TRANSCONTINENTAL REALTY INVESTORS INC
Form SC TO-T/A
March 06, 2003

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE TO/A
(RULE 14D-100)

TENDER OFFER STATEMENT UNDER SECTION 14(d)(1) OR 13(e)(1)
OF THE SECURITIES EXCHANGE ACT OF 1934
(Amendment No. 7)

TRANSCONTINENTAL REALTY INVESTORS, INC. (Issuer)
(Name of Subject Company)

TRANSCONTINENTAL REALTY ACQUISITION CORPORATION (Offeror)
(Name of Filing Person)

AMERICAN REALTY INVESTORS, INC. (Offeror)
(Name of Filing Person)

COMMON STOCK, PAR VALUE .01 PER SHARE
(Title of Class of Securities)

893617-20-9
(CUSIP Number of Class of Securities)

ROBERT A. WALDMAN
1800 VALLEY VIEW LANE, SUITE 300
DALLAS, TEXAS 75234
(469) 522-4200
(469) 522-4360 (FAX)

With copies to:

STEVEN C. METZGER, ESQ.	JEFFREY M. SONE, ESQ.
PRAGER METZGER & KROEMER, PLLC	JACKSON WALKER L.L.P.
2626 COLE AVENUE, SUITE 900	901 MAIN STREET, SUITE 6000
DALLAS, TEXAS 75204	DALLAS, TEXAS 75202
(214) 969-7600	(214) 953-6000
(214) 523-3838 (FAX)	(214) 953-5822(FAX)

(Name, Address, and Telephone Numbers of Person Authorized to Receive Notices and Communications on Behalf of the Persons Filing Statement)

Calculation of Filing Fee

Transaction valuation*	Amount of filing fee
$71,370,128.00	$6,567.00**

*For purposes of calculating the fee only. This amount assumes the purchase of 4,078,293 shares of Transcontinental Realty Investors, Inc. for $17.50 per share. The amount of the filing fee, calculated in accordance with Section 14(g)(1)(B)(3) and Rule 0-11.

**Filing fee was paid with the Schedule TO filed November 15, 2002.

[ ] Check the box if any part of the fee is offset as provided by Rule 0-11(a)(2) and identify the filing with which the offsetting fee was previously paid. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

Amount Previously Paid:	Filing Party:
Form or Registration No.:	Date Filed:

[ ] Check the box if the filing relates solely to preliminary communications made before the commencement of a tender offer.

Check the appropriate boxes below to designate any transactions to which the statement relates

[X] third-party tender offer subject to Rule 14d-1.

[ ] issuer tender offer subject to Rule 13e-4.

[X] going private transaction subject to Rule 13e-3

[ ] amendment to Schedule 13D under Rule 13d-2.

Check the following box if the filing is a final amendment reporting the results of the tender offer: [ ]

RULE 14D-1 TENDER OFFER STATEMENT

Introduction

This Amendment No. 7 amends and supplements the Tender Offer Statement on Schedule TO originally filed on November 15, 2002, as amended (the "Schedule TO") by American Realty Investors, Inc. ("ARL") and Transcontinental Realty Acquisition Corporation, a wholly-owned subsidiary of ARL ("TCI Acquisition Sub"). This Schedule TO includes the Schedule 13E-3 Transaction Statement of ARL and TCI Acquisition Sub.

This Tender Offer Statement relates to the offer by TCI Acquisition Sub to purchase any and all of the issued and outstanding shares of common stock of Transcontinental Realty Investors, Inc., ("TCI") for $17.50 net per share in cash upon the terms and subject to the conditions set forth in the Offer to Purchase, dated November 15, 2002 and filed as Exhibit (a)(1) to the Schedule TO. The information set forth in the Offer to Purchase and the Letter of Transmittal (filed as Exhibit (a)(2) to the Schedule TO), including all schedules, exhibits and annexes thereto, is hereby expressly incorporated herein by reference in response to all items of information required to be included in, or covered by, this Tender Offer Statement on Schedule TO and all items of information required to be included in, or covered by, the Schedule 13E-3 Transaction Statement. The responses to each item in this Tender Offer Statement are qualified in their entirety by the information contained in the Offer to

Purchase and the exhibits, as amended, hereto.

ITEM 1. SUMMARY TERM SHEET.

Item 1 of the Schedule TO is hereby amended as follows:

TCI Acquisition Sub is extending the expiration date of its offer to purchase any and all of the issued and outstanding shares of common stock of TCI. The expiration date for the tender offer was 12:00 Midnight New York City time March 5, 2003. As extended, the tender offer will now expire at 12:00 Midnight New York City time March 14, 2003. TCI stockholders have until the newly-extended expiration date to decide whether to tender their TCI shares in the offer. As of 5:00 p.m. New York City time on Tuesday, March 4, 2003, approximately 1.09 million shares of Transcontinental Realty Investors common stock, or approximately 13.7% of the outstanding shares, had been tendered and not withdrawn pursuant to the tender offer.

ITEM 4. TERMS OF THE TRANSACTION.

Item 4 of the Schedule TO is hereby amended as follows:

See Item 1 of this Tender Offer Statement.

ITEM 12. EXHIBITS

Item 12 of the Schedule TO is hereby amended as follows:

Exhibit Number	Description
(a)(1)	Offer to Purchase, dated November 15, 2002 (1)
(a)(2)	Letter of Transmittal, dated November 15, 2002 (1)
(a)(3)	Notice of Guaranteed Delivery (1)
(a)(4)	Letter to Brokers, Dealers, Commercial Banks, Trust Companies and other Nominees, dated November 15, 2002 (1)
(a)(5)	Form of Letter to Clients for Use by Brokers, Dealers, Commercial Banks, Trust Companies and other Nominees (1)
(a)(6)	Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 (1)
(a)(7)	Summary Advertisement, dated November 15, 2002 (1)
(a)(8)	Press Release issued by American Realty Advisors on November 8, 2002 (2)
(a)(9)	Press Release issued by American Realty Investors, Inc. on November 21, 2002 (3)
(a)(10)	Press Release issued by American Realty Investors, Inc. on December 13, 2002 (4)

(a)(11)	Press Release issued by American Realty Investors, Inc. on December 20, 2002 (5)
(a)(12)	Press Release issued by American Realty Investors, Inc. on January 14, 2003 (6)
(a)(13)	Press Release issued by American Realty Investors, Inc. on February 21, 2003.(10)
(a)(14)	Press Release issued by American Realty Investors, Inc. on March 5, 2003.(11)
(b)	Not applicable
(c)	Not Applicable
(d)	Not Applicable
(f)	Not Applicable
(g)	Not Applicable
(h)	Not Applicable
99.1	ARL/IORI/TCI Merger: Board Presentation -- Executive Summary, January 31, 2002, prepared by Houlihan Lokey Howard & Zukin(7)
99.2	ARL/IORI/TCI Merger: Exhibits to Board Presentation, January 2002, prepared by Houlihan Lokey Howard & Zukin(7)
99.3	Discounted Cash Flow Analysis - Detail prepared by Houlihan Lokey Howard & Zukin(7)
99.4	Opinion of Houlihan Lokey Howard & Zukin (TCI)(8)
99.5	Opinion of Houlihan Lokey Howard & Zukin (Income Opportunity Realty Investors, Inc.)(9)

----

(1) Previously filed as an exhibit to the Schedule TO on November 15, 2002 by the filing persons named in this Schedule TO and is incorporated herein by reference.

(2) Previously filed as an exhibit to the Schedule TO-C on November 8, 2002 by the filing persons named in this Schedule TO and is incorporated herein by reference.

(3) Previously filed as an exhibit to the Schedule TO Amendment No. 1 on November 22, 2002 by the filing persons named in this Schedule TO and is incorporated herein by reference.

(4) Previously filed as an exhibit to the Schedule TO Amendment No. 3 on December 13, 2002 and is incorporated herein by reference.

(5) Previously filed as an exhibit to the Schedule TO Amendment No. 4 on December 20, 2002 and is incorporated herein by reference.

(6) Previously filed as an exhibit to the Schedule TO Amendment No. 5 on January 14, 2003 and is incorporated herein by reference.

(7) Previously filed as an exhibit to the Schedule 13E-3 Amendment No. 1 filed by American Realty Investors, Inc. on August 30, 2002 and is incorporated herein by reference.

(8) Previously filed on August 30, 2002 as Appendix E to the Proxy Statement/Prospectus contained in the Form S-4 filed by American Realty Investors, Inc. and is incorporated herein by reference.

(9) Previously filed on August 30, 2002 as Appendix F to the Proxy Statement/Prospectus contained in the Form S-4 filed by American Realty Investors, Inc. and is incorporated herein by reference.

(10) Previously filed as an exhibit to the Schedule TO Amendment No. 6 on February 21, 2003 and is incorporated herein by reference.

(11) Filed herewith.

ITEM 13. INFORMATION REQUIRED BY SCHEDULE 13E-3.

Item 1. Summary Term Sheet is hereby amended as follows:

See Item 1 of this Tender Offer Statement.

Items 4. Terms of the Transaction is hereby amended as follows:

See Item 1 of this Tender Offer Statement.

SIGNATURE

After due inquiry and to the best of my knowledge and belief, I certify that the information is set forth in this statement is true, complete and correct.

AMERICAN REALTY INVESTORS, INC.

Date: March 5, 2003

By: /s/ RONALD E. KIMBROUGH

Printed Name: Ronald E. Kimbrough
Title: Executive Vice President and Chief Financial Officer

TRANSCONTINENTAL REALTY ACQUISITION CORPORATION

Date: March 5, 2003

By: /s/ RONALD E. KIMBROUGH

Printed Name: Ronald E. Kimbrough
Title: Director and President

INDEX TO EXHIBITS

Exhibit Number	Description
(a)(1)	Offer to Purchase, dated November 15, 2002 (1)
(a)(2)	Letter of Transmittal, dated November 15, 2002 (1)
(a)(3)	Notice of Guaranteed Delivery (1)
(a)(4)	Letter to Brokers, Dealers, Commercial Banks, Trust Companies and other No November 15, 2002 (1)
(a)(5)	Form of Letter to Clients for Use by Brokers, Dealers, Commercial Banks, T other Nominees (1)
(a)(6)	Guidelines for Certification of Taxpayer Identification Number on Substitu
(a)(7)	Summary Advertisement, dated November 15, 2002 (1)
(a)(8)	Press Release issued by American Realty Advisors on November 8, 2002 (2)
(a)(9)	Press Release issued by American Realty Investors, Inc. on November 21, 20
(a)(10)	Press Release issued by American Realty Investors, Inc. on December 13, 20
(a)(11)	Press Release issued by American Realty Investors, Inc. on December 20, 20
(a)(12)	Press Release issued by American Realty Investors, Inc. on January 14, 200
(a)(13)	Press Release issued by American Realty Investors, Inc. on February 21, 20
(a)(14)	Press Release issued by American Realty Investors, Inc. on March 5, 2003.(
(b)	Not applicable
(c)	Not Applicable
(d)	Not Applicable
(f)	Not Applicable
(g)	Not Applicable
(h)	Not Applicable
99.1	ARL/IORI/TCI Merger: Board Presentation -- Executive Summary, January 31, Houlihan Lokey Howard & Zukin(7)
99.2	ARL/IORI/TCI Merger: Exhibits to Board Presentation, January 2002, prepare Lokey Howard & Zukin(7)
99.3	Discounted Cash Flow Analysis - Detail prepared by Houlihan Lokey Howard &
99.4	Opinion of Houlihan Lokey Howard & Zukin (TCI)(8)
99.5	Opinion of Houlihan Lokey Howard & Zukin (Income Opportunity Realty Invest

----

(1) Previously filed as an exhibit to the Schedule TO on November 15, 2002

by the filing persons named in this Schedule TO and is incorporated herein by reference.

(2) Previously filed as an exhibit to the Schedule TO-C on November 8, 2002 by the filing persons named in this Schedule TO and is incorporated herein by reference.

(3) Previously filed as an exhibit to the Schedule TO Amendment No. 1 on November 22, 2002 by the filing persons named in this Schedule TO and is incorporated herein by reference.

(4) Previously filed as an exhibit to the Schedule TO Amendment No. 3 on December 13, 2002 and is incorporated herein by reference.

(5) Previously filed as an exhibit to the Schedule TO Amendment No. 4 on December 20, 2002 and is incorporated herein by reference.

(6) Previously filed as an exhibit to the Schedule TO Amendment No. 5 on January 14, 2003 and is incorporated herein by reference.

(7) Previously filed as an exhibit to the Schedule 13E-3 Amendment No. 1 filed by American Realty Investors, Inc. on August 30, 2002 and is incorporated herein by reference.

(8) Previously filed on August 30, 2002 as Appendix E to the Proxy Statement/Prospectus contained in the Form S-4 filed by American Realty Investors, Inc. and is incorporated herein by reference.

(9) Previously filed on August 30, 2002 as Appendix F to the Proxy Statement/Prospectus contained in the Form S-4 filed by American Realty Investors, Inc. and is incorporated herein by reference.

(10) Previously filed as an exhibit to the Schedule TO Amendment No. 6 on February 21, 2003 and is incorporated herein by reference.

(11) Filed herewith.

y parts of the world have caused demand for the Company's products and services to be lower than the prior year first quarter in which the Company experienced strong revenue growth due in part to unfulfilled orders from the end of the fourth quarter of 1999. 17 ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED) RESULTS OF OPERATIONS - RESTATED (CONTINUED) Revenue by Division (in thousands): Three Months Ended March 31 -- 2000 2001 -- North America $ 167,703 35% $ 154,555 33% Asia-Pacific 135,266 28% 128,641 28% Europe, Middle East and Africa 99,438 21% 131,439 28% Latin America 75,365 16% 50,691 11% -- Total $ 477,772 100% $ 465,326 100% == As discussed above, the overall lower demand during the first quarter of 2001 caused revenue in the North America, Asia-Pacific and Latin America divisions to decline 8%, 5% and 33%, respectively, when compared to the first quarter of 2000. Due to a number of factors including the geographic diversity of the Company's operations, the variety of services offered by the Company and strong demand for the Company's products and services in the Middle East, revenues in the Europe, Middle East and Africa division grew by approximately 32% from the first quarter of 2000. Revenue by Service Line (in thousands): Three Months Ended March 31 -- 2000 2001 -- Sales of wireless handsets $ 366,989 77% $ 387,264 83% Accessory programs 62,435 13% 42,703 9% Integrated logistics services 48,348 10% 35,359 8% -- $ 477,772 100% $ 465,326 100% == Revenue from wireless handsets increased

6% for the three months ended March 31, 2001, as compared to the same period in 2000. This increase is due primarily to strong demand for the Company's products in the Middle East. Revenue from integrated logistics services and accessory programs for the three months ended March 31, 2001, as compared to the same periods in 2000 decreased 27% and 32%, respectively. Demand for much of the Company's accessory programs and integrated logistics services is generated, directly or indirectly, through promotional programs sponsored by network operators. Many network operators reduced or delayed promotional programs during the first quarter of 2001, causing the Company's revenues in these service lines to be lower than the prior year first quarter. 18 ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED) RESULTS OF OPERATIONS - RESTATED (CONTINUED) Gross Profit Three Months Ended March 31 --- (In thousands) 2000 2001 Change --- Gross profit $ 43,079 $ 30,873 (28)% Gross margin 9.0% 6.6% --- Gross profit for the three months ended March 31, 2001, decreased 28% over the same period in 2000 resulting in gross margin of 6.6% for the first quarter of 2001, compared to gross margin of 9.0% for the comparable prior period. Gross margins decreased due primarily to a greater percentage of the total revenue derived from lower margin handset sales and lower margins on those handset sales resulting from the oversupply of product in the channel during the first quarter of 2001. Selling, General and Administrative Expenses Three Months Ended March 31 -- (In thousands) 2000 2001 Change --- Selling, general and administrative expenses $ 24,550 $ 24,792 1% As a percent of revenue 5.1% 5.3% --- Selling, general and administrative expenses for the first quarter of 2001 increased 1% from the same period in 2000 and increased slightly as a percent of revenue from 5.1% in the first quarter of 2000 to 5.3% in the same period of 2001. The increase as a percent of revenue was primarily the result of the decrease in revenue for the period. Income from Operations Three Months Ended March 31 -- (In thousands) 2000 2001 Change --- Income from operations $ 18,529 $ 6,081 (67%) As a percent of revenue 3.9% 1.3% --- The decrease in operating margins from 3.9% in the first quarter of 2000 to 1.3% in the first quarter of 2001 resulted primarily from the decrease in gross margins described above. Income from operations in the first quarter of 2001 of $6.1 million decreased from $18.5 million in the first quarter of 2000 (excluding the impact of the consolidation of certain facilities) and was also the result of decreased gross profit in the first quarter of 2001. 19 ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED) RESULTS OF OPERATIONS - RESTATED (CONTINUED) Net Income Three Months Ended March 31 -- (In thousands) 2000 2001 Change --- Net income $ 10,133 $ 1,931 (81%) Net income per share (diluted) (1) $ 0.18 $ 0.03 (83%) Weighted average shares outstanding (diluted) (1) 63,493 55,779 --- (1) For the three months ended March 31, 2000, reflects an after tax add-back of interest expense of $1.2 million to net income and an increase of 7.3 million in weighted average shares outstanding to properly reflect the dilutive effect of the Company's Convertible Notes. The decreases in net income and net income per diluted share for the first quarter of 2001 when compared to the same period in 2000 were due primarily to the factors discussed above in the analyses of revenue, gross profit and selling, general and administrative expenses. LIQUIDITY AND CAPITAL RESOURCES - RESTATED (In thousands) December 31, 2000 March 31, 2001 --- Cash and cash equivalents $ 79,718 $ 75,206 Working capital $ 266,578 $ 245,470 Current ratio 1.89 : 1 2.08 : 1 --- The Company has historically satisfied its working capital requirements principally through cash flow from operations, vendor financing, bank borrowings and the issuance of equity and debt securities. The decrease in working capital at March 31, 2001 compared to December 31, 2000 is comprised primarily of the effect of decreases in accounts receivable and inventories partially offset by a decrease in accounts payable. The Company believes that cash flow from operations, vendor financing and available borrowing capacity under its revolving line of credit facility will be sufficient to continue funding its short-term capital requirements, however, significant changes in the Company's business model or expansion of operations in the future may require the company to raise additional capital. Net cash provided by operating activities was $16.7 million for the three months ended March 31, 2001, as compared to $27.2 million in the comparable prior period. The decrease in cash provided by operating activities was primarily the result of a reduction in earnings and accounts payable in the first quarter of 2001 partially offset by cash generated through reducing accounts receivable and inventories during the period. In addition, as of March 31, 2001, days revenue outstanding in accounts receivable was approximately 34 days, compared to days revenue outstanding of approximately 37 days at March 31, 2000. This reduction is attributable to the successful acceleration of the Company's accounts receivable collection cycle, as well as sales or financing transactions, in certain markets, of accounts receivable to financing organizations (see Note 5 to the Consolidated Financial Statements). Net funds received from the sale of accounts receivable during the three months ended March 31, 2001 totaled $40.0 million (8.6% of revenue). During the first quarter of 2001, annualized inventory turns were 9 times, compared to 10 times during the first 20 ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED) LIQUIDITY AND CAPITAL RESOURCES - RESTATED (CONTINUED) quarter of 2000 and inventory balances were approximately $48 million lower than inventories at December 31, 2000. Average days costs in accounts payable were 39 days for the first quarter of 2001, compared to 43 days for the first quarter of 2000. These changes combined to create an increase in cash conversion cycle days to 38 days in the first quarter of 2001, from 31 days in the same period of 2000. Net cash used by investing activities for the three months ended March 31, 2001, was $4.4 million as compared to $3.7 million in the comparable prior period. The change between periods is primarily comprised of an increase in cash provided by the Company's contract financing activities offset by an increase in capital expenditures (primarily for information technology). Net cash used by financing activities for the three months ended March 31, 2001, was $15.9 million compared to cash provided by financing activities of $3.5 million for the comparable prior period. The change between periods was primarily the result of increased payments on the Company's revolving credit facility and the repurchase of the Convertible Notes. The Company's long-term debt at March 31, 2001, includes the Company's zero-coupon, subordinated, convertible notes (the Convertible Notes) which have an aggregate principal amount at maturity of $250.0 million ($1,000 face value per Convertible Note). The Convertible Notes are due in the year 2018, have a yield to maturity of 4.00% and are convertible into the Company's common stock at a rate of 19.109 shares per Convertible Note. The accreted value of the Convertible Notes was approximately $128 million at March 31, 2001. The remainder of the Company's long-term debt is comprised of borrowings or permitted indebtedness under its senior secured revolving line of credit facility (the Facility) which has been periodically modified. The Facility provides the Company, based upon a borrowing base calculation, with a maximum borrowing capacity of up to $175 million. Interest rates on U.S. Dollar borrowings under the Facility, excluding fees, range from 140 basis points to 250 basis points above LIBOR, depending on certain leverage ratios. On October 30, 2000, the Company announced that its Board of Directors had approved a plan under which the Company could repurchase up to 130,000 of the Convertible Notes. The Company and the Banks amended the Facility on October 27, 2000, to allow the Company to execute such repurchases and to modify its leverage ratio covenant upon completion of the repurchases. As of March 31, 2001, the Company's plan to repurchase 130,000 of the Convertible Notes was complete. During the first quarter of 2001, the Company repurchased 36,000 of the Convertible Notes for approximately $10 million (prices ranging from $278 to $283 per Convertible Note). These transactions resulted in an extraordinary gain of approximately $4.6 million ($0.08 per diluted share) after transaction and unamortized debt issuance costs and applicable taxes. As of March 31, 2001, the remaining 250,000 Convertible Notes had an accreted book value of approximately $511 per Convertible Note. See Note 6 to the Consolidated Financial Statements. All of the Company's assets located in the United States and between 65% and 100% of the capital stock of certain of the Company's subsidiaries are pledged to the Banks as collateral for the Facility, and the Company is substantially prohibited from incurring additional indebtedness, either of which terms could limit the Company's ability to implement its expansion plans. The Company is also subject to certain covenants as more fully described in Note 6 to the Consolidated Financial Statements. 21 ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK FINANCIAL MARKET RISK MANAGEMENT The Company is exposed to financial market risks, including changes in interest rates and foreign currency exchange rates. To mitigate interest rate risks, the Company has utilized interest rate swaps to convert certain portions of its variable rate debt to fixed interest rates. To mitigate foreign currency exchange rate risks, the Company utilizes its multi-currency revolving line of credit and derivative financial instruments under a risk management program approved by the

Company's Board of Directors. The Company does not use derivative instruments for speculative or trading purposes. The Company is exposed to changes in interest rates on its variable interest rate revolving lines of credit. A 10% increase in short-term borrowing rates during the quarter ended March 31, 2001, would have resulted in only a nominal increase in interest expense as well as a nominal increase in the fair value of the Company's interest rate swaps at March 31, 2001. A substantial portion of the Company's revenue and expenses are transacted in markets outside of the United States and are denominated in currencies other than the U.S. Dollar. Accordingly, the Company's future results could be adversely affected by a variety of factors, including changes in a specific country's political, economic or regulatory conditions and trade protection measures. The Company's foreign currency risk management program is designed to reduce but not eliminate unanticipated fluctuations in earnings, cash flows and the value of foreign investments caused by volatility in currency exchange rates by hedging, where believed to be cost-effective, significant exposures with foreign currency exchange contracts, options and foreign currency borrowings. The Company's hedging programs reduce, but do not eliminate, the impact of foreign exchange rate movements. An adverse change (defined as a 10% strengthening of the U.S. Dollar) in all exchange rates would have resulted in only a nominal decrease in results of operations for the three months ended March 31, 2001. The same adverse change in exchange rates would have resulted in a $6.3 million increase in the fair value of the Company's cash flow and net investment hedges open at March 31, 2001. The majority of this fair value increase would offset currency devaluations from translating the Company's foreign investments from functional currencies to the U.S. Dollar. The Company's sensitivity analysis of foreign exchange rate movements does not factor in a potential change in volumes or local currency prices of its products sold or services provided. Actual results may differ materially from those discussed above. Certain of the Company's foreign entities are located in countries that are members of the European Union (EU) and, accordingly, have adopted the Euro, the EU's new single currency, as their legal currency effective January 1, 1999. From that date, the Euro has been traded on currency exchanges and available for noncash transactions. Local currencies remain legal tender until December 31, 2001 at which time participating countries will issue Euro-denominated bills and coins for use in cash transactions. By no later than July 1, 2002, participating countries will withdraw all bills and coins denominated in local currencies. During 2000 and 2001, the Company's operations that are located in EU countries (France, Germany, Ireland and the Netherlands) have transacted business in both the Euro and their local currency as appropriate to the nature of the transaction under the EU's "no compulsion, no prohibition principle." The Company has made significant investments in information technology in Europe and has experienced no significant information technology or operational problems as a result of the Euro conversion. In addition, the Company continues to evaluate the effects on its business of the Euro conversion for the affected operations and believes that the completion of the Euro conversion during 2001 and 2002 will not have a material effect on its financial position or results of operations. 22 PART II. OTHER INFORMATION Item 1. Legal Proceedings The Company is from time to time, involved in certain legal proceedings in the ordinary course of conducting its business. While the ultimate liability pursuant to these actions cannot currently be determined, the Company believes the legal proceedings in which it is currently involved will not have a material adverse effect on its financial position. The Company and certain of its executive officers, two of whom are also directors, were named as defendants in four actions filed in June and July 1999, in the United States District Court for the Southern District of Indiana. These actions were subsequently consolidated by the court into a single action. The action involved a purported class of purchasers of the Company's common stock during the period October 2, 1998 through March 10, 1999. The Company and certain of its officers and directors filed a motion to dismiss the action and the court granted such motion on March 29, 2001, subject to the plaintiffs right to file a motion for leave to amend the complaint before April 26, 2001. The plaintiffs did not file such a motion and the court has entered final judgment dismissing the action. Item 6. Exhibits (a) Exhibits The list of exhibits is hereby incorporated by reference to the Exhibit Index on page 25 of this report. (b) Reports on Form 8-K On February 26, 2001, the Company filed a Form 8-K with the Securities and Exchange Commission reporting under Item 5 - Other Events, the press release announcing that revenue and earnings for the quarter ending March 31, 2001, would be below the expectations disclosed in the Company's January 25, 2001 conference call. On March 1, 2001, the Company filed a Form 8-K with the Securities and Exchange Commission reporting under Item 5 - Other Events, the press release announcing that the Company completed the repurchases of its convertible, subordinated, zero-coupon bonds which are due in 2018. On March 2, 2001, the Company issued a press release to clarify the number of convertible, subordinated, zero-coupon bonds repurchased in 2000 and 2001. 23 SIGNATURES Pursuant to the requirements 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. Brightpoint, Inc. ----------------- (Registrant) Date November 21, 2001 /s/ Phillip A. Bounsall ------------------------ --------------------------------- Phillip A. Bounsall Executive Vice President, Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer) 24 EXHIBIT INDEX Exhibit No. Description ----------- ----------- 99 Cautionary Statements 25