

BUCKEYE TECHNOLOGIES INC
Form 10-Q
January 31, 2003

=====

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 31, 2002

Commission file number: 33-60032

Buckeye Technologies Inc.
incorporated pursuant to the Laws of Delaware

Internal Revenue Service-- Employer Identification No. 62-1518973

1001 Tillman Street, Memphis, TN 38112
901-320-8100

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 No

As of January 30, 2003, there were outstanding 36,973,478 Common Shares of the Registrant.

=====

INDEX
BUCKEYE TECHNOLOGIES INC.

ITEM

PART I - FINANCIAL INFORMATION

- 1. Financial Statements (Unaudited):
 - Condensed Consolidated Statements of Operations for the Quarter Ended December 31, 2001; Six Months Ended December 31, 2002 and 2001.....
 - Condensed Consolidated Balance Sheets as of December 31, 2002 and June 30, 2002....
 - Condensed Consolidated Statements of Cash Flows for the Six Months Ended December and 2001.....
 - Notes to Condensed Consolidated Financial Statements.....
- 2. Management's Discussion and Analysis of Financial Condition and Results of Operatio
- 3. Quantitative and Qualitative Disclosures About Market Risk.....
- 4. Controls and Procedures.....

PART II - OTHER INFORMATION

- 4. Submission of Matters to a Vote of Security Holders.....
- 6. Exhibits and Reports on Form 8-K.....

SIGNATURES

CERTIFICATIONS

PART I - FINANCIAL INFORMATION
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
 (Unaudited)
 (In thousands, except per share data)

Quarter Ended December 31	
2002	2001
-----	-----
-----	-----

Edgar Filing: BUCKEYE TECHNOLOGIES INC - Form 10-Q

Net sales.....	\$153,146	\$155,708
Cost of goods sold.....	131,351	136,772
	-----	-----
Gross margin.....	21,795	18,936
Selling, research and administrative expenses.....	8,837	8,480
	-----	-----
Operating income.....	12,958	10,456
Net interest expense and amortization of debt costs....	11,683	12,550
Foreign exchange, amortization of intangibles and other	928	(55)
	-----	-----
Income (loss) before income taxes and cumulative effect of change in accounting.....	347	(2,039)
Income tax benefit.....	(193)	(1,191)
	-----	-----
Income (loss) before cumulative effect of change in accounting.....	540	(848)
Cumulative effect of change in accounting (net of tax of \$0).....	-	-
	-----	-----
Net income (loss).....	\$ 540	\$ (848)
	=====	=====
Earnings (loss) per share before cumulative effect of change in accounting		
Basic earnings (loss) per share.....	\$ 0.01	\$ (0.02)
Diluted earnings (loss) per share.....	\$ 0.01	\$ (0.02)
Cumulative effect of change in accounting		
Basic earnings (loss) per share.....	\$ -	\$ -
Diluted earnings (loss) per share.....	\$ -	\$ -
Earnings (loss) per share		
Basic earnings (loss) per share.....	\$0.01	\$ (0.02)
Diluted earnings (loss) per share.....	\$0.01	\$ (0.02)
Weighted average shares for basic earnings per share...	36,965	34,674
Effect of dilutive stock options.....	-	-
	-----	-----
Adjusted weighted average shares for diluted earnings per share.....	36,965	34,674
	=====	=====

See accompanying notes.

PART I - FINANCIAL INFORMATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In thousands)

December 31
2002

Edgar Filing: BUCKEYE TECHNOLOGIES INC - Form 10-Q

Assets

Current assets:

Cash and cash equivalents.....	\$ 32,255	
Cash, restricted.....	3,375	
Short-term investments.....	8,863	
Accounts receivable - net.....	96,501	
Inventories.....	146,079	
Deferred income taxes.....	30,180	

Total current assets.....	317,253	
Property, plant and equipment.....	916,767	
Less accumulated depreciation.....	(300,687)	

	616,080	
Goodwill, net.....	115,865	
Intellectual property and other, net.....	46,229	

Total assets.....	\$1,095,427	\$
	=====	
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable.....	\$ 26,108	
Accrued expenses.....	40,114	
Current portion of capital lease obligations.....	560	
Current portion of long-term debt.....	49,410	

Total current liabilities.....	116,192	
Long-term debt.....	624,555	
Deferred income taxes.....	82,011	
Capital lease obligations.....	2,997	
Other liabilities.....	19,714	
Stockholders' equity.....	249,958	

Total liabilities and stockholders' equity.....	\$1,095,427	\$
	=====	

See accompanying notes

4

PART I - FINANCIAL INFORMATION
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (Unaudited)
 (In thousands)

Six Months
 December

 2002

Edgar Filing: BUCKEYE TECHNOLOGIES INC - Form 10-Q

Operating activities	
Net income (loss).....	\$ 21
Adjustments to reconcile net income to net cash provided by operating activities:	
Cumulative effect of change in accounting.....	-
Depreciation and depletion.....	23,060
Amortization	2,931
Other, net.....	2,371
Changes in operating assets and liabilities:	
Accounts receivable.....	2,218
Inventories.....	(28)
Prepaid expenses and other assets.....	1,733
Accounts payable and other current liabilities.....	(16,681)
Net cash provided by operating activities.....	15,625
Investing activities	
Purchases of property, plant and equipment.....	(11,196)
Other.....	(427)
Net cash used in investing activities.....	(11,623)
Financing activities	
Proceeds from exercise of stock options.....	-
Net borrowings (payments) under revolving lines of credit.....	(4,923)
Net payments on long term debt.....	(22,000)
Payments for debt issuance costs.....	(671)
Payments on capital lease obligations.....	(264)
Other.....	-
Net cash provided by (used in) financing activities.....	(27,858)
Effect of foreign currency rate fluctuations on cash.....	105
Increase (decrease) in cash and cash equivalents.....	(23,751)
Cash and cash equivalents at beginning of period.....	56,006
Cash and cash equivalents at end of period.....	\$ 32,255

See accompanying notes.

5

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands)

NOTE A -- BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements of Buckeye Technologies Inc. and its subsidiaries (the Company) have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and six months ended December 31, 2002 are not necessarily indicative of the results that may be expected for the

Edgar Filing: BUCKEYE TECHNOLOGIES INC - Form 10-Q

year ended June 30, 2003. All significant intercompany accounts and transactions have been eliminated in consolidation. For further information and a listing of the Company's significant accounting policies, refer to the financial statements and notes thereto included in the Company's annual report on Form 10-K for the year ended June 30, 2002. Certain amounts in the 2001 financial statements have been reclassified to conform with the 2002 financial statement presentation.

NOTE B -- CHANGE IN ACCOUNTING

Under the guidelines of SFAS 142, the Company has completed its initial impairment assessments of the carrying value of goodwill. In the assessment of the carrying value of goodwill, the Company developed its best estimate of operating cash flows over the period approximating the remaining life of the business' long-lived assets.

Based on this assessment, effective July 1, 2001, the Company reduced its goodwill by \$11,500 in its small single site converting business, which was purchased as part of the Merfin acquisition in 1997. There was no tax benefit recorded as a result of the reduction in the carrying value of the goodwill. The low growth rate in the converting business did not support its goodwill on a discounted basis. Under SFAS 142, the impairment adjustment recognized at adoption of the new rules was reflected as a cumulative effect of accounting change in the 2002 consolidated statement of operations. Impairment adjustments recognized after adoption, if any, are required to be recognized as operating expenses.

NOTE C -- RESTRUCTURING COSTS

During the year ended June 30, 2002, the Company entered into a restructuring program. The program was designed to deliver cost reductions through reduced overhead expenses. The cost recorded during the year ended June 30, 2002, comprised mainly of severance and other employee benefit costs, was \$1,605.

Involuntary termination benefits of \$1,519 have been paid, leaving an accrual of \$86 at December 31, 2002. Payments related to the restructuring program are expected to be completed during the current fiscal year. As a result of the restructuring, approximately 200 positions have been eliminated. All costs of the program were reported in the statements of operations under restructuring and impairment costs. The nonwovens and cotton operations in North America and Europe are impacted by this cost reduction program. As part of this restructuring, the Company closed engineering offices located in Finland.

6

NOTE D -- RECENTLY ISSUED ACCOUNTING STANDARDS

On December 31, 2002, the Financial Accounting Standards Board issued Statement No. 148, Accounting for Stock-Based Compensation - Transition and Disclosure (SFAS 148). SFAS 148 amends SFAS 123, Accounting for Stock-Based Compensation, to provide alternative methods of transition to SFAS 123's fair value method of accounting for stock-based employee compensation. SFAS 148 also amends the disclosure provisions of SFAS 123 and APB Opinion No. 28, Interim Financial Reporting, to require disclosure in the summary of significant accounting policies of the effects of an entity's accounting policy with respect to stock-based employee compensation on reported net income and earnings per share in annual and interim financial statements. The adoption of SFAS 148 disclosure requirements will not have an effect on the Company's Consolidated Financial Statements. The Company does not intend to adopt the fair value method

Edgar Filing: BUCKEYE TECHNOLOGIES INC - Form 10-Q

of accounting for stock-based employee compensation.

In November 2002, the Financial Accounting Standards Board issued Interpretation No. 45, Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others (the Interpretation). The Interpretation will significantly change current practice in the accounting for, and disclosure of, guarantees. The Interpretation requires certain guarantees to be recorded at fair value as those terms are defined in SFAS 5, Accounting for Contingencies. The Company does not expect the adoption of the Interpretation to have a significant financial impact on its Consolidated Financial Statements.

NOTE E -- INVENTORIES

The components of inventory consist of the following:

	December 31 2002	June 30 2002

(In thousands)		
Raw materials.....	\$ 38,379	\$ 36,902
Finished goods.....	83,649	84,906
Storeroom and other supplies.....	24,051	23,295
	-----	-----
	\$146,079	\$145,103
	=====	=====

NOTE F -- DEBT

Interest Rate Swap - In May 2001, the Company entered into an interest rate swap on \$100 million of 8% fixed rate notes payable maturing in October 2010. The swap converts interest payments from a fixed rate to a floating rate of LIBOR plus 1.97%. This arrangement qualifies as a fair value hedge under SFAS No. 133 Accounting for Derivative Instruments and Hedging Activities. As such, the net effect from the interest rate swap is recorded as part of interest expense. The swap agreement settles quarterly until maturity in October 2010. During the quarters ended December 31, 2002 and 2001, the swap reduced the Company's interest expense by \$1.1 million and \$0.9 million, respectively. Based upon current interest rates for similar transactions, the fair value of the interest rate swap agreement resulted in an asset and a corresponding increase in debt of \$6.2 million at December 31, 2002 and \$2.6 million at June 30, 2002.

7

As of December 31, 2002, the Company has guaranteed the following debt to third parties entered into by its subsidiaries: a secured credit facility in Canada of \$12.7 million, a German credit facility of \$5.8 million of which none is outstanding and a \$1.0 million bank loan to a U.S. subsidiary.

NOTE G -- COMPREHENSIVE INCOME

The components of comprehensive income consist of the following:

Three Months Ended
December 31

Six

Edgar Filing: BUCKEYE TECHNOLOGIES INC - Form 10-Q

	2002	2001	2002
	(In thousands)		(I
Net income (loss).....	\$ 540	\$ (848)	\$ 21
Foreign currency translation adjustments - net..	9,838	(4,373)	(3,870)
Comprehensive income (loss).....	\$10,378	\$ (5,221)	\$ (3,849)

The change in the foreign currency translation adjustment is primarily due to fluctuations in the exchange rate of the US dollar against the euro of \$6,101 and \$2,919, the Brazilian real of \$1,702 and \$(4,589) and the Canadian dollar of \$2,035 and \$(2,200) for the three and six months ended December 31, 2002, respectively.

8

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Critical Accounting Policies

The preparation of Buckeye's financial statements requires estimates, assumptions and judgements that affect the Company's assets, liabilities, revenues and expenses. The Company bases these estimates and assumptions on historical data and trends, current fact patterns, expectations and other sources of information it believes are reasonable. Actual results may differ from these estimates under different conditions. For a full description of the Company's critical accounting policies, see Management's Discussion and Analysis in the 2002 Annual Report on Form 10-K.

Results of Operations

Net sales for the quarter ended December 31, 2002 were \$153.1 million compared to \$155.7 million for the same period in 2001, a decrease of \$2.6 million or 1.7%. Net sales for the six month period ended December 31, 2002 were \$309.6 million compared to \$310.9 million for the same period in the prior fiscal year a decrease of \$1.3 million or 0.4%. The decrease in net sales for both the three and six month periods was primarily due to lower sales prices for cotton cellulose products.

Operating income for the quarter ended December 31, 2002 was \$13.0 million compared to \$10.5 million for the same period in 2001, an increase of \$2.5 million or 23.8%. Operating income for the six months ended December 31, 2002 was \$24.4 million (7.9% of net sales) compared to \$21.9 million (7.0% of net sales) for the same period in the prior fiscal year, an increase of \$2.5 million or 11.4%. Cotton raw material costs have fallen to more normal levels and the Company has reduced its cotton sales prices in an effort to regain volume lost during the raw material and sales price run-up during calendar year 2001.

Net interest expense and amortization of debt costs for the quarter ended December 31, 2002 were \$11.7 million compared to \$12.6 million for the same period in 2001. The decrease of \$0.9 million was due primarily to lower debt levels and lower interest rates in 2002. Net interest expense and

Edgar Filing: BUCKEYE TECHNOLOGIES INC - Form 10-Q

amortization of debt costs were \$23.8 million for the six months ended December 31, 2002 compared to \$23.4 million for the same period of the prior fiscal year. This increase was primarily due to \$1.7 million of interest capitalization in 2001, which was nearly offset by lower debt levels and lower interest rates in 2002.

Foreign exchange, amortization of intangibles and other for the quarters ended December 31, 2002 and 2001 were \$0.9 million and \$(0.1) million, respectively. This unfavorable variance primarily results from the settlement of a contract dispute and recognizing lower foreign currency gains during the quarter ended December 31, 2002 versus the prior year. Foreign exchange, amortization of intangibles and other for the six months ended December 31, 2002 were \$1.0 million compared to \$0.5 million for the six months ended December 31, 2001. This unfavorable variance was primarily due to the settlement of a contract dispute and the impact of a natural gas forward contract, partially offset by higher foreign currency gains in 2002.

9

The Company's income tax benefit differs from the amount computed by applying the statutory federal income tax rate of 35% to income (loss) before income taxes due to the following:

	Three Months Ended December 31		Six Months
	2002	2001	2002
	(In thousands)		(In thousands)
Expected tax expense (benefit) at 35%	\$ 121	\$ (714)	\$ (151)
Foreign, state and other	(64)	81	(1)
Research and development credits	(250)	-	(300)
Canadian rate reduction	-	(558)	-
	\$ (193)	\$ (1,191)	\$ (452)

Effective July 1, 2001, the Company adopted SFAS No. 142, Goodwill and Other Intangible Assets, which established new accounting and reporting requirements for goodwill and other intangible assets as described in our critical accounting policies. Based on the assessment, effective July 1, 2001, the Company has reduced its goodwill by \$11.5 million in the converting business, which was purchased as part of the Merfin acquisition in 1997. There was no tax benefit recorded as a result of the reduction in the carrying value of the goodwill.

Financial Condition

Cash Flow

Cash provided by operating activities of \$15.6 million for the six months ended December 31, 2002 was \$14.2 million higher than the same period in the prior year. This improved cash flow was primarily due to flat inventory levels in 2002 versus an increase in inventories in the same period in the prior

Edgar Filing: BUCKEYE TECHNOLOGIES INC - Form 10-Q

year, partially offset by the timing of certain payments in 2002. Cash provided from operations and cash on hand financed capital expenditures of \$11.2 million and debt repayments of \$27.2 million during the six months ended December 31, 2002. The \$13.6 million reduction in capital expenditures versus the same period in 2001 is attributable to the completion of construction of the large airlaid nonwovens machine at the Gaston plant during the first quarter of fiscal 2002.

EBITDA and Net Debt information are included below as additional means of evaluating the Company's financial condition, liquidity and its ability to satisfy rating agency and creditor requirements. The Company incurs significant noncash charges, including depreciation and amortization, related to the material capital assets utilized in its operations. EBITDA is a central measure used in the Company's compliance with debt covenants related to its credit facility. This measure should not be considered as a superior alternative to net income, operating income, cash flow from operations, or any other operating or liquidity performance measure as defined by generally accepted accounting principles (GAAP) in the United States. EBITDA, as defined by the revolving credit facility (earnings before interest, taxes, depreciation and amortization, goodwill accounting change and nonrecurring charges) for the three and six months ended December 31, 2002, respectively, was \$24.4 million and \$48.2 million compared to \$22.5 million and \$44.2 million for the same periods in 2001. The increase in EBITDA in 2002 reflects an increase in operating income primarily due to lower raw material and production costs.

10

Liquidity and Capital Resources

The Company has the following major sources of financing: revolving credit facility, receivables based credit facility and senior subordinated notes. The Company's revolving credit facility and senior subordinated notes contain various covenants. At December 31, 2002, the Company was in compliance with such covenants and believes it will remain in compliance throughout fiscal year 2003.

Revolving Credit Facility - The Company amended its Revolving Credit Facility on August 20, 2002. This amendment eliminated the requirement that the Company sell additional equity. In addition, the banks consented to Buckeye's immediate prepayment of the \$22 million note due on October 1, 2002 to UPM-Kymmene. This note was paid on August 21, 2002, thereby reducing the Company's interest expense for the six months ended December 31, 2002. The Company has borrowed the entire availability on its \$215 million Revolving Credit Facility.

Receivables Based Credit Facility - On September 3, 2002, the Company amended its \$30 million receivables based credit facility. The amendment extends the maturity from December 4, 2002 to December 4, 2003 and reduces the interest rate to one-week LIBOR plus 0.75%. At December 31, 2002, the Company had unused borrowing availability of \$15.0 million on its receivables based credit facility.

Senior Subordinated Notes - The Company's fixed charge coverage ratio (as defined in the subordinated note indentures) is below 2:1. As specified in those indentures, the Company's debt is now limited to a "Permitted Indebtedness" limitation (also defined in the indentures), until the ratio again equals or exceeds 2:1. Under the "Permitted Indebtedness" limitation, the Company is limited to, but able to maintain, its current borrowings under the revolving credit facility. In addition, the Company has a \$25 million basket (as defined in the 1995 Indenture) that can be used for any new indebtedness. At

Edgar Filing: BUCKEYE TECHNOLOGIES INC - Form 10-Q

December 31, 2002, \$5.0 million of this basket was used on borrowings from the receivables based credit facility.

While there can be no assurances, the Company believes that operating results will continue to improve and fixed charges will continue to decline on a rolling four-quarter basis. Thus, the Company expects to exceed the 2:1 ratio by the end of fiscal year 2003. While there can be no assurances, the Company believes that its cash flow from operations along with current cash, cash equivalents and short-term investments, combined with available external financing, will be sufficient to fund capital expenditures (expected to not exceed \$35 million for this fiscal year), working capital and service all debt requirements for the foreseeable future.

Shelf Registration - On March 15, 2002, the Company filed a Form S-3 shelf registration statement. The shelf registration statement allows the Company to issue various types of securities, including common stock, preferred stock and debt securities, from time to time, up to an aggregate of \$300 million. The Company filed the registration statement to gain additional flexibility in accessing capital markets for general corporate purposes. This S-3 registration statement became effective on April 18, 2002. The Company currently has no plans to issue additional securities.

11

Interest Rate Swap - In May 2001, the Company entered into an interest rate swap on \$100 million of 8% fixed rate notes maturing in October 2010. The swap converts interest payments from a fixed rate to a floating rate of LIBOR plus 1.97%. This arrangement qualifies as a fair value hedge under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. As such, the net effect from the interest rate swap is recorded as part of interest expense. The swap agreement settles quarterly until maturity in October 2010. During the quarters ended December 31, 2002 and 2001, the swap reduced the Company's interest expense by \$1.1 million and \$0.9 million, respectively. Based upon current interest rates for similar transactions, the fair value of the interest rate swap agreement was recorded as an asset and a corresponding increase in debt of \$6.2 million at December 31, 2002 and \$2.6 million at June 30, 2002.

Total debt, including the \$6.2 million debt recorded for the interest rate swap agreement discussed above, at December 31, 2002 was \$677.5 million, a reduction of \$23.7 million from June 30, 2002. During the quarter, the Company reclassified its Canadian loan (maturing September 30, 2003), its final payment to UPM-Kymmene (due October 1, 2003) and its receivables based credit facility (maturing December 4, 2003) to current liabilities. It is the Company's intent to extend both the Canadian loan and the receivables based credit facility for one year.

The Company holds a significant amount of cash, cash equivalents and short-term investments due to the "Permitted Indebtedness" limitations described above in the section on Senior Subordinated Notes. Net debt, defined as debt and capital lease obligations, net of the interest rate swap, cash and cash equivalents, restricted cash and short-term investments, was \$626.8 million at December 31, 2002. Net debt at December 31, 2002 was \$3.6 million lower than at June 30, 2002 and \$41.0 million lower than the \$667.8 million of net debt at December 31, 2001. Net debt is not a measure that is defined by GAAP and is provided as supplemental information to facilitate an understanding of the Company's financial condition.

Forward-Looking Statements

Edgar Filing: BUCKEYE TECHNOLOGIES INC - Form 10-Q

Except for the historical information contained herein, the matters discussed in this Form 10-Q are forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially, including but not limited to, economic, competitive, governmental, and technological factors affecting the Company's operations, financing, markets, products, services, prices, and other factors. The Company undertakes no obligation to publicly release the result of any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events. For additional factors that could impact future results, please see the Company's 2002 Annual Report on Form 10-K on file with the Securities and Exchange Commission.

12

Item 3. Quantitative and Qualitative Disclosures About Market Risk

No material changes occurred during the quarter to information previously provided in the Company's Report on Form 10-K for the period ended June 30, 2002.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures. The Company's chief executive officer and chief financial officer have evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Exchange Act Rule 13a-14(c)) as of a date within 90 days of the filing date of this quarterly report. Based on that evaluation, the chief executive officer and chief financial officer have concluded that the Company's disclosure controls and procedures are effective to ensure that material information relating to the Company and the Company's consolidated subsidiaries is made known to such officers by others within these entities, particularly during the period this quarterly report was prepared, in order to allow timely decisions regarding required disclosure.

Changes in Internal Control. There have not been any significant changes in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation.

13

PART II - OTHER INFORMATION

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

On November 7, 2002, the Company held its Annual Meeting of Stockholders. At the meeting, George W. Bryan and R. Howard Cannon were each re-elected as Class I directors to hold office for a three-year term or until their successors are elected and qualified. For Mr. Bryan, 33,471,468 votes were cast in favor and 1,112,313 votes were withheld. For Mr. Cannon, 34,173,026 votes were cast in favor and 410,755 were withheld.

Following the election, the Company's Board of Directors consisted of Red Cavaney, R. Howard Cannon, Robert E. Cannon, David B. Ferraro, Henry F.

Edgar Filing: BUCKEYE TECHNOLOGIES INC - Form 10-Q

Frigon, Samuel M. Mencoﬀ, and George W. Bryan.

The stockholders also ratified the appointment of Ernst & Young LLP as the Company's independent auditors. 32,706,523 votes were cast in favor of the ratification, 1,875,016 were cast against and 2,242 votes abstained.

Item 6. Exhibits and Reports on Form 8-K

(a) Listing of Exhibits

- 99.1 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, signed by Robert E. Cannon, the Chief Executive Officer of Buckeye Technologies Inc. on January 30, 2003.
- 99.2 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, signed by Gayle L. Powelson, the Chief Financial Officer of Buckeye Technologies Inc. on January 30, 2003.

(b) Reports on Form 8-K

During the quarter ended December 31, 2002, the following reports were filed on Form 8-K:

- Report dated October 2, 2002 announcing the conference call regarding operating results for the quarter ended September 30, 2002.

14

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.

Buckeye technologies inc.

By: /S/ ROBERT E. CANNON

Robert E. Cannon, Chief Executive Officer

Date: January 30, 2003

By: /S/ GAYLE L. POWELSON

Gayle L. Powelson, Senior Vice President, Chief Financial Officer

Date: January 30, 2003

15

Edgar Filing: BUCKEYE TECHNOLOGIES INC - Form 10-Q

Certification of Chief Executive Officer
Pursuant to Section 302 of the
Sarbanes-Oxley Act of 2002

I, Robert E. Cannon, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Buckeye Technologies Inc. ("Buckeye");
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report; and
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of Buckeye as of, and for, the periods presented in this quarterly report.
4. Buckeye's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for Buckeye and have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to Buckeye, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of Buckeye's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. Buckeye's other certifying officer and I have disclosed, based on our most recent evaluation, to Buckeye's auditors and the audit committee of Buckeye's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect Buckeye's ability to record, process, summarize and report financial data and have identified for Buckeye's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in Buckeye's internal controls; and
6. Buckeye's other certifying officer and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most

Edgar Filing: BUCKEYE TECHNOLOGIES INC - Form 10-Q

recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: January 30, 2003

/S/ ROBERT E. CANNON

Chairman of the Board
and Chief Executive Officer

16

Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Gayle L. Powelson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Buckeye Technologies Inc. ("Buckeye");
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report; and
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of Buckeye as of, and for, the periods presented in this quarterly report.
4. Buckeye's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for Buckeye and have:
 - (a) designed such disclosure controls and procedures to ensure that material information relating to Buckeye, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - (b) evaluated the effectiveness of Buckeye's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - (c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. Buckeye's other certifying officer and I have disclosed, based on our most recent evaluation, to Buckeye's auditors and the audit committee of Buckeye's board of directors (or persons performing the equivalent functions):

Edgar Filing: BUCKEYE TECHNOLOGIES INC - Form 10-Q

- a) all significant deficiencies in the design or operation of internal controls which could adversely affect Buckeye's ability to record, process, summarize and report financial data and have identified for Buckeye's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in Buckeye's internal controls; and
6. Buckeye's other certifying officer and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: January 30, 2003

/S/ GAYLE L. POWELSON

Senior Vice President,
Chief Financial Officer