IN THE UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

In re:	§	
	§	
UTEX INDUSTRIES, INC.,	§	Case No. 04-34427-H4-11
	§	
	§	
Debtor.	§	

NOTICE OF FILING AUDITED ANNUAL REPORT AND CLAIMS SUMMARY

The Utex Industries, Inc. Successor Trust (the "Trust") hereby files its Audited Annual Report for the fiscal years ending December 31, 2005 and 2004, attached hereto as Exhibit A, and a summary of the claims disposed of during the period covered by the Audited Annual Report (the "Claims Summary"), attached hereto as Exhibit B.

Pursuant to the provisions of the Utex Industries Successor Trust Agreement, the Trust is providing copies of the Audited Annual Report and the Claims Summary to the Trust Advisory Committee, the Legal Representative and the reorganized debtor.

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Dated: May 1, 2006
Dallas, Texas

Respectfully submitted by:

Jo E. Hartwick

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Successor Trust**

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CERTIFICATE OF SERVICE

I hereby certify that 1st day of May, 2006 I served a true and correct copy of the foregoing Notice of Filing Audited Annual and Claims Summary and Exhibits A and B thereto by electronic mail on the members of the Trust Advisory Committee (Mary E. Skelnik, Eric Bogdan and Patrick N. Haines), the Legal Representative (Richard B. Schiro) and by United States Mail, postage prepaid, to the Reorganized Debtor, Utex Industries, Inc., Attn: Mr. Ray Snow, 10810 Old Katy Road, Houston, Texas 77043.

Jo E. Hartwick

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EXHIBIT A

UTEX INDUSTRIES, INC. SUCCESSOR TRUST

Financial Statements
with
Independent Auditors' Report

Year ended December 31, 2005
and the Period from Inception (August 6, 2004) to December 31, 2004

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UTEX INDUSTRIES, INC. SUCCESSOR TRUST

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INDEPENDENT AUDITORS' REPORT

To the Trustees
Utex Industries, Inc. Successor Trust

We have audited the accompanying statement of fund deficit of Utex Industries, Inc. Successor Trust (the "Trust") as of December 31, 2005, and the related statements of changes in fund deficit, and cash flows for the year then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Trust, as of December 31, 2004 and for the period from inception (August 6, 2004) to December 31, 2004, were audited by other auditors whose report dated February 21, 2005, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control over financial reporting. Accordingly we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Notes 1 and 4, the Trust is intended to be self-liquidating. The current year fund deficit includes the Trustee's estimate of the aggregate future liability to arise from Asbestos Claims filed with the Trust, resulting in a substantial deficit.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fund deficit of the Trust, as of December 31, 2005 and the changes in fund deficit and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

This report is intended for the information and use of the Trustees, management of the Trust and for filing with the United States Bankruptcy Court for the Southern District of Texas – Houston Division - and should not be used for any other purpose.

Travis Wolff & Company, L.L.P.

March 17, 2006

UTEX INDUSTRIES, INC. SUCCESSOR TRUST

Statements of Fund Deficit

	December 31,	
	2005	2004
ASSETS		
Cash and cash equivalents	**$ 3,819,941**	$ 1,647,449
Prepaid expenses and other assets	**14,722**	56,248
Notes receivable from Utex Industries, Inc.	**-**	1,171,875
Total assets	**3,834,663**	2,875,572
LIABILITIES		
Accounts payable and accrued expenses	**46,214**	39,915
Accrued asbestos injury claims	**49,264,260**	11,500,097
Total liabilities	**49,310,474**	11,540,012
Fund deficit	**$ (45,475,811)**	$ (8,664,440)

See accompanying notes to the financial statements.

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UTEX INDUSTRIES, INC. SUCCESSOR TRUST

Statements of Changes in Fund Deficit

	Year Ended December 31, 2005	Period from inception (August 6, 2004) to December 2004
Fund deficit, beginning of period	**$ (8,664,440)**	$ -
Additions		
Trust funding	**400,000**	1,280,000
Insurance proceeds	**1,000,000**	4,078,548
Investment income	**108,926**	53,252
Total additions	**1,508,926**	5,411,800
Deductions		
Operating and legal expenses	**146,672**	1,024,125
Accrued injury claims	**38,173,625**	13,052,115
Total deductions	**38,320,297**	14,076,240
Fund deficit, end of period	**$ (45,475,811)**	$ (8,664,440)

See accompanying notes to the financial statements.

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UTEX INDUSTRIES, INC. SUCCESSOR TRUST

Statements of Cash Flows

	Year Ended December 31, 2005	Period from inception (August 6, 2004) to December 2004
Cash inflows		
Trust funding	**$ 400,000**	$ 30,000
Insurance proceeds	**1,000,000**	4,078,548
Collection of notes receivable	**1,171,875**	78,125
Interest received	**109,471**	53,252
Total cash inflows	**2,681,346**	4,239,925
Cash outflows		
Operating and legal expenses	**99,392**	1,040,458
Asbestos claim payments	**409,462**	1,552,018
Total cash outflows	**508,854**	2,592,476
Net increase in cash and cash equivalents	**2,172,492**	1,647,449
Cash and cash equivalents, beginning of period	**1,647,449**	-
Cash and cash equivalents, end of period	**$ 3,819,941**	$ 1,647,449

See accompanying notes to the financial statements.

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UTEX INDUSTRIES, INC. SUCCESSOR TRUST

Notes to Financial Statements

Note 1 - Description of the Trust

General

The Utex Industries, Inc. Successor Trust was established pursuant to the Order Confirming the Plan of Reorganization of Utex Industries, Inc., a Texas corporation, (the "Debtor") dated December 31, 2003 (the "Plan"). On March 26, 2004, Utex filed a bankruptcy petition seeking to reorganize under the provisions of chapter 11 of the U.S. Bankruptcy Code as a pre-packaged bankruptcy case. The Debtor's Plan, supported by the Legal Representative and the Asbestos Claimants' Committee, was confirmed by order of the U.S. District Court for the Southern District of Texas, Houston Division (the "District Court") and the U.S. Bankruptcy Court for the Southern District of Texas, Houston Division (the "Bankruptcy Court") on June 17, 2004 (the "Confirmation Order"). The Confirmation Order provides, among other things, for a means of dealing with the Debtor's liability to persons holding valid Asbestos Claims. As of the petition date, Utex was named as a defendant in personal injury and wrongful death actions seeking recovery for damages allegedly caused by the presence of, or exposure to, asbestos or asbestos-containing products. The Plan creates the Trust, the assets of which will be used to resolve and satisfy Asbestos Claims asserted against the Debtor as and to the extent provided in the Confirmation Order, the Plan and the Claims Resolution Procedures (the "CRP"). It is the intent of Utex and the Trustee that the Trust constitute a qualified settlement fund through mechanisms that provide reasonable assurance that the Trust will value, and be in a financial position to pay, all Asbestos Claims that involve similar claims in substantially the same manner, in strict compliance with the terms of this Trust Agreement and within the meaning of Treasury Regulation 1.468B-1 et seq, promulgated under Section 468B of the Internal Revenue Code. The Plan became effective August 6, 2004 (the "Effective Date").

Claims

The purpose of the Trust is to assume any and all liabilities of the Debtor, its successors in interest and their Affiliates, with respect to persons holding bona fide Asbestos Claims by fully, fairly and expeditiously compensating such claimants pursuant to the provisions of the Trust Agreement and the CRP.

Termination

The Trust shall automatically terminate on the date (the "Termination Date") ninety (90) days after the first to occur of the following events:

- All Asbestos Claims duly filed with the Trust have been liquidated and settled or otherwise resolved, and twelve (12) consecutive months have elapsed during which no new Asbestos Claim has been filed with the Trust, provided that if the Trustee, in his or her reasonable discretion, determines during such 90-day period that it is likely that new Asbestos Claims will subsequently be filed, then the Trust shall not terminate;

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Note 1 - Description of the Trust - (Continued)

Termination - continued

- If the Trustee has procured and has in place irrevocable insurance policies and has established claims handling agreements and other necessary arrangements with suitable third parties adequate to discharge all expected remaining obligations and expenses of the Trust in a manner consistent with this Trust Agreement and the CRP, the date on which the Bankruptcy Court enters an order approving such insurance and other arrangements;

- If in the judgment of the Trustee, with the consent of the TAC and the Legal Representative, which consent shall not be unreasonably withheld, that the continued administration of the Trust is uneconomic or adverse to the best interest of the Persons holding Asbestos Claims; or

- Twenty-one (21) years less ninety-one (91) days pass after the death of the last survivor of all the descendants of George Herbert Walker Bush living on the date hereof.

On the Termination Date, to the extent that there are any Trust Assets remaining after payment, in full, of all Allowed Asbestos Claims and the payment, in full, of all Trust Expenses, such excess Trust Assets shall be transferred to a charity qualified under Section 501 (c)(3) of the IRC, which charity is to be determined by the Trustee; provided, however, that such charitable purpose, if practical, shall be related to the treatment of, or research regarding, asbestos-related disorders.

Note 2 - Summary of Significant Accounting Policies

Fund balance (deficit)

The initial funding, all other assets received, and all payments made by the Trust are recorded directly to the fund balance (deficit). Estimates of certain liabilities are also recorded directly to the fund balance (deficit) when they become estimable and probable, as defined by Statement of Financial Accounting Standards No. 5 ("SFAS No.5") "Accounting for Contingencies". Portions of the fund balance (deficit) are used to fund the legal and operational expenses of the Trust.

Insurance proceeds and insurance settlements

All, or a portion of, future proceeds to be paid to the Trust through the execution of a settlement agreement with an insurer will be recognized as an accrued receivable if and when all of the following conditions are met:

- The Trust has obtained an executed copy of the settlement agreement.

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Note 2 - Summary of Significant Accounting Policies - (Continued)

Insurance proceeds and insurance settlements - continued

- Future payments due to the Trust are in settlement of policies that have been exhausted by claims incurred by the Trust, and the terms of settlement can reasonably be assumed to be satisfied.

- The future claims paying ability of the insurer is deemed to be collectable, and the insurer holds a Standard & Poor's rating of AA- or better.

Unless the unpaid amounts due under an insurance settlement qualify as accrued receivables, future payments will be recognized on a cash (as received) basis in the corresponding accounting period.

Cash and cash equivalents

The Trust considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents are carried at cost, which approximates fair value.

Claims and claim expense

Claims and claims expenses are recorded when they become estimable and probable as defined by SFAS No. 5.

Use of estimates

The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America, which require the Trustee to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the financial statement date, and revenue and expenses during the reporting period. Actual results could differ from these estimates.

Note 3 - Claims Resolution

The Claims Resolution Procedures ("CRP") were approved by the Bankruptcy Court and the U.S. District Court pursuant to the Confirmation Order.

The CRP provide for processing, allowing or disallowing, liquidating, and paying all Asbestos Claims arising from exposure to asbestos or asbestos-containing products as required by the Plan and the Trust Agreement. The Trustee administers and allows or disallows Asbestos Claims in accordance with the CRP.

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Note 4 - Fund Deficit

The fund deficit as of December 31, 2005 reflects the ultimate amount of Asbestos Claims filed, and the aggregate liability therefore, which were estimated by the Trustee at $49,264,260 as of December 31, 2005. This included (i) $4,564,578 in pre-bankruptcy Participation Claims settlements to be partially funded by the Collateral Assets, as defined in the Plan, (ii) $6,526,057 in pre-bankruptcy Participation Claims settlements to be partially funded by the Non-Collateral Assets, as defined in the Plan, (iii) $15,269,450 for pending Unresolved Claims, and (iv) $22,904,175 for liability for Future Claims.

Note 5 - Trust Advisor and Legal Representative

Pursuant to the Plan and the Trust Agreement, two advisory positions were established, the Trust Advisory Committee (the "TAC") and the Legal Representative. The TAC represents all holders of Asbestos Claims arising from exposure to asbestos or asbestos-containing products as required by the Plan and the Trust Agreement, excluding unknown holders of such Claims. Neither the TAC nor its members serve in a fiduciary capacity to the Trust. The Legal Representative serves in a fiduciary capacity representing the interests of the unknown asbestos claimants, for the purpose of protecting the rights of individuals who may subsequently assert demands. As required by the Plan and the Trust Agreement, the TAC and Legal Representative provide consultative services to the Trustees regarding specific issues affecting the Trust. Additionally, the Plan provides for instances in which consent of the TAC and the Legal Representative must be obtained by the Trustees before implementing a decision, subject to Bankruptcy Court approval in the event of a disagreement between the parties.

Note 6 - Note Receivable

As of the Effective Date of the Trust, reorganized Utex Industries, Inc. executed a note receivable totaling $1,250,000, payable over an eight-year period, subject to certain payment enhancements based on sales volume during each fiscal year. The note also had a provision for early payment to the Trust, with an early settlement fee due for forgiveness of the payment enhancements. On January 5, 2005, reorganized Utex Industries, Inc. paid the note in full with the early settlement fee. This payment totaled $1,572,920.

Note 7 - Taxation

The Trust reports its income to the Internal Revenue Service as a designated settlement fund which is taxed at the highest marginal corporate tax rate of 35%.

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Note 7 - Taxation - (Continued)

The Trust's federal tax benefit is calculated as follows:

		2005		2004
Net taxable loss	**$**	**37,745**	$	970,873
Tax rate		**35%**		35%
Federal income tax benefit	**$**	**13,211**	$	339,806

As of December 31, 2005, the Trust has a net operating loss carryover of approximately $1,008,618. The future ability of the Trust to benefit from this net operating loss carryforward is uncertain; therefore, management has determined that a valuation allowance for the entire deferred tax benefit is necessary since it is more likely than not that the tax benefits will not be realized.

Note 8 - Insurance Settlement Receivables

As of the Effective Date of the Trust, settlement agreements with various insurers under certain insurance policies that cover the asbestos liabilities of Utex were triggered. Collections during 2005 and 2004, pursuant to these settlement agreements totaled $1,000,000 and $4,078,548, respectively.

As of December 31, 2005, one settlement agreement remains unpaid with payments due from 2006 through 2008. In accordance with the Trust's accounting policy, proceeds of this settlement will be recorded in the Trust's financial statements upon collection of amounts due or when the criteria in Note 2 are met.

The amounts are due to be paid as follows:

2006	$	1,000,000
2007		1,000,000
2008		1,000,000
Total	$	3,000,000

Note 9 - Litigation and Commitments

The Trust is not involved in any litigation nor does it have any commitments, other than those required by the Plan and the Trust Agreement.

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EXHIBIT B

SUMMARY OF CLAIMS DISPOSED OF
DURING THE TIME PERIOD COVERED BY THE AUDITED ANNUAL
REPORT FOR THE FISCAL YEARS ENDING DECEMBER 31, 2005 AND 2004

Number of Claims Filed	Number of Claims Allowed
2,096	994