarterly financial results follows.

(In thousands, except per share amounts)

	Quarter Ended	Quarter Ended

	12/31/01	9/30/01	6/30/01	3/31/01	12/31/00	9/30/00	6/30/
Revenue	$ 4,450	$ 4,441	$ 5,301	$ 5,873	$ 6,784	$ 7,673	$ 8,3
Direct Costs	3,512	3,549	4,112	4,524	5,082	5,987	6,6
General and Administrative Expenses	1,512	1,719	2,162	2,094	1,962	1,639	1,6
Other Income	--	--	--	--	--	--	
Operating (Loss) Income	(574)	(827)	(973)	(745)	(260)	47	
Interest Income, net .	3	(18)	13	21	45	49	
Net (Loss) Earn Before Inc. Tax (Benefit) Exp	(571)	(845)	(960)	(724)	(215)	96	
Income Tax (Benefit) Exp	(336)	(245)	(278)	(211)	(88)	38	
Net (Loss) Earn.........	$ (235)	$ (600)	$ (682)	$ (513)	$ (127)	$ 58	$
Net (Loss) Earn Per Share-Basic..	$ (0.02)	$ (0.06)	$ (0.07)	$ (0.05)	$ (0.01)	$ 0.01	$ 0.
Net (Loss) Earn Per Share-Diluted	$ (0.02)	$ (0.06)	$ (0.07)	$ (0.05)	$ (0.01)	$ 0.01	$ 0.

30

Note 9. Subsequent Event

Convertible Debt. In March 2002, The Company's GoTrain subsidiary sold subordinated convertible debentures to private investors for a total principal amount of $1,500,000 ("Series 1 Debenture" - $1,000,000; "Series 2 Debenture" - $500,000). Each debenture bears simple interest at the rate of 8% per annum, with cumulative interest payable only if the debenture is not converted into convertible preferred stock of GoTrain, pursuant to the debenture terms. The maturity date of each debenture is July 31, 2003.

The holders of the Series 1 Debenture have the option at any time to convert some or all of the debenture principal balance into preferred stock of GoTrain. Otherwise, the debenture will be automatically converted into preferred stock upon the earlier of July 31, 2003, or in the event of an underwritten public offering of GoTrain common stock. At full conversion, the holders will own approximately 22% of GoTrain.

GoTrain has the option at any time to repay some or all of the Series 2 Debenture at face value or convert some or all of the debenture into preferred stock. Otherwise, the debenture will automatically convert into preferred stock under the same terms as the Series 1 Debenture. In the event of full conversion, the holders of the Series 2 Debenture would own approximately 11% of GoTrain.

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Shareholders
TENERA, Inc.

We have audited the accompanying consolidated balance sheets of TENERA, Inc. at December 31, 2001 and 2000, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2001. Our audits also included the financial statement schedule listed in the Index at Item 14(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of TENERA, Inc. at December 31, 2001 and 2000, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole presents fairly, in all material respects, the information set forth therein.

The accompanying financial statements have been prepared assuming that TENERA, Inc. will continue as a going concern. As more fully described in Note 1, the Company has experienced declining revenues, a consolidated net loss for the year ended December 31, 2001, and a declining cash balance. The Company has incurred a consolidated net loss and declining cash balance primarily as a result of the Company's e-Learning segment. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

/s/ ERNST & YOUNG LLP

San Francisco, California
January 25, 2002
Except for Note 9, as to which the date is
March 19, 2002

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

PART III

Item 10. Directors and Executive Officers of the Registrant

The following tables set forth certain information with respect to the directors and executive officers of the Company.

The directors of the Company are as follows:

William A. Hasler, 60, has served as a Director of the Company since his election in March 1992 and Chairman of the Board of the Company since July 1998. Mr. Hasler is Co-Chief Executive Officer of Aphton Corporation, a international biotechnology firm. Previously, Mr. Hasler was Dean and Department Chair of the Haas School of Business at the University of California, Berkeley. Prior to his appointment as Dean in 1991, Mr. Hasler was Vice Chairman of Management Consulting for KPMG Peat Marwick from 1986 to 1991. Mr. Hasler is also a director of Solectron Corporation, Aphton Corporation, Walker Interactive Systems, Inc., DiTech Corporation, The Schwab Funds, and DMC Stratex Networks.

Jeffrey R. Hazarian, 46, has served as a Director of the Company since his election in October 1996, and was named its Executive Vice President in November 1997. He has also served as its Chief Financial Officer and Corporate Secretary since 1992. Previously, Mr. Hazarian held the position of Vice President of Finance from 1992 to 1997.

Thomas S. Loo, Esq., 58, was elected as a Director of the Company in February 1997. He previously served as a Director of the Company from August 1987 to September 1993. Mr. Loo is a partner of Greenberg Traurig, LLP, general counsel to the Company since November 2001. Previously, Mr. Loo had been a partner, since 1986, of Bryan Cave LLP, which was general counsel to the Company. Mr. Loo has also served as a director of Teknekron Corporation since March 1989.

Robert C. McKay, 50, has served as a Director of the Company since his election in June 1997, and was appointed its Chief Executive Officer and President in November 1997. Previously, Mr. McKay was Chief Operating Officer of the Company since April 1997. He was elected Senior Vice President of the Company in December 1992.

Andrea W. O'Riordan, 31, has served as Director of the Company since her election in June 1998. Ms. O'Riordan is Communications Manager of field sales, process and automation, and core technologies training for Oracle Corporation. Prior to her joining Oracle Corporation in 1996, Ms. O'Riordan was Marketing Coordinator, Latin America, for a Reuters Company, from 1993 to 1995.

George L. Turin, Sc.D., 72, has served as a Director of the Company since his election in March 1995. Previously, Mr. Turin served as a Professor of Electrical Engineering and Computer Science at the University of California at Berkeley from 1960 to 1990. Mr. Turin also served as Vice President, Technology for Teknekron Corporation from 1988 to 1994.

Officers of the Company hold office at the pleasure of the Board of Directors. There are no familial relationships between or among any of the executive officers or directors of the Company.

Item 11. Executive Compensation

The following tables set forth certain information covering compensation paid by TENERA to the Chief Executive Officer ("CEO") and each of the Company's other executive officers, other than the CEO, whose total annual salary and bonus exceeded $100,000 (the "named executives") for services to TENERA in all their capacities during the fiscal years ended December 31, 2001, 2000, and 1999.

SUMMARY COMPENSATION TABLE

	Annual Compensation	Awards
		Securities

Name and Principal Position	Year	Salary	Bonus	Underlying Options(1)
Robert C. McKay, Jr.	2001	$ 215,147	$ --	30,000
Chief Executive Officer	2000	231,469	--	--
President	1999	223,958	90,000	40,000
Jeffrey R. Hazarian	2001	167,336	6,000	30,000
Executive	2000	180,031	7,000	--
Vice President and	1999	181,064	67,500	40,000
Chief Financial Officer				

The following table sets forth certain information concerning options granted during 2001 to the named executives:

OPTIONS GRANTS IN 2001

	Individual Grants				Potenti Value Annual Price for
Name	Number of Securities Underlying Options Granted	% of Total Options Granted to Employees in Fiscal Year	Exercise or Base Price ($/Share)	Expiration Date	5%
Robert C. McKay, Jr.	30,000	11.5	$ 0.48	8/13/07	$ 4,897
Jeffrey R. Hazarian.......	30,000	11.5	0.48	8/13/07	4,897

Other Compensation Arrangements

The Company's 1992 Option Plan provides that options may become exercisable over such periods as provided in the agreement evidencing the option award. Options granted to date, including options granted to executive officers and set forth in the above tables, generally call for vesting over a four-year period. The 1992 Option Plan provides that a change in control of the Company will result in immediate vesting of all options granted and not previously vested.

Directors Compensation

Except as described below, the directors of the Company are paid no compensation by the Company for their services as directors. William A. Hasler, Thomas S. Loo, Andrea W. O'Riordan, and George L. Turin as non-employee directors, are paid a retainer of $1,000 per month. These non-employee directors are also paid a fee of $1,000 for each meeting of the Board, and any Board Committee meeting not held on the same day as a Board meeting, which they attend. Since March of 2001, the non-employee directors have deferred payment of their fees as part of the Company's working capital preservation program (see "Liquidity and Capital Resources"). The 1993 Outside Directors Compensation and Option Plan was approved by the Board effective March 1, 1994, as amended by the Board in 1998, and reserves up to 500,000 options for issuance to non-employee directors. During 2001, 12,500 stock options were granted to each of Messrs. Hasler, Loo, Turin, and Ms. O'Riordan. In 2000, 11,500 stock options were issued to each of Messrs. Hasler, Loo, Turin, and Ms. O'Riordan. During 1999, 12,500 stock options were issued to each of Messrs. Hasler, Loo, Turin, Bunch (resigned in July 1999), and Ms. O'Riordan. The options expire ten (10) years after the date of the grant, vest one (1) year after the date of grant, and have an exercise price equal to the fair market value of the shares of the Company's Common Stock on the date of grant. Upon exercise of the options, a director may not sell or otherwise transfer more than 50% of the shares until six (6) months after the date on which the director ceases to be a director of the Company. Due to his resignation, Mr. Bunch's 1999 options did not vest and were forfeited.

Compensation Committee Interlocks and Insider Participation

During 2001, the Compensation Committee was composed of William A. Hasler, Thomas S. Loo, Andrea W. O'Riordan, and George Turin. Thomas S. Loo is a partner in the law firm of Greenberg Traurig, LLP, general counsel to the Company and Teknekron Corporation, and is a director of Teknekron Corporation. Mr. Loo is co-trustee of the Andrea Wagner 1996 Trust, the Nina Wagner 1996 Trust, and the Charles Wagner 1996 Trust (see Item 12, "Security Ownership of Certain Beneficial Owners and Management"). Andrea W. O'Riordan is the daughter of Harvey E. Wagner, who holds a beneficial interest in the Company's largest stockholder, The Wagner Family Trust (see Item 12, "Security Ownership of Certain Beneficial Owners and Management"). Mr. Wagner is also the sole stockholder and a director of Teknekron Corporation.

Item 12. Security Ownership of Certain Beneficial Owners and Management

(a) Security Ownership of Certain Beneficial Owners

The following table sets forth certain information as of March 1, 2002, with respect to beneficial ownership of the shares of Common Stock of the Company by each person who is known by the Company to own beneficially more than 5% of the shares of Common Stock:

Name and Address	Shares Beneficially Owned
Wagner Family Trust.......... P.O. Box 7370 Incline Village, NV 89452	2,052,671
Andrea Wagner 1996 Trust.......... P.O. Box 7370 Incline Village, NV 89452	551,996
Nina Wagner 1996 Trust .... P.O. Box 7370 Incline Village, NV 89452	551,996
Charles Wagner 1996 Trust .... P.O. Box 7370 Incline Village, NV 89452	551,996
Peter S. Lynch.......... 82 Devonshire Street, S8A Boston, MA 02109	782,000
Dr. Michael John Keaton Trust .... C/O Greenberg Traurig, LLP 2450 Colorado Avenue, Suite 400E Santa Monica, CA 90404	1,106,887

(b) Security Ownership of Management

The following table sets forth information as of March 1, 2002, with respect to current beneficial ownership of shares of Common Stock by (i) each of the directors of the Company, (ii) each of the named executive officers (see Item 11. "Executive Compensation"), and (iii) all current directors and executive officers as a group.

Name	Shares Beneficially Owned(1)	Shares Acquirable Within 60 Days(3)(4)

William A. Hasler	55,500	59,000(3)
Jeffrey R. Hazarian	7,186	170,000(4)
Thomas S. Loo (5)...	1,655,988	57,000(3)
Robert C. McKay, Jr...	1,789	235,000(4)
Andrea W. O'Riordan (6).......................................	551,996	49,000
George L. Turin...	45,504	84,500(3)
All Directors and Executive Officers as a Group (6 persons) ...	2,317,963	654,500

Beneficial ownership as shown in the tables above has been determined in accordance with Rule 13d-3 under the Securities Exchange Act of 1934. Under this Rule, certain securities may be deemed to be beneficially owned by more than one person (such as where persons share voting power or investment power). In addition, securities are deemed to be beneficially owned by a person if the person has the right to acquire the securities (for example, upon exercise of an option or the conversion of a debenture) within 60 days of the date as of which the information is provided; in computing the percentage of ownership of any person, the amount of securities outstanding is deemed to include the amount of securities beneficially owned by such person (and only such person) by reason of these acquisition rights. As a result, the percentage of outstanding shares of any person as shown in the preceding tables does not necessarily reflect the person's actual voting power at any particular date.

Item 13. Certain Relationships and Related Transactions

See "Compensation Committee Interlocks and Insider Participation."

38

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a)(1) Financial Statements

The following financial statements of the Company are filed with this report and can be found in Part II, Item 8, on the pages indicated below:

(a)(2) Financial Statement Schedules

The following financial statement schedules with respect to the Company are filed in this report:

Schedule II-- Valuation and Qualifying Accounts and Reserves ....
All other schedules are omitted because they are either not required or not applicable.

(a)(3) Exhibits

2.1	Agreement and Plan of Merger dated as of June 6, 1995 among the Registrant, Teknekron Technology MLP I Corporation, TENERA, L.P., and TENERA Operating Company, L.P. (a form of which is attached as Annex A to the Registrant's Consent Solicitation Statement/Prospectus included in the Registration Statement on Form S-4 (Registration No. 33-58393) declared effective by the Securities and Exchange Commission ("SEC") on June 2, 1995 (the "Registration Statement"), and is incorporated herein by reference).
2.2	Asset Acquisition Agreement dated November 14, 1997, between the Registrant and Spear Technologies, Inc. (filed as Exhibit 2.1 to the Registrant's Form 8-K filed with the SEC on November 14, 1997 and incorporated by reference herein (the "Form 8-K")).
2.3	Series C Preferred Stock Purchase Agreement dated April 6, 2000 between the Registrant and Spear Technologies, Inc. (filed as Exhibit 2.3 to the Registrant's 1999 Form 10-K and incorporated herein by reference).
2.4	Asset Acquisition Agreement dated February 10, 2000 between the Registrant and SoBran, Inc. (filed as Exhibit 2.4 to the Registrant's 1999 Form 10-K and incorporated herein by reference).
3.1	Certificate of Incorporation of the Registrant dated October 27, 1994 (filed by incorporation by reference to Exhibit 3.3 to the Registration Statement).
3.2	By-Laws of the Registrant (filed by incorporation by reference to Exhibit 3.4 to the Registration Statement).
4.1	Form of Certificate of Common Stock of the Registrant (filed by incorporation by reference to Exhibit 4.5 to the Registration Statement)

39

4.2(1)	Securities Purchase Agreement dated February 13, 2002 between GoTrain Corp. and Columbia Nova Investments, AVV and Polmeroy Limited.
4.3(1)	GoTrain Corp. Series 1 Convertible Subordinated Debenture Issued February 15, 2002 Due July 31, 2003.

4.4(1)	GoTrain Corp. Series 2 Convertible Subordinated Debenture Issued February 15, 2002 Due July 31, 2003.
10.1	Registrant's lease, dated May 3, 2000, for its property located in Knoxville, Tennessee (filed as Exhibit 10.1 to the Registrant's June 30, 2000 Form 10-Q and incorporated herein by reference).
10.2	Registrant's lease, dated May 30, 2000, for its headquarters located in San Francisco, California filed as Exhibit 10.2 to the Registrant's June 30, 2000 Form 10-Q and incorporated herein by reference).
11.1	Statement regarding computation of per share earnings: See "Note 5 to Consolidated Financial Statements."
21.1(1)	List of Subsidiaries of the Registrant.
23.1(1)	Consent of Ernst & Young LLP, Independent Auditors.

(b) Reports on Form 8-K

No reports on Form 8-K were filed by the Registrant during the last quarter of 2001.

(c) Exhibits (see Item 14(a)(3) above.)

(d) Financial Statement Schedules

The schedules listed in Item 14(a)(2) above should be used in conjunction with the Consolidated Financial Statements of the Company for the year ended December 31, 2001.

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(1) Filed herewith.

SCHEDULE II

TENERA, INC.
VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

(In thousands)

	Additions	Deductions

Description	Balance Beginning of Year	Charged to Costs and Expenses	Credited to Special Item	Other
1999				
Reserve for Sales Adjustment and Credit Losses	$ 1,300	$ --	$ --	$ 2
2000				
Reserve for Sales Adjustment and Credit Losses	1,298	--	--	334
2001				
Reserve for Sales Adjustment and Credit Losses	964	--	--	417

41

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: March 29, 2002

TENERA, INC.

By /s/ JEFFREY R. HAZARIAN

Jeffrey R. Hazarian
Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ WILLIAM A. HASLER (William A. Hasler)	Director	March 29, 2002
/s/ JEFFREY R. HAZARIAN	Director, Chief Financial Officer, Executive Vice President, and Corporate Secretary (Principal Financial Officer)	March 29, 2002

(Jeffrey R. Hazarian)

Signature	Title	Date
/s/ THOMAS S. LOO (Thomas S. Loo)	Director	March 29, 2002
/s/ ROBERT C. MCKAY (Robert C. McKay)	Director, Chief Executive Officer, and President (Principal Executive Officer)	March 29, 2002
/s/ ANDREA W. O'RIORDAN (Andrea W. O'Riordan)	Director	March 29, 2002
/s/ JAMES A. ROBISON, JR. (James A. Robison, Jr.)	Controller and Treasurer (Principal Accounting Officer)	March 29, 2002
/s/ GEORGE L. TURIN (George L. Turin)	Director	March 29, 2002

EXHIBIT INDEX

Ex. 4.2	Securities Purchase Agreement dated February 13, 2002 between GoTrain Corp. and Columbia Nova Investments, AVV and Polmeroy Limited
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Ex. 4.4	GoTrain Corp. Series 2 Convertible Subordinated Debenture Issued February 15, 2002 Due July 31, 2003
Ex. 21.1	List of Subsidiaries of the Registrant
Ex. 23.1	Consent of Ernst & Young LLP, Independent Auditors