

Edgar Filing: BUCKEYE TECHNOLOGIES INC - Form 10-Q

BUCKEYE TECHNOLOGIES INC

Form 10-Q

October 26, 2005

=====

UNITED STATES
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 September 30, 2005

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: 33-60032

Buckeye Technologies Inc.
Delaware
(state or other jurisdiction of incorporation)

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of October 21, 2005, there were outstanding 37,587,664 Common Shares of the Registrant.

INDEX

BUCKEYE TECHNOLOGIES INC.

ITEM

PART I - FINANCIAL INFORMATION

- 1. Financial Statements:
 - Condensed Consolidated Statements of Operations for the Three Months Ended September 30, 2005 and 2004.....
 - Condensed Consolidated Balance Sheets as of September 30, 2005 and June 30, 2005...
 - Condensed Consolidated Statements of Cash Flows for the Three Months Ended September 30, 2005 and 2004.....
 - Notes to Condensed Consolidated Financial Statements.....
- 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.....
- 3. Quantitative and Qualitative Disclosures About Market Risk.....
- 4. Controls and Procedures.....

PART II - OTHER INFORMATION

- 6. Exhibits.....

SIGNATURES

Item 1. Financial Statements

PART I - FINANCIAL INFORMATION

BUCKEYE TECHNOLOGIES INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

(In thousands, except per share data)

Thr

Edgar Filing: BUCKEYE TECHNOLOGIES INC - Form 10-Q

| | 2005 |
|--|----------|
| Net sales..... | \$165,45 |
| Cost of goods sold..... | 141,26 |
| Gross margin..... | 24,19 |
| Selling, research and administrative expenses..... | 11,40 |
| Restructuring costs..... | 1,95 |
| Amortization of intangibles and other..... | 53 |
| Operating income..... | 10,30 |
| Net interest expense and amortization of debt costs..... | (10,18) |
| Loss on early extinguishment of debt..... | (15) |
| Foreign exchange and other..... | (36) |
| Income (loss) before income taxes..... | (39) |
| Income tax expense (benefit)..... | (10) |
| Net income (loss)..... | \$ (28) |
| Earnings (loss) per share | |
| Basic..... | \$ (0.0) |
| Diluted..... | \$ (0.0) |
| Weighted average shares for basic earnings per share..... | 37,58 |
| Adjusted weighted average shares for diluted earnings per share..... | 37,58 |

See accompanying notes.

3

BUCKEYE TECHNOLOGIES INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

| | September 30 2005 | June 30 2005 |
|--------------------------------------|----------------------|-----------------|
| | ----- | |
| | (Unaudited) | |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents..... | \$11,810 | \$ 9,926 |
| Accounts receivable, net..... | 106,432 | 118,215 |
| Inventories..... | 123,632 | 107,895 |
| Deferred income taxes and other..... | 11,683 | 10,468 |
| Total current assets..... | 253,557 | 246,504 |

Edgar Filing: BUCKEYE TECHNOLOGIES INC - Form 10-Q

| | | |
|--|-----------|-----------|
| Property, plant and equipment..... | 956,626 | 902,970 |
| Less accumulated depreciation..... | (417,296) | (377,039) |
| | ----- | ----- |
| | 539,330 | 525,931 |
| Goodwill..... | 143,065 | 139,430 |
| Intellectual property and other, net..... | 36,694 | 37,872 |
| | ----- | ----- |
| Total assets..... | \$972,646 | \$949,737 |
| | ===== | ===== |
| Liabilities and stockholders' equity | | |
| Current liabilities: | | |
| Trade accounts payable..... | \$ 35,715 | \$ 37,226 |
| Accrued expenses..... | 58,978 | 48,401 |
| Current portion of capital lease obligation..... | 699 | 685 |
| Current portion of long-term debt..... | 998 | 1,376 |
| | ----- | ----- |
| Total current liabilities..... | 96,390 | 87,688 |
| Long-term debt..... | 543,299 | 535,539 |
| Accrued postretirement benefits..... | 19,393 | 19,206 |
| Deferred income taxes..... | 32,882 | 34,660 |
| Capital lease obligation..... | 1,202 | 1,382 |
| Other liabilities..... | 1,978 | 1,673 |
| Stockholders' equity..... | 277,502 | 269,589 |
| | ----- | ----- |
| Total liabilities and stockholders' equity..... | \$972,646 | \$949,737 |
| | ===== | ===== |

See accompanying notes.

4

BUCKEYE TECHNOLOGIES INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)
Three Months Ended

| | September 30 | |
|--|--------------|-------|
| | 2005 | 2004 |
| | ----- | ----- |
| Operating activities | | |
| Net income (loss)..... | \$ (289) | \$ 4 |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Depreciation..... | 11,589 | 11 |
| Amortization | 831 | |
| Loss on early extinguishment of debt..... | 151 | |
| Deferred income taxes and other..... | (1,639) | 1 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable..... | 12,199 | 2 |
| Inventories..... | (15,257) | (6 |
| Other assets..... | (1,094) | |
| Accounts payable and other current liabilities..... | 8,288 | 5 |

Edgar Filing: BUCKEYE TECHNOLOGIES INC - Form 10-Q

| | | |
|---|----------|------|
| Net cash provided by operating activities..... | 14,779 | 20 |
| Investing activities | | |
| Purchases of property, plant and equipment..... | (20,280) | (4) |
| Other..... | (178) | |
| Net cash used in investing activities..... | (20,458) | (4) |
| Financing activities | | |
| Net borrowings under lines of credit..... | 23,100 | |
| Payments on long-term debt and other..... | (15,794) | (20) |
| Net proceeds from sale of equity interests and other..... | - | |
| Net cash provided by (used in) financing activities..... | 7,306 | (19) |
| Effect of foreign currency rate fluctuations on cash..... | 257 | |
| Increase (decrease) in cash and cash equivalents..... | 1,884 | (3) |
| Cash and cash equivalents at beginning of period..... | 9,926 | 27 |
| Cash and cash equivalents at end of period..... | \$11,810 | \$23 |

See accompanying notes.

5

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
(In thousands)

NOTE 1: BASIS OF PRESENTATION

Our accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 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 (including normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months ended September 30, 2005 are not necessarily indicative of the results that may be expected for the year ending June 30, 2006. All significant intercompany accounts and transactions have been eliminated in consolidation. For further information and a listing of our significant accounting policies, refer to the financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended June 30, 2005. Except as otherwise specified, references to years indicate our fiscal year ending June 30, 2006 or ended June 30 of the year referenced and comparisons are to the corresponding period of the prior year.

Translation adjustment

Management has determined that the local currency of our German, Canadian, and Brazilian subsidiaries is the functional currency, and accordingly European euro, Canadian dollar, and Brazilian real denominated balance sheet accounts are translated into U.S. dollars at the rate of exchange in effect at September 30, 2005. Income and expense activity for the period is translated at

Edgar Filing: BUCKEYE TECHNOLOGIES INC - Form 10-Q

the weighted average exchange rate during the period. Translation adjustments are included as a separate component of stockholders' equity.

Use of estimates

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

Changes in estimates are recognized in accordance with the accounting rules for the estimate, which is typically in the period when new information becomes available to management. Areas where the nature of the estimate makes it reasonably possible that actual results could materially differ from amounts estimated include: impairment assessments on long-lived assets (including goodwill), allowance for doubtful accounts, inventory reserves, income tax liabilities, and contingent liabilities.

NOTE 2: RECENT ACCOUNTING PRONOUNCEMENTS

On December 16, 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard ("SFAS") 123 (revised 2004), Share-Based Payments ("SFAS 123(R)"), which is a revision of SFAS 123, Accounting for Stock Based Compensation ("SFAS 123"). SFAS 123(R) supersedes APB 25, Accounting for Stock Issued to Employees, and amends SFAS 95, Statement of Cash Flows. Generally, the approach in SFAS 123(R) is similar to the approach described in SFAS 123. However, SFAS 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. This revised standard was effective for our reporting period ending September 30, 2005. SFAS 123(R) allowed several adoption alternatives, including retroactively applying the standard, or applying it prospectively. We have adopted this standard using the modified prospective basis. See Note 9 of these interim financial statements for further information.

6

In November 2004, the FASB issued SFAS No. 151, Inventory Costs--an Amendment of ARB No. 43, Chapter 4 ("SFAS 151"), which is the result of the FASB's efforts to converge U.S. accounting standards for inventory with International Accounting Standards. SFAS 151 requires abnormal amounts of idle facility expense, freight, handling costs, and wasted material to be recognized as current-period charges. It also requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. SFAS 151 was effective for our reporting period ending on September 30, 2005. The adoption of SFAS 151 did not have a material impact on our results of operations.

NOTE 3: SEGMENT INFORMATION

We report results for two segments, specialty fibers and nonwoven materials. The specialty fiber segment is an aggregation of cellulosic fibers based on both wood and cotton. Management makes financial decisions and allocates resources based on the sales and operating income of each segment. We allocate selling, research, and administration expenses to each segment, and management uses the resulting operating income to measure the performance of the segments. The financial information attributed to these segments is included in the following table:

Edgar Filing: BUCKEYE TECHNOLOGIES INC - Form 10-Q

| Three Months Ended September 30 | | Specialty Fibers | Nonwoven Materials | Corporate |
|---|------|---------------------|-----------------------|-----------|
| Net sales | 2005 | \$114,561 | \$57,326 | \$(6,431) |
| | 2004 | 118,046 | 55,922 | (6,645) |
| Operating income (loss) | 2005 | 10,163 | 2,560 | (2,418) |
| | 2004 | 16,898 | 3,568 | (2,362) |
| Depreciation and amortization of Intangibles | 2005 | 7,274 | 4,038 | 845 |
| | 2004 | 6,961 | 4,223 | 866 |
| Capital expenditures | 2005 | 19,330 | 599 | 351 |
| | 2004 | 3,914 | 976 | 80 |

Management evaluates operating performance of the specialty fibers and nonwoven materials segments excluding amortization of intangibles, the impact of impairment of long-lived assets and charges related to restructuring. Therefore, the corporate segment includes operating elements such as segment eliminations, amortization of intangibles, impairment of long-lived assets and charges related to restructuring. Corporate net sales represent the elimination of intersegment sales included in the specialty fibers reporting segment. We account for intersegment sales as if the sales were made to third parties, that is, at current market prices.

NOTE 4: RESTRUCTURING COSTS

During fiscal year 2003 we initiated the first phase of a restructuring program designed to deliver cost reductions through reduced expenses across our company. During fiscal year 2004, we entered into a second phase of that restructuring program. This program was a continuation of the program initiated in fiscal year 2003 and enabled us to improve our operating results through reduced salaries, benefits, other employee-related expenses and operating expenses. As a result of this restructuring, 78 positions were eliminated. These positions included manufacturing, sales, product development and administrative functions throughout the organization. We do not expect any further expenses related to this program.

7

During January 2005, we announced that we will discontinue production of cotton-based specialty fibers at our Glueckstadt, Germany facility during the second quarter of fiscal 2006. The closure of the Glueckstadt facility will result in the termination of 103 employees, and we expect restructuring expenses related to the closure to be approximately \$6,000. We expect payments related to this restructuring program to extend through the end of fiscal 2006.

Restructuring expenses are included in "Restructuring costs" in our condensed consolidated statements of operations. The additional charges below reflect severance and employee benefits accrued over the retention period, and other miscellaneous expenses which are expensed as incurred. Accrual balances are included in "Accrued expenses" in the balance sheet. The following table summarizes the expenses and accrual balances by reporting segments for the three months ended September 30, 2005.

Edgar Filing: BUCKEYE TECHNOLOGIES INC - Form 10-Q

| | Three Months Ended September 30, 2005 | | | | |
|---|---|-----------------------|-------------------------------------|----------|---|
| | Accrual Balance as of June 30, 2005 | Additional Charges | Impact Of Foreign Currency | Payments | Accrual Balance of Septemb 30, 20 |
| 2003 Restructuring Program-Phase 2 Severance and employee benefits | | | | | |
| Specialty fibers..... | \$ 13 | \$ 10 | \$ (1) | \$ (22) | \$ |
| Nonwoven materials..... | - | - | - | - | - |
| Corporate..... | - | - | - | - | - |
| Total 2003 Program-Phase 2 | 13 | 10 | (1) | (22) | |
| 2005 Restructuring Program Specialty fibers Severance and employee benefits..... | | | | | |
| Other miscellaneous expenses..... | 2,311 | 1,796 | 5 | - | 4 |
| | 147 | 145 | (1) | (147) | |
| Total 2005 Program..... | 2,458 | 1,941 | 4 | (147) | 4 |
| Total All Programs..... | \$2,471 | \$1,951 | \$ 3 | \$ (169) | \$4 |

NOTE 5: INVENTORIES

Inventories are valued at the lower of cost or market. The costs of manufactured cotton-based specialty fibers and costs for nonwoven raw materials are generally determined on the first-in, first-out basis. Other manufactured products and raw materials are generally valued on an average cost basis. Manufactured inventory costs include material, labor and manufacturing overhead. Slash pine timber, cotton fibers and chemicals are the principal raw materials used in the manufacture of our specialty fiber products. Fluff pulp is the principal raw material used in our nonwoven materials products. We take physical counts of inventories at least annually, and we review periodically the provision for potential losses from obsolete, excess or slow-moving inventories.

The components of inventory consist of the following:

| | September 30 2005 | June 30 2005 |
|-----------------------------------|----------------------|-----------------|
| Raw materials..... | \$34,284 | \$33,433 |
| Finished goods..... | 67,958 | 53,353 |
| Storeroom and other supplies..... | 21,390 | 21,109 |
| | \$123,632 | \$107,895 |

Edgar Filing: BUCKEYE TECHNOLOGIES INC - Form 10-Q

NOTE 6: DEBT

The components of long-term debt consist of the following:

| | September 30 2005 | June 30 2005 |
|--------------------------------|----------------------|-----------------|
| Senior Notes due: | | |
| 2013..... | \$200,000 | \$200,000 |
| Senior Subordinated Notes due: | | |
| 2008..... | 64,868 | 79,832 |
| 2010..... | 152,432 | 152,558 |
| Credit facility..... | 121,997 | 99,525 |
| Other..... | 5,000 | 5,000 |
| | 544,297 | 536,915 |
| Less current portion..... | 998 | 1,376 |
| | \$543,299 | \$535,539 |

Senior Notes - During September 2003, we placed privately \$200,000 in aggregate principal amount of 8.5% Senior Notes due October 1, 2013. The notes are unsecured obligations and are senior to any of our subordinated debt. The notes are guaranteed by our direct and indirect domestic subsidiaries that are also guarantors on our senior secured indebtedness.

Senior Subordinated Notes - During July 1996, we completed a public offering of \$100,000 principal amount of 9.25% unsecured Senior Subordinated Notes due September 15, 2008 (the "2008 Notes"). These notes are redeemable at our option, in whole or in part, at any time after September 15, 2004, at a redemption price of 100% of principal amount together with accrued and unpaid interest to the date of redemption.

During fiscal year 2005, we redeemed \$20,000 of the 2008 Notes. Also during the three months ended September 30, 2005, we called and redeemed an additional \$15,000 of the 2008 Notes. As a result of this redemption we wrote off a portion of the deferred financing costs and unamortized discount related to the redeemed bonds. During the three months ended September 30, 2005, we recorded non-cash expenses of \$151 related to the early extinguishment of debt.

During June 1998, we completed a private placement of \$150,000 principal amount of 8% unsecured Senior Subordinated Notes due October 15, 2010. In fiscal year 1999, we exchanged these outstanding notes for public notes with the same terms. These notes have been redeemable at our option, in whole or in part, at any time since October 15, 2003, at redemption prices varying from 104% of principal amount to 100% of principal amount on or after October 15, 2006, together with accrued and unpaid interest to the date of redemption.

Under the indentures governing our senior subordinated notes, as well as the indenture that governs our senior notes, our ability to incur additional debt is limited. Under these indentures, additional debt must be incurred as so-called "ratio debt" or, alternatively, must be permitted in form and amount as "Permitted Indebtedness." In order to incur ratio debt, a specified consolidated fixed charge coverage ratio (as defined in the indentures) must equal or exceed 2:1 (measured on a rolling four-quarter basis). Falling below the 2:1 ratio does not breach any covenant or constitute an event of default under any of our debt agreements. Currently, we exceed the required 2:1 ratio and as a result, are not limited to the "ratio debt" restrictions under the indentures governing the senior notes and the senior subordinated notes to the extent that any future incurrence of debt would not cause us to exceed the 2:1

threshold.

9

Revolving credit facility - On November 5, 2003, we established a \$220,000 senior secured credit facility (the "credit facility"), comprised of a \$70,000 revolving credit facility (the "revolver") maturing on September 15, 2008 and a \$150,000 term loan (the "term loan") with serial maturities of \$249 quarterly through March 31, 2010 with final maturity remaining on April 15, 2010.

The term loan also requires an annual excess cash flow payment (as defined under the credit agreement). During the three months ending September 30, 2005, we made an excess cash flow payment of \$378 based on fiscal 2005 operating and cash flow performance.

We had \$121,997 outstanding on this facility (\$98,497 on the term loan and \$23,500 on the revolver) at an average variable interest rate of 5.9% as of September 30, 2005. The interest rate applicable to borrowings under the revolver is the agent's prime rate plus 1.50% to 1.75%, or a LIBOR-based rate ranging from LIBOR plus 2.50% to LIBOR plus 3.25%. The interest rate applicable to the term loan is the agent's prime rate plus 1.00% or a LIBOR-based rate plus 2.00%. The credit facility is secured by substantially all of our assets located in the United States.

The credit facility contains covenants customary for financing of this type. The financial covenants include: maximum ratio of consolidated net senior secured debt to consolidated earnings before interest, taxes, depreciation and amortization ("EBITDA"), minimum ratio of consolidated EBITDA to consolidated interest expense and minimum ratio of consolidated EBITDA minus capital expenditures and taxes to consolidated fixed charges; as well as limitations on capital expenditures, share repurchases and dividend payments. During the three months ended September 30, 2005, we were in compliance with these financial covenants.

As of September 30, 2005, we had \$42,480 of borrowing capacity on our revolving credit facility. The portion of this capacity that we could borrow on a particular date will depend on our financial results and ability to comply with certain borrowing conditions under the revolving credit facility.

Other long-term debt - On March 1, 2000, we purchased certain technology from Stac-Pac Technologies Inc. In connection with the purchase, we entered into an unsecured promissory note with Stac-Pac Technologies Inc. The principal amount of the note is \$5,000 and bears interest at a rate of 7%. In accordance with the purchase agreement, we are entitled to withhold or retain the final installment of the purchase price until and unless there is final resolution of patent rights and to cancel the final installment of the purchase price if the patent rights in certain jurisdictions are not resolved according to the terms of the purchase agreement. As of September 30, 2005, resolution of these patent rights was not completed. Therefore, the principal amount of the note remains unpaid and has been classified as long-term debt. As of September 30, 2005, we have accrued interest on the note of \$1,604.

NOTE 7: COMPREHENSIVE INCOME

The components of comprehensive income consist of the following:

Three Months Ended
September 30

Edgar Filing: BUCKEYE TECHNOLOGIES INC - Form 10-Q

| | 2005 | 2004 |
|--|---------|----------|
| Net income (loss)..... | \$(289) | \$4,415 |
| Foreign currency translation adjustments - net.... | 8,175 | 11,192 |
| Comprehensive income..... | \$7,886 | \$15,607 |

For the three months ended September 30, 2005, the change in the foreign currency translation adjustment is primarily due to fluctuations in the exchange rate of the U.S. dollar against the euro of \$(552), the Brazilian real of \$1,271 and the Canadian dollar of \$7,456.

10

For the three months ended September 30, 2004, the change in the foreign currency translation adjustment was primarily due to fluctuations in the exchange rate of the U.S. dollar against the euro of \$2,164, the Brazilian real of \$1,856 and the Canadian dollar of \$7,172.

NOTE 8: INCOME TAXES

Our effective tax rate for the three month period ended September 30, 2005 was 27%. Our effective tax rate for the same period of 2004 was 35%. Our tax rate is impacted by several factors including operations in jurisdictions with varying tax rates and the extraterritorial income tax exclusion. Due to the absolute value of our earnings (loss) before taxes for the three months ended September 30, 2005, these factors had a more significant impact on our effective tax rate. Our income tax expense (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 September 30 | |
|--|------------------------------------|---------|
| | 2005 | 2004 |
| Expected tax expense (benefit) at 35%..... | \$(139) | \$2,378 |
| Effect of foreign operations..... | 307 | 597 |
| Extraterritorial income benefit..... | (152) | (219) |
| Other..... | (125) | (378) |
| | \$(109) | \$2,378 |

NOTE 9: STOCK-BASED COMPENSATION

In December 2004, the FASB issued SFAS 123(R). SFAS 123(R) eliminates the alternative to use the intrinsic value method of accounting that was provided in SFAS 123, which generally resulted in no compensation expense recorded in the financial statements related to the issuance of equity awards to employees. SFAS 123(R) requires that the cost resulting from all share-based payment transactions be recognized in the financial statements. SFAS 123(R) establishes fair value as the measurement objective in accounting for share-based payment arrangements and requires all companies to apply a fair-value-based measurement method in accounting for generally all share-based payment transactions with employees.

Edgar Filing: BUCKEYE TECHNOLOGIES INC - Form 10-Q

On July 1, 2005 (the first day of our 2006 fiscal year), we adopted SFAS 123(R). The provisions of SFAS 123(R) became effective the first annual reporting period beginning after June 15, 2005. We adopted SFAS 123(R) using a modified prospective application, as permitted under SFAS 123(R). Accordingly, prior period amounts have not been restated. Under this application, we are required to record compensation expense for all awards granted after the date of adoption and for the unvested portion of previously granted awards that remain outstanding at the date of adoption.

On June 7, 2005, prior to the adoption of SFAS 123(R), the Compensation Committee of our Board of Directors approved the acceleration of vesting of out-of-the-money options with an exercise price greater than \$8.32 to purchase shares of our common stock that remained unvested at June 30, 2005. These options were previously awarded to non-employee directors, executive officers, and other employees under our Amended and Restated 1995 Incentive and Nonqualified Stock Option Plan for Management Employees and our Amended and Restated Formula Plan for Non-Employee Directors. Options to purchase 898,150 shares of common stock were subject to this acceleration. The closing price of our common stock on June 7, 2005 was \$8.32.

11

The following table summarizes the options subject to acceleration:

| | Aggregate Number Shares Issuable Under Accelerated Options | Weighted Average Exercise Price Per Share |
|------------------------------------|---|--|
| | | |
| Non-employee directors..... | 70,000 | \$10.54 |
| Executive officers as a group..... | 422,550 | \$11.03 |
| Other employees..... | 405,600 | \$11.05 |
| | 898,150 | \$11.00 |

The acceleration of vesting of these out-of-the money options was undertaken primarily to eliminate any future compensation expense we would otherwise recognize in our income statement with respect to these options upon the implementation of SFAS 123(R). We estimate the compensation expense, before tax, would have totaled approximately \$4,900 (approximately \$2,100 in 2006, \$1,400 in 2007, \$800 in 2008 and \$600 in 2009) based on fair value calculations using the Black-Scholes methodology.

The following table details the effect on net income and earnings per share had compensation expense for the Employee Stock-Based Awards been recorded in the three months ended September 30, 2004 based on the fair value method under SFAS 123. The reported and pro forma net income and earnings per share for the three months ended September 30, 2005 are the same since stock-based compensation expense is calculated under the provisions of SFAS 123(R). The amounts for the three months ended September 30, 2005 are included in the table below only to provide the detail for a comparative presentation to the period of the previous year.

Edgar Filing: BUCKEYE TECHNOLOGIES INC - Form 10-Q

| | Three Months September |
|---|----------------------------|
| | ----- 2005 ----- |
| Net income (loss) as reported..... | \$ (289) |
| Add: Total stock-based compensation expense included in reported net income, net of related tax effects..... | 22 |
| Deduct: Total stock-based compensation expense determined under fair value based method, net of related tax effects..... | (22) |
| Pro forma net income (loss)..... | ----- \$ (289) ===== |
| Earnings (loss) per share: | |
| Basic as reported..... | \$ (0.01) |
| Basic pro forma..... | \$ (0.01) |
| Diluted as reported..... | \$ (0.01) |
| Diluted pro forma..... | \$ (0.01) |

Prior to the adoption of SFAS 123(R), we applied APB 25 to account for our stock-based awards. Beginning with our 2006 fiscal year, with the adoption of SFAS 123(R), we recorded stock-based compensation expense for the cost of stock options. Stock-based compensation expense for the three months ended September 30, 2005 was \$34 (\$22 after tax).

Stock Compensation Plans

Our stock option plans provide for the granting of either incentive or nonqualified stock options to employees and non-employee directors. Options are subject to terms and conditions determined by the Compensation Committee of our Board of Directors, and generally are exercisable in increments of 20% per year beginning one year from date of grant and expire ten years from date of grant.

12

We use the Black-Scholes option-pricing model to calculate the fair value of options for our disclosures. The key assumptions for this valuation method include the expected life of the option, stock price volatility, risk-free interest rate, dividend yield, exercise price and forfeiture rate. Many of these assumptions are judgmental and highly sensitive in the determination of compensation expense. The table below indicates the key assumptions used in the option valuation calculations for options granted in the three months ended September 30, 2005 and a discussion of our methodology for developing each of the assumptions used in the valuation model:

| | |
|------------------------------|-----------|
| Expected lives..... | 5.5 years |
| Expected volatility..... | 56.5% |
| Risk-free interest rate..... | 4.0% |
| Forfeiture rate..... | Zero |

Expected Lives - This is the period of time over which the options granted are expected to remain outstanding. Options granted have a maximum term of ten years. An increase in the expected life will increase compensation expense.

Edgar Filing: BUCKEYE TECHNOLOGIES INC - Form 10-Q

Expected Volatility - This is a measure of the amount by which a price has fluctuated or is expected to fluctuate. We use actual changes in the market value of our stock to calculate the volatility assumption. We calculate daily market value changes from the date of grant over a past period representative of the expected life of the options to determine volatility. An increase in the expected volatility will increase compensation expense.

Risk-Free Interest Rate - This is the U.S. Treasury rate for the week of the grant having a term equal to the expected life of the option. An increase in the risk-free interest rate will increase compensation expense.

Dividend Yield - We did not make any dividend payments during the last five fiscal years and we have no plans to pay dividends in the foreseeable future. An increase in the dividend yield will decrease compensation expense.

Forfeiture Rate - This is the estimated percentage of options granted that are expected to be forfeited or canceled before becoming fully vested. An increase in the forfeiture rate will decrease compensation expense. Due to the limited number of options that were not vested at September 30, 2005, we assumed a forfeiture rate of zero.

The following table summarizes information about our stock option plans for the three months ended September 30, 2005.

| | Number of Options | Weighted Average Exercise Price |
|---|----------------------|---------------------------------------|
| | | |
| Options outstanding, beginning of year..... | 4,765,150 | \$1 |
| Granted..... | 10,000 | |
| Exercised..... | - | |
| Forfeited..... | (116,000) | 2 |
| | | |
| Options outstanding, end of quarter..... | 4,659,150 | 1 |
| Options exercisable, end of quarter..... | 4,600,350 | 1 |

Using the Black-Scholes valuation method calculated under the assumptions indicated above, the weighted-average fair value of the grant at market was \$4.63.

13

NOTE 10: EMPLOYEE BENEFIT PLANS

We provide medical, dental and life insurance postretirement plans covering certain U.S. employees who meet specified age and service requirements. Pursuant to an amendment, effective January 1, 2006, Medicare eligible retirees age 65 or older will not continue coverage under the self-funded plan. Instead they will be provided a subsidy towards the purchase of supplemental insurance. This amendment reduces the accumulated postretirement benefit obligation by \$4,089. The benefit will be amortized over 7.75 years. The components of net periodic benefit costs are as follows:

Three Months Ended

Edgar Filing: BUCKEYE TECHNOLOGIES INC - Form 10-Q

| | September 30 | |
|--|--------------|-------|
| | 2005 | 2004 |
| Service cost for benefits earned..... | \$157 | \$176 |
| Interest cost on benefit obligation..... | 314 | 358 |
| Amortization of unrecognized prior service cost..... | (264) | (281) |
| (Gain)/loss..... | 150 | 97 |
| Total cost..... | \$357 | \$350 |

The Medicare Modernization Act will provide prescription drug benefits to Medicare eligible participants effective January 1, 2006. Since our plan only provides a subsidy toward supplemental Medicare insurance coverage, the Medicare Modernization Act does not impact our plan.

NOTE 11: COMPUTATION OF EARNINGS PER SHARE

The calculation of basic and diluted earnings per common share was as follows:

| | Three Months Ended September 30 | |
|--|------------------------------------|---------|
| | 2005 | 2004 |
| Net income (loss)..... | \$ (289) | \$4,415 |
| Weighted-average shares of common stock outstanding..... | 37,588 | 37,312 |
| Effect of diluted shares..... | - | 146 |
| Weighted-average common and common equivalent shares outstanding..... | 37,588 | 37,458 |
| Earnings (loss) per share | | |
| Basic..... | \$ (0.01) | \$0.12 |
| Diluted..... | \$ (0.01) | \$0.12 |

NOTE 12: CONDENSED CONSOLIDATING FINANCIAL STATEMENTS

The guarantor subsidiaries presented below represent our subsidiaries that are subject to the terms and conditions outlined in the indenture governing the senior notes and that guarantee the notes, jointly and severally, on a senior unsecured basis. The non-guarantor subsidiaries presented below represent the foreign subsidiaries which do not guarantee the senior notes. Each subsidiary guarantor is 100% owned directly or indirectly by us and all guarantees are full and unconditional.

Our supplemental financial information and our guarantor subsidiaries

Edgar Filing: BUCKEYE TECHNOLOGIES INC - Form 10-Q

and non-guarantor subsidiaries for the senior notes is presented in the following tables.

15

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS Three Months Ended September 30, 2005

| | Buckeye Technologies Inc. | Guarantors US Subsidiaries | Non- Guarantor Subsidiaries |
|---|---------------------------------|----------------------------------|-----------------------------------|
| Net sales..... | \$22,459 | \$99,996 | \$50,035 |
| Cost of goods sold..... | 19,211 | 85,010 | 44,190 |
| Gross margin..... | 3,248 | 14,986 | 5,845 |
| Selling, research and administrative expenses, and other..... | 2,957 | 7,038 | 1,942 |
| Restructuring costs..... | - | - | 1,951 |
| Operating income..... | 291 | 7,948 | 1,952 |
| Other income (expense): | | | |
| Interest income/(expense) and amortization of debt costs..... | (10,917) | 67 | 666 |
| Other income/(expense), including equity income in affiliates..... | 3,107 | 42 | (427) |
| Intercompany interest income/(expense)..... | 7,126 | (5,283) | (1,843) |
| Income/(loss) before income taxes..... | (393) | 2,774 | 348 |
| Income tax expense/(benefit)..... | (104) | 931 | 159 |
| Net income (loss)..... | \$ (289) | \$1,843 | \$ 189 |

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS Three Months Ended September 30, 2004

| | Buckeye Technologies Inc. | Guarantors US Subsidiaries | Non- Guarantor Subsidiaries |
|--|---------------------------------|----------------------------------|-----------------------------------|
| Net sales..... | \$ 23,282 | \$99,989 | \$51,311 |
| Cost of goods sold..... | 18,611 | 80,670 | 45,510 |
| Gross margin..... | 4,671 | 19,319 | 5,801 |
| Selling, research and administrative expenses, and | | | |

Edgar Filing: BUCKEYE TECHNOLOGIES INC - Form 10-Q

| | | | |
|--|----------|----------|---------|
| other..... | 3,095 | 5,336 | 1,898 |
| Restructuring costs..... | 1 | 120 | 1,075 |
| ----- | | | |
| Operating income (loss)..... | 1,575 | 13,863 | 2,828 |
| Other income (expense): | | | |
| Interest income/(expense) and amortization of debt costs..... | (11,331) | (39) | 92 |
| Other income/(expense), including equity income in affiliates..... | 8,916 | 154 | (119) |
| Intercompany interest income/(expense)..... | 7,848 | (6,148) | (1,701) |
| ----- | | | |
| Income/(loss) before income taxes..... | 7,008 | 7,830 | 1,100 |
| Income tax expense/(benefit)..... | 2,593 | 2,659 | 509 |
| ----- | | | |
| Net income (loss)..... | \$4,415 | \$ 5,171 | \$ 591 |
| ===== | | | |

16

CONDENSED CONSOLIDATING BALANCE SHEETS
As of September 30, 2005

| | Buckeye Technologies Inc. | Guarantors US Subsidiaries | Non- Guarantor Subsidiaries |
|---|---------------------------------|----------------------------------|-----------------------------------|
| ----- | | | |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents..... | \$ 425 | \$ 80 | \$11,305 |
| Accounts receivable, net of allowance..... | 14,104 | 62,248 | 30,080 |
| Inventories..... | 30,245 | 68,067 | 25,984 |
| Other current assets..... | 4,167 | 4,031 | 3,485 |
| Intercompany accounts receivable..... | - | 24,423 | - |
| ----- | | | |
| Total current assets..... | 48,941 | 158,849 | 70,854 |
| Property, plant and equipment, net..... | 56,394 | 341,980 | 140,956 |
| Goodwill and intangibles, net..... | 20,950 | 53,147 | 95,812 |
| Intercompany notes receivable..... | 340,796 | - | - |
| Other assets, including investment in subsidiaries..... | 317,751 | 344,233 | 113,430 |
| ----- | | | |
| Total assets..... | \$784,832 | \$898,209 | \$421,052 |
| ===== | | | |
| Liabilities and stockholders' equity | | | |
| Current liabilities | | | |
| Trade accounts payable..... | \$ 7,424 | \$19,412 | \$ 8,879 |
| Other current liabilities..... | 25,164 | 20,116 | 15,394 |
| Intercompany accounts payable..... | 22,209 | - | 2,214 |
| ----- | | | |

Edgar Filing: BUCKEYE TECHNOLOGIES INC - Form 10-Q

| | | | |
|--|-----------|-----------|-----------|
| Total current liabilities..... | 54,797 | 39,528 | 26,487 |
| Long-term debt..... | 543,299 | - | - |
| Deferred income taxes..... | (44,262) | 62,582 | 14,562 |
| Other long-term liabilities..... | 7,184 | 13,965 | 1,424 |
| Intercompany notes payable..... | - | 208,801 | 131,995 |
| Stockholders'/invested equity..... | 223,814 | 573,333 | 246,584 |
| Total liabilities and stockholders' equity.. | \$784,832 | \$898,209 | \$421,052 |

17

CONDENSED CONSOLIDATING BALANCE SHEETS
BALANCE SHEETS
As of June 30, 2005

| | Buckeye Technologies Inc. | Guarantors US Subsidiaries | Non- Guarantor Subsidiaries |
|--|---------------------------------|----------------------------------|-----------------------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents..... | \$ 860 | \$ 151 | \$ 8,915 |
| Accounts receivable, net..... | 16,147 | 70,636 | 31,432 |
| Inventories..... | 21,745 | 57,932 | 28,997 |
| Other current assets..... | 4,521 | 3,995 | 1,952 |
| Intercompany accounts receivable..... | - | 22,741 | - |
| Total current assets | 43,273 | 155,455 | 71,296 |
| Property, plant and equipment, net..... | 55,720 | 342,455 | 127,756 |
| Goodwill and intangibles, net..... | 20,962 | 53,827 | 92,217 |
| Intercompany notes receivable..... | 333,295 | - | - |
| Other assets, including investment in subsidiaries..... | 301,239 | 323,095 | 113,840 |
| Total assets | \$754,489 | \$874,832 | \$405,109 |
| Liabilities and stockholders' equity | | | |
| Current liabilities | | | |
| Trade accounts payable..... | \$ 7,213 | \$ 20,841 | \$ 9,172 |
| Other current liabilities..... | 20,450 | 18,094 | 11,918 |
| Intercompany accounts payable..... | 20,179 | - | 2,562 |
| Total current liabilities | 47,842 | 38,935 | 23,652 |
| Long-term debt..... | 535,539 | - | - |
| Deferred income taxes..... | (43,918) | 62,764 | 15,814 |
| Other long-term liabilities..... | 6,822 | 14,081 | 1,358 |
| Intercompany notes payable..... | - | 212,620 | 120,675 |
| Stockholders'/invested equity..... | 208,204 | 546,432 | 243,610 |

Edgar Filing: BUCKEYE TECHNOLOGIES INC - Form 10-Q

| | | | |
|--|-----------|-----------|-----------|
| Total liabilities and stockholders' equity | \$754,489 | \$874,832 | \$405,109 |
|--|-----------|-----------|-----------|

18

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
Three Months Ended September 30, 2005

| | Buckeye Technologies Inc. | Guarantors US Subsidiaries | Non- Guarantor Subsidiaries |
|---|---------------------------------|----------------------------------|-----------------------------------|
| Net cash provided by operations..... | \$1,558 | \$10,958 | \$ 2,263 |
| Investing activities: | | | |
| Purchases of property, plant and equipment..... | (1,965) | (6,866) | (11,449) |
| Other..... | - | (178) | - |
| Net cash used in investing activities..... | (1,965) | (7,044) | (11,449) |
| Financing activities | | | |
| Net borrowings under revolving line of credit | 23,100 | - | - |
| Net borrowings (payments on) long-term debt and other..... | (23,128) | (3,985) | 11,319 |
| Net cash provided by (used in) financing activities..... | (28) | (3,985) | 11,319 |
| Effect of foreign currency rate fluctuations on cash..... | - | - | 257 |
| Increase (decrease) in cash and cash equivalents..... | (435) | (71) | 2,390 |
| Cash and cash equivalents at beginning of period..... | 860 | 151 | 8,915 |
| Cash and cash equivalents at end of period..... | \$425 | \$ 80 | \$ 11,305 |

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
Three Months Ended September 30, 2004

| | Buckeye Technologies Inc. | Guarantors US Subsidiaries | Non- Guarantor Subsidiaries |
|--------------------------------------|---------------------------------|----------------------------------|-----------------------------------|
| Net cash provided by operations..... | \$ 12,775 | \$ 7,778 | \$ 444 |

Edgar Filing: BUCKEYE TECHNOLOGIES INC - Form 10-Q

| | | | |
|---|-----------|---------|----------|
| Investing activities: | | | |
| Purchases of property, plant and equipment..... | (411) | (3,558) | (1,001) |
| Other..... | - | (139) | 223 |
| | | | |
| Net cash used in investing activities..... | (411) | (3,697) | (778) |
| Financing activities | | | |
| Net borrowings (payments on) long-term debt and other..... | (14,756) | (4,040) | (1,190) |
| | | | |
| Net cash used in financing activities..... | (14,756) | (4,040) | (1,190) |
| Effect of foreign currency rate fluctuations | | | |
| on cash..... | - | - | 476 |
| | | | |
| Increase (decrease) in cash and cash equivalents..... | (2,392) | 41 | (1,048) |
| Cash and cash equivalents at beginning of period..... | 14,746 | 103 | 12,386 |
| | | | |
| Cash and cash equivalents at end of period..... | \$ 12,354 | \$ 144 | \$11,338 |
| | | | |
| | | | |

19

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

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") summarizes the significant factors affecting our results of operations, liquidity, capital resources and contractual obligations, as well as discussing our critical accounting policies. This discussion should be read in conjunction with the accompanying unaudited financial statements and our Annual Report on Form 10-K for the year ended June 30, 2005 ("Annual Report"), which include additional information about our significant accounting policies, practices and transactions that underlie our financial results. Our MD&A is composed of four major sections: Executive Summary, Results of Operations, Financial Condition, and Critical Accounting Policies.

Except as otherwise specified, references to years indicate our fiscal year ending June 30, 2006 or ended June 30 of the year referenced and comparisons are to the corresponding period of the prior year. The following discussion includes a comparison of the results of operations for the three months ended September 30, 2005 to the three months ended September 30, 2004.

Executive Summary

Buckeye manufactures and distributes value-added cellulose-based specialty products used in numerous applications, including disposable diapers, personal hygiene products, engine, air and oil filters, food casings, rayon filaments, acetate plastics, thickeners and papers. Our products are produced in the United States, Canada, Germany and Brazil, and we sell these products in approximately 60 countries worldwide. We generate revenues, operating income and cash flows from two reporting segments: specialty fibers and nonwoven materials. Specialty fibers are derived from wood and cotton cellulose materials using wetlaid technologies. Our nonwoven materials are derived from wood pulps,

Edgar Filing: BUCKEYE TECHNOLOGIES INC - Form 10-Q

synthetic fibers and other materials using an airlaid process.

Our strategy is to continue to strengthen our position as a leading supplier of cellulose-based specialty products. We believe that we can continue to expand market share, improve profitability and decrease our exposure to cyclical downturns by pursuing the following strategic objectives: focus on technically demanding niche markets, develop and commercialize innovative proprietary products, strengthen long-term alliances with customers, provide our products at an attractive value, and significantly reduce our debt.

The three months ended September 30, 2005 was a challenging period for us. While none of our operations suffered serious physical damage from Hurricane Katrina, the disruptions caused by the storm and the impact of already high energy, chemical and transportation costs caused our earnings to fall significantly below those earned during the same period in 2004. We incurred a net loss of \$0.3 million during the three months ended September 30, 2005 versus net income of \$4.4 million during the same period of 2004.

Hurricane Katrina followed by Hurricane Rita drove already high energy and chemical costs even higher and forced transportation providers to increase their pricing. Our energy, chemical, and transportation costs increased by about \$8 million during the three months ended September 30, 2005 versus the same period of the prior year and now account for approximately 26% of our overall operating costs. This major change in pricing for these items had a significant adverse impact on our earnings. In addition, the demand for domestic transportation, especially in the Southeastern United States, is very tight as trucks and railcars are being diverted to supply the hurricane-ravaged Gulf Coast with needed supplies for cleanup and rebuilding. Although to date this has not had a significant impact on our sales, the limited supply of transportation vehicles has put additional pressure on our operations.

As a result of the extraordinary and unprecedented high costs, we announced the implementation of product price surcharges of up to 5% on our products. This surcharge was effective over most of our products starting October 1, 2005 and will be reevaluated on a quarterly basis.

20

While demand for our high-end specialty products remains good, the timing of shipments led to a decline in fluff pulp sales during the three months ended September 30, 2005 versus the same period in 2004.

The positive events in our markets and our ability to strengthen our balance sheet are being dampened by higher costs for energy, chemicals and other materials. High costs in these areas are impacting our operating margins. Since demand for our specialty fibers is sufficiently strong, we are implementing price increases as our sales contracts renew. A majority of our annual sales agreements is renewed on a calendar year basis; therefore, we expect to implement significant price increases beginning January 1, 2006.

In spite of the higher costs, we are encouraged by progress on several fronts:

- o We are continuing to establish our sales and distribution network for UltraFiber 500TM, a revolutionary concrete reinforcing fiber. UltraFiber 500TM is a niche product for the building industry and a great example of the new product initiatives we are undertaking to reduce our dependency on fluff pulp. Each sale of UltraFiber 500(TM) advances us toward our goal of reducing our dependency on fluff pulp.

Edgar Filing: BUCKEYE TECHNOLOGIES INC - Form 10-Q

- o Our plan to transition the specialty fibers production currently supplied by Glueckstadt, Germany to our lower-cost manufacturing facilities in Memphis, Tennessee and Americana, Brazil is proceeding as planned. We added a shift at our Memphis, Tennessee facility and believe we are well-positioned to supply cotton-based specialty fiber products from these facilities with a significantly more favorable cost structure in North and South America once the transition is complete.

- o During the quarter we were able to take advantage of the availability on our lower rate revolving credit facility to retire an additional \$15 million of the relatively high cost 9.25% 2008 Notes from the market. We intend to continue to call the remaining \$65 million of the 2008 Notes in advance of their maturity on September 15, 2008.

The combination of new product initiatives, strong demand in important markets, and an improved manufacturing configuration gives us optimism that we can generate future growth in sales and profitability. Like other manufacturing firms, we are currently being negatively impacted by high costs for energy, chemicals, transportation and other materials. These issues will slow progress in the short-term, but our longer-term outlook continues to be favorable.

Results of Operations

Consolidated results

The following table compares components of operating income for the three months ended September 30, 2005 and 2004.

| (millions) | Three Months Ended September 30 | | | |
|--|---------------------------------|---------|---------|---|
| | 2005 | 2004 | Change | % |
| Net sales..... | \$165.5 | \$167.3 | \$(1.8) | |
| Cost of goods sold..... | 141.3 | 137.7 | 3.6 | |
| Gross margin..... | 24.2 | 29.6 | (5.4) | |
| Selling, research and administrative expenses..... | 11.4 | 9.7 | 1.7 | |
| Restructuring costs..... | 2.0 | 1.2 | 0.8 | |
| Amortization of intangibles and other..... | 0.5 | 0.6 | (0.1) | |
| Operating income (loss)..... | \$10.3 | \$18.1 | (7.8) | |

Net sales declined during the three months ended September 30, 2005 versus the same period in 2004 due to a 20% decline in fluff pulp sales. Although fluff pulp sales declined, we expect overall sales of fluff pulp for the first six months of fiscal year 2006 to be similar to the first six months of fiscal year 2005. An improvement in nonwoven materials sales and the overall strength of our high-end specialty fibers markets largely offset the decline in fluff pulp sales.

Edgar Filing: BUCKEYE TECHNOLOGIES INC - Form 10-Q

As mentioned in the executive summary, high costs related to increases in the pricing of energy and chemicals continued to have a negative impact on our margins over the past fiscal year. During the three months ended September 30, 2005, energy and chemical costs were higher by approximately 34% and 45%, respectively, versus the same period in 2004. In addition, due to increases in energy costs, we saw transportation related expenses increase by approximately 19% over the same period.

Increases in selling, research and administrative expenses also had a negative impact on our operating margins. The impact of accounting and consulting fees related to the implementation of Sarbanes-Oxley continued to have a negative impact as a significant portion of the audit and consulting costs related to the implementation were incurred subsequent to the fiscal year end. Expenses related to the establishment of an UltraFiber 500™ sales force and distribution network as well as the expensing of previously capitalized patent costs also contributed to the increased costs.

As part of the announced closure of the Glueckstadt, Germany specialty fibers facility, we continued to incur restructuring related expenses. We incurred \$2.0 million of expenses during the three months ended September 30, 2005 and expect to incur an additional \$1.1 million related to this restructuring during the remainder of fiscal year 2006. As of September 30, 2005, we have incurred \$4.9 million of restructuring costs as part of this planned closure.

Further discussion of revenue, operating trends and restructuring costs are discussed later in this MD&A. Additional information on the restructuring programs and charges may also be found in Note 4 of the accompanying interim financial statements.

Segment results

Although nonwoven materials, processes, customers, distribution methods and regulatory environment are very similar to specialty fibers, we believe it is appropriate for nonwoven materials to be disclosed as a separate reporting segment from specialty fibers. The specialty fibers segment is an aggregation of cellulosic fibers based on both wood and cotton. We make separate financial decisions and allocate resources based on the sales and operating income of each segment. We allocate selling, research, and administrative expenses to each segment, and we use the resulting operating income to measure the performance of the segments. We exclude items that are not included in measuring business performance, such as amortization of intangibles, restructuring costs, asset impairment and certain financing and investing costs.

Specialty fibers

The following table compares specialty fibers net sales and operating income for the three months ended September 30, 2005 and 2004.

| (millions) | Three Months September 30 | | | % |
|-----------------------|---------------------------|---------|---------|---|
| | 2005 | 2004 | Change | |
| Net sales..... | \$114.6 | \$118.0 | \$(3.4) | |
| Operating income..... | 10.2 | 16.9 | (6.7) | |

Edgar Filing: BUCKEYE TECHNOLOGIES INC - Form 10-Q

In spite of good demand for our high-end specialty fibers products, net sales decreased during the three months ended September 30, 2005 versus 2004 due to a 20% decline in sales for fluff pulp. Although shipments for the remaining specialty fibers products were relatively flat, improvements in selling prices in almost all specialty fibers product areas offset some of the decline in fluff pulp sales.

Improvements in price were driven by several factors.

- o Higher costs for energy, chemicals and transportation combined with strong demand in our high-end markets allowed us to raise prices during the year. However, due to the rapid and continued increase in costs we were not able to maintain our margins at the same level as those realized during the three months ended September 30, 2004.
- o While our overall sales of fluff pulp declined 20%, our average fluff pulp price increased by 5.9% year over year for the three month period ending September 30, 2005. We can offer no assurance that this increase in fluff pulp pricing will continue or that this trend will not reverse direction during the remainder of fiscal year 2006.
- o Tight supply conditions due to industry facility closures continued to help increase overall specialty fibers demand and allowed us to improve our mix of products during the three month period ended September 30, 2005 versus the same period in 2004.

As previously mentioned, rising energy and chemical prices continued to push manufacturing costs higher for the three months ended September 30, 2005. Our manufacturing costs for specialty fibers, chemicals, energy and transportation increased by approximately \$7 million as compared to the three months ended September 30, 2004. While we will be able to recover a portion of these costs through reductions in usage, increased pricing for our products and the implementation of a product price surcharge that went into effect on October 1, 2005, we expect that these abnormally high energy and chemical prices will continue to put pressure on our margins during the upcoming quarters.

In addition to recovering margins through increased pricing, we are also working on ways to reduce manufacturing costs. Where possible, we are transitioning our energy supply from natural gas to fuel oil. Although natural gas is a very efficient energy source, the current market prices make it more economical to purchase lower cost fuel oil. We continue to look for alternatives to reduce costs and recover margins.

Overall our specialty fibers inventories increased during the three months ended September 30, 2005. However, our inventories for high-end specialty wood products remain at very low levels. We are still faced with the challenge of matching sales and production for those products. Due to a decline in fluff pulp sales volume, our inventories for fluff pulp increased during the three months ended September 30, 2005. We expect fluff pulp sales to exceed production during the second quarter of fiscal year 2006 and, therefore, we expect fluff pulp inventories to decline in the next quarter. A portion of the increase in our high-end specialty cotton inventories was in preparation for the final transition of production from Glueckstadt, Germany to our Memphis, Tennessee and Americana, Brazil facilities. We expect to cease production at our Glueckstadt, Germany facility in December of this calendar year.

We continue to move forward with developing our capability to supply a

Edgar Filing: BUCKEYE TECHNOLOGIES INC - Form 10-Q

wide range of products based on cotton cellulose to customers worldwide by upgrading the capability of our Americana, Brazil manufacturing facility. Because Brazil benefits from low manufacturing costs and a large and increasing raw material supply, we anticipate that, when this upgrade is completed and we reach full capacity, this facility will be a significant contributor to our profitability. We expect to complete the upgrade and begin qualifying customers by the end of this calendar year. We are now incurring pre-production expenses without offsetting revenue increases in advance of the startup of the upgraded facility and we expect we will continue to incur startup and transition costs during the upcoming quarters.

23

Nonwoven materials

The following table compares nonwoven materials net sales and operating income for the three months ended September 30, 2005 and 2004.

| (millions) | Three Months Ended September 30 | | | % |
|-----------------------|---------------------------------|--------|--------|---|
| | 2005 | 2004 | Change | |
| Net sales..... | \$57.3 | \$55.9 | \$1.4 | |
| Operating income..... | 2.6 | 3.6 | (1.0) | |

Improvements in the mix and selling prices for our nonwoven materials resulted in an increase in net sales during the three months ended September 30, 2005 versus the same period in 2004. Sales price increases were implemented during the year in an effort to offset rising prices for raw materials and other manufacturing costs. Increased demand for tabletop products in our European markets contributed to an improved mix. These improvements were partially offset by the emergence from bankruptcy protection of a competitor in North America during fiscal year 2005. Under new management, they aggressively sought new business in the over-supplied North American market. Although we benefited from this competitor's difficulties during the three months ended September 30, 2004, their competitive actions adversely impacted our volumes during the three months ended September 30, 2005.

In spite of the improvement in sales, operating income declined during the three months ended September 30, 2005 versus the same period in 2004. Declining operating margins were caused by the continued escalation of prices for raw materials and other manufacturing costs. Impacts from Hurricane Katrina exacerbated the problem and drove energy-related costs even higher. Additionally, the continued strengthening of the Canadian dollar created further pressure on operating costs at our nonwoven materials facility in Delta, British Columbia.

We have implemented an optimization plan to reduce the cost of our North American operations. We reduced staffing and operating shifts at our Canadian facility. These changes will allow us to improve the overall cost efficiency of our North American operations and allow us the capability to scale back up to full production once additional sustained business returns.

Restructuring and impairment activities

During fiscal years 2005, 2004 and 2003, we entered into various

Edgar Filing: BUCKEYE TECHNOLOGIES INC - Form 10-Q

restructuring programs, which resulted in restructuring and impairment charges. In order to continue to provide both specialty fibers and nonwoven materials at attractive values, we will continue to look for ways to reduce costs and optimize our operating structure. The following table summarizes restructuring expense by program for the three month period ended September 30, 2005 and 2004.

| (millions) | Three Months Ended September 30 | | Total Program Charges To Date | Est Com Sept |
|---|------------------------------------|-------|--|--------------------|
| | 2005 | 2004 | | |
| <hr/> | | | | |
| Restructuring costs | | | | |
| 2005 Restructuring program..... | \$2.0 | \$ - | \$ 4.9 | |
| 2004 Restructuring program..... | - | 0.9 | 3.0 | |
| 2003 Restructuring program - phase 2..... | - | 0.2 | 3.4 | |
| 2003 Restructuring program - phase 1..... | - | 0.1 | 2.7 | |
| <hr/> | | | | |
| Total restructuring costs | \$2.0 | \$1.2 | \$14.0 | |
| <hr/> | | | | |

24

2005 Restructuring program

In January 2005, we announced our decision to discontinue producing cotton linter pulp at our Glueckstadt, Germany facility. Our decision was due to a combination of factors that had increased the plant's costs to a level at which it was uneconomical to continue operations. The most significant factor impacting cost at the site was the substantial strengthening of the euro over calendar year 2003 and 2004. Specialty fibers are normally priced and sold in U.S. dollars around the world. As a majority of Glueckstadt's costs is denominated in euros, this substantial strengthening had a negative impact on Glueckstadt's cost position and margin. Additionally, Glueckstadt's process water, waste treatment and energy costs are more than twice the cost of these utilities at our Memphis, Tennessee cotton-based specialty fibers facility. Faced with these difficulties, we reduced the number of employees at the facility from approximately 150 to approximately 100 and operated at 55% of capacity during calendar year 2004.

After careful consideration of all the options available, we decided to close the Glueckstadt facility and consolidate production at our two other specialty fibers manufacturing facilities. We expect production at Glueckstadt to cease during the second quarter of fiscal year 2006. We expect the closing of our Glueckstadt facility and the transfer of the cotton-based specialty fiber production to our Memphis, Tennessee and Americana, Brazil facilities, at the end of this calendar year, will yield a superior cost structure and improve margins.

The closure of the Glueckstadt facility will result in the termination of approximately 100 employees, and we expect restructuring expenses related to the closure to total approximately \$6.0 million. We expect payments related to this restructuring program will extend through the end of fiscal year 2006. We expect this consolidation to enable us to improve our overall specialty fibers operating results by approximately \$9 million annually and to reduce working capital needs by approximately \$6 million.

Edgar Filing: BUCKEYE TECHNOLOGIES INC - Form 10-Q

In anticipation of the closure of the facility, customers increased their inventories to ensure a smooth transition as they qualified material supplied from our Memphis, Tennessee facility. Due to the increased demand, we were able to increase pricing and make incremental sales from inventory. Additionally, as a result of the impairment of the Glueckstadt plant and equipment, our depreciation expense decreased during the period. Although we are recognizing some of the benefit of the closure, we do not expect to realize the full on-going benefit of the closure until calendar year 2006.

2004 Restructuring program

During March 2004, our Board of Directors approved the discontinuation of production of nonwoven materials at our Cork, Ireland facility. While the demand for nonwoven products grew at a rate in the low to mid-single digits on an annualized basis, the growth in demand was not sufficient to utilize fully the existing capacity. As such, industry participants rationalized production by idling plants and closing facilities.

Due to excess production capacity around the globe, we operated Cork below its productive capacity from its inception in 1998. Because of its location and small size, our cost to produce at Cork was higher than at our other locations. Due to these issues, we decided to close the Cork facility and consolidate production at our three other nonwoven manufacturing facilities. Production at Cork ceased in July 2004. Closing our Cork facility reduced our nonwovens capacity by about 10%.

We continued to meet customer needs for nonwoven materials by producing these products at our facilities in Delta, British Columbia, Canada; Steinfurt, Germany; and Gaston County, North Carolina. This consolidation reduced working capital needs, and we began to realize fully the on-going cost benefit from operating one less facility during the third quarter of fiscal 2005. The closure of the Cork facility and related reorganization of the nonwoven materials segment resulted in the termination of 89 employees and resulted in restructuring expenses totaling \$3.0 million. We do not expect additional expenses related to this program.

25

2003 Restructuring programs (phase 1 and phase 2)

In April 2003, we announced the discontinuation of production of cotton linter pulp at our specialty fibers facility in Lumberton, North Carolina due to the decline in demand for cotton content paper. We completed this partial closure in August 2003 but continue to produce cosmetic cotton products at the Lumberton site. This decision reflects a steady decline in demand in the cotton fiber paper industry, which has contracted by more than one-third since the late 1990's. While cotton linter pulp is one of our core businesses, current demand did not economically justify operating a facility that could only produce products for paper applications.

To better meet our customers' needs, we consolidated our U.S. cotton linter pulp production at our larger Memphis, Tennessee and Glueckstadt, Germany facilities. In conjunction with the consolidation, we initiated the first phase of a restructuring program designed to deliver cost reductions through reduced expenses across the company, the main component of which was the partial closure of our Lumberton, North Carolina facility. This phase of restructuring resulted in the elimination of approximately 100 positions within the specialty fibers segment. The resulting increase in facility utilization enabled us to improve our operating results by approximately \$6 million annually.

Edgar Filing: BUCKEYE TECHNOLOGIES INC - Form 10-Q

During the first quarter of fiscal year 2004, we entered into a second phase of this restructuring program. This phase of the program enabled us to improve our operating results by approximately \$6 million annually through reduced salaries, benefits, other employee-related expenses and operating expenses. As a result of this restructuring, 78 positions were eliminated. These positions include manufacturing, sales, product development and administrative functions throughout the organization. We do not expect any further expenses related to this restructuring.

Net interest expense and amortization of debt costs

Net interest expense and amortization of debt costs decreased \$1.1 million for the three month period ending September 30, 2005 versus the same period in the prior year. Our decrease in outstanding debt of \$40.2 million since September 30, 2004 had a positive impact on interest expense during the three month period ending September 30, 2005. Also contributing to the improvement was the impact of capitalizing interest for the Americana facility capital improvements. The total amount of interest capitalized during the period, related to the Americana project, was \$0.5 million. These improvements were partially offset by higher variable interest rates. The weighted average effective interest rate on our variable rate debt increased from 4.4% at September 30, 2004 to 5.9% at September 30, 2005.

Income tax expense

Our effective tax rate for the three months ended September 30, 2005 was 27% versus 35% for the same period in 2004. Our effective tax rate may vary in future quarters due to the amount and source of income, results of tax audits and changes in tax legislation. We currently expect the effective tax rate for the remainder of the fiscal year to be 35%, resulting in an overall estimated tax rate of 35% for fiscal year 2006.

Loss on early extinguishment of debt costs

On September 26, 2005 we used borrowings on our revolving credit facility to redeem \$15 million of our 9.25% 2008 Notes. As a result of this partial extinguishment, we wrote-off a portion of deferred financing costs, resulting in non-cash expense of \$0.2 million during the three months ended September 30, 2005.

Foreign exchange and other

The Canadian dollar continued strengthening against the U.S. dollar during the three months ended September 30, 2005, increasing 6% during the period. We incurred foreign exchange losses and other expense of \$0.4 million, due primarily to this strengthening.

26

Financial Condition

Liquidity and capital resources

We have the following major sources of financing: credit facility, senior notes and senior subordinated notes. Our senior secured credit facility, senior notes and senior subordinated notes contain various covenants. We were in compliance with these covenants as of September 30, 2005 and believe we will continue to remain in compliance.

Edgar Filing: BUCKEYE TECHNOLOGIES INC - Form 10-Q

On September 30, 2005, we had \$11.8 million of cash and cash equivalents and \$42.5 million borrowing capacity on our revolver defined in Note 6. The portion of this capacity that we could borrow will depend on our financial results and ability to comply with certain borrowing conditions under the revolving credit facility. As of September 30, 2005, our liquidity, including available borrowings and cash and cash equivalents was approximately \$54.3 million.

While we can offer no assurances, we believe that our cash flow from operations, together with current cash and cash equivalents, will be sufficient to fund necessary capital expenditures, meet operating expenses and service our debt obligations for the foreseeable future.

Cash Flow

The following table provides a summary of cash flows for the three month periods ended September 30, 2005 and September 30, 2004.

| (millions) | Three Months Ended September 30 | |
|---|------------------------------------|---------|
| | 2005 | 2004 |
| Operating activities: | | |
| Net income (loss)..... | \$ (0.3) | \$4.4 |
| Noncash charges and credits, net..... | 10.9 | 14.1 |
| Changes in operating assets and liabilities, net.. | 4.2 | 2.5 |
| Net cash provided by operating activities..... | 14.8 | 21.0 |
| Investing activities: | | |
| Purchases of property, plant and equipment..... | (20.3) | (5.0) |
| Other investing activities..... | (0.2) | 0.1 |
| Net cash used in investing activities..... | (20.5) | (4.9) |
| Financing activities: | | |
| Net borrowings under lines of credit..... | 23.1 | - |
| Payments on long-term debt and other..... | (15.8) | (20.0) |
| Net cash provided by (used in) financing activities.. | 7.3 | (20.0) |
| Effect of foreign currency rate fluctuations on cash | 0.3 | 0.5 |
| Net increase (decrease) in cash and cash equivalents | \$1.9 | \$(3.4) |

Cash provided by operating activities

The \$6.2 million decrease in cash flows from operating activities during the three months ended September 30, 2005 was primarily the result of moving from an income position in fiscal 2005 to a net loss position in fiscal 2006. Although the closure of our Glueckstadt, Germany cotton cellulose facility will improve working capital in fiscal year 2006, this improvement will be largely offset by the increased working capital requirements at our Americana, Brazil specialty fibers facility as we move away from the current tolling

arrangement to market production during calendar year 2006. We do not expect changes in operating assets and liabilities will be significant contributors to operating cash flow in fiscal year 2006.

Net cash used in investing activities

Purchases of property, plant and equipment increased during the three months ended September 30, 2005 versus the same period in 2004 primarily due to expenditures related to the project to add full market capability to our Americana, Brazil cotton cellulose facility. We estimate the total cost of this facility improvement to be approximately \$26 million, of which approximately \$11.2 million was spent during the three months ended September 30, 2005. We expect the remaining \$3.5 million related to the Americana facility upgrade will be spent during the three months ending December 31, 2005. We expect that our total capital expenditures will be approximately \$45 million for fiscal 2006.

We expect to incur significant capital expenditures in the future to comply with remaining environmental obligations at our Perry, Florida specialty fibers facility. Based on current estimates we expect expenditures of approximately \$60 million over several years possibly beginning as early as fiscal year 2007. See Note 20, Contingencies, to the Consolidated Financial Statements in our fiscal 2005 Annual Report filed on Form 10-K.

Net cash provided by (used in) financing activities

During the three months ended September 30, 2005, we used net borrowings on our revolving credit facility to finance the capital investments we are making in our Americana, Brazil facility. We also used net borrowings on the revolver to redeem, at par, \$15 million of our high interest rate, 9.25%, senior subordinated notes due in 2008. We are focused on debt reduction with a target of a 50/50 debt to equity balance in our capital structure. We intend to continue to call portions of the remaining \$65 million of these notes over the next several years ahead of their maturity in the fall of 2008. These partial calls will be limited by available cash and our capacity to make restricted cash payments under our other debt instruments.

Treasury Stock

Our board of directors has authorized the repurchase of up to 6 million shares of our common stock. Under this authorization, we will hold the repurchased shares as treasury stock and such shares will be available for general corporate purposes, including the funding of employee benefit and stock-related plans. We repurchased no shares of our common stock during the three months ended September 30, 2005. Through September 30, 2005, we had repurchased a total of 5,009,300 shares under the current board authority.

Contractual obligations

There have been no material changes to our contractual obligations since our disclosure in our Annual Report. The following table summarizes our significant contractual cash obligations as of September 30, 2005. Certain of these contractual obligations are reflected in our balance sheet, while others

Edgar Filing: BUCKEYE TECHNOLOGIES INC - Form 10-Q

are disclosed as future obligations under accounting principles generally accepted in the United States.

| (millions) | Payments Due by Period | | | |
|--|------------------------|--------------------|-------------------------|-------------------------|
| Contractual Obligations | Total | Fiscal 2006 (1) | Fiscal 2007 and 2008 | Fiscal 2009 and 2010 |
| Long-term obligations (2)..... | \$807.5 | \$42.1 | \$93.4 | \$256.5 |
| Capital lease obligations (3).. | 2.2 | 0.6 | 1.2 | 0.4 |
| Operating leases | 4.4 | 1.7 | 2.5 | 0.2 |
| Timber commitments | 72.8 | 13.7 | 25.1 | 27.1 |
| Lint commitments | 11.2 | 11.2 | - | - |
| Other purchase commitments (4) | 11.5 | 9.0 | 2.5 | - |
| Total contractual cash obligations..... | \$909.6 | \$78.3 | \$124.7 | \$284.2 |

(1) Cash obligations for the remainder of fiscal 2006.

(2) Amounts include related interest payments. Interest payments for variable debt of \$122.0 million are based on the effective rate as of September 30, 2005 of 5.9%.

(3) Capital lease obligations represent principal and interest payments.

(4) The majority of other purchase commitments are take-or-pay contracts made in the ordinary course of business related to utilities and raw material purchases.

Critical Accounting Policies

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to adopt accounting policies and make significant judgments and estimates to develop amounts reflected and disclosed in the financial statements. Management bases these estimates and assumptions on historical data and trends, current fact patterns, expectations and other sources of information they believe are reasonable. In many cases, there are alternative policies or estimation techniques that could be used. We maintain a thorough process to review the application of our accounting policies and to evaluate the appropriateness of the many estimates that are required to prepare the financial statements. However, even under optimal circumstances, estimates routinely require adjustment based on changing circumstances and the receipt of new or better information.

The four critical accounting policies that we believe are either the most judgmental, or involve the selection or application of alternative accounting policies, and are material to our financial statements are those relating to allowance for doubtful accounts, deferred income taxes, depreciation and long-lived assets. Further information regarding our "Critical Accounting Policies" can be found in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report. Further information regarding inventories may be found in Note 5 to the financial statements of this quarterly report. Management has discussed the development and selection of these critical accounting policies and estimates with the Audit Committee of our Board of Directors and with our independent registered public accounting firm. In addition, Note 1 to the financial statements in our Annual Report contains a

summary of our significant accounting policies.

29

Forward-Looking Statements

This document contains both historical and forward-looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements within the meaning of section 27A of the Securities Act of 1933, as amended, and section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements are not based on historical facts, but rather reflect management's current expectations concerning future results and events. These forward-looking statements generally can be identified by the use of statements that include phrases such as "believe," "expect," "anticipate," "intend," "plan," "foresee," "likely," "will" or other similar words or phrases. Similarly, statements that describe management's objectives, plans or goals are or may be forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors that are difficult to predict and which may cause the actual results, performance or achievements to be different from any future results, performance and achievements expressed or implied by these statements. The following important factors, among others, could affect future results, causing these results to differ materially from those expressed in our forward-looking statements: pricing fluctuations and worldwide economic conditions; dependence on a single customer; fluctuation in the costs of raw materials; competition; changes in fair values of long-lived assets; inability to predict the scope of future environmental compliance costs or liabilities; inability to predict the scope of future restructuring costs or liabilities; and the ability to obtain additional capital, maintain adequate cash flow to service debt as well as meet operating needs. The forward-looking statements included in this document are only made as of the date of this document and we do not have any obligation to publicly update any forward-looking statements to reflect subsequent events or circumstances. For additional factors that could impact future results, please see our Annual Report.

30

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As of September 30, 2005, there have been no material changes in our market risk since the disclosure in our Annual Report. While we have global operations, the majority of our transactions are denominated in U.S. dollars. The distribution of our foreign currency denominated transactions is such that foreign currency declines in some areas of the world are often offset by foreign currency gains of equal magnitude in other areas of the world. The principal foreign currency exchange rate risks to which we are exposed are in the Canadian dollar, Brazilian real and European euro.

Item 4. Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation as of September 30, 2005 of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Based on that evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were effective.

Edgar Filing: BUCKEYE TECHNOLOGIES INC - Form 10-Q

No changes in our internal control over financial reporting occurred during the quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

31

PART II - OTHER INFORMATION

Items 1, 2, 3, 4 and 5 are not applicable and have been omitted.

Item 6. Exhibits

- 31.1 Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer
- 31.2 Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer
- 32.1 Section 1350 Certification of Chief Executive Officer
- 32.2 Section 1350 Certification of Chief Financial Officer

32

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.

BUCKEYE TECHNOLOGIES INC.

By: /S/ DAVID B. FERRARO

David B. Ferraro, Chief Executive Officer

Date: October 25, 2005

By: /S/ KRISTOPHER J. MATULA

Kristopher J. Matula, Executive Vice President and Chief Financial Officer

Date: October 25, 2005

32