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 year ending December 31, 2011, attached hereto as Exhibit A, and a summary of the claims paid during the year ending December 31, 2011 (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.

Dated: April 19, 2012
Dallas, Texas

Respectfully submitted by:

Jo E. Hartwick

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& PLIFKA,
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Counsel for the Utex Industries, Inc. Successor Trust

CERTIFICATE OF SERVICE

I hereby certify that on the 19th day of April, 2012, I served a true and correct copy of the foregoing Notice of Filing Audited Annual Report and Claims Summary and Exhibits A and B thereto by electronic mail on the members of the Trust Advisory Committee (Russell W. Budd, Eric Bogdan and Patrick N. Haines) and 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

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UTEX INDUSTRIES, INC. SUCCESSOR TRUST

Financial Statements
with
Report of Independent Auditors

Years Ended December 31, 2011 and 2010

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UTEX INDUSTRIES, INC. SUCCESSOR TRUST

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REPORT OF INDEPENDENT AUDITORS

The Trustee of Utex Industries, Inc. Successor Trust

We have audited the accompanying statements of fund deficit of Utex Industries, Inc. Successor Trust (the Trust) as of December 31, 2011 and 2010, and the related statements of changes in fund deficit and cash flows for the years 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 audits.

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

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. Currently, the amount of insurance proceeds to be recovered and available to settle these claims is not known and, accordingly, these proceeds are not reflected in the fund deficit.

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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, 2011 and 2010, and the changes in fund deficit and cash flows for the years 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 Trustee, 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 by anyone other than those specified parties. This restriction is not intended to limit distribution of this report, which, upon filing with the United States Bankruptcy Court for the Southern District of Texas - Houston Division, is a matter of public record.

BKM Sowan Horan, LLP

Certified Public Accountants
April 18, 2012
Addison, Texas

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UTEX INDUSTRIES, INC. SUCCESSOR TRUST

Statements of Fund Deficit

	December 31,	
	2011	2010
ASSETS		
Cash and cash equivalents	$ **3,958,094**	$ 4,339,807
Prepaid expenses and other assets	**113,985**	16,843
	$ **4,072,079**	$ 4,356,650
LIABILITIES		
Accounts payable and accrued expenses	$ **8,774**	$ 4,241
Accrued asbestos injury claims	**212,887,336**	300,808,006
Total liabilities	**212,896,110**	300,812,247
Fund deficit	$ **(208,824,031)**	$ (296,455,597)

See accompanying notes to financial statements.

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UTEX INDUSTRIES, INC. SUCCESSOR TRUST

Statements of Changes in Fund Deficit

	Years Ended December 31,	
	2011	2010
Fund deficit, beginning of year	**$ (296,455,597)**	$ (336,301,917)
Additions		
Decrease in accrued injury claims	**87,871,800**	40,035,000
Investment income	**2,021**	4,810
Total additions	**87,873,821**	40,039,810
Deductions		
Operating and legal expenses	**242,255**	193,490
Fund deficit, end of year	**$ (208,824,031)**	$ (296,455,597)

See accompanying notes to financial statements.

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UTEX INDUSTRIES, INC. SUCCESSOR TRUST

Statements of Cash Flows

	Years Ended December 31,	
	2011	2010
Cash inflows		
Interest received	$ **2,021**	$ 4,810
Cash outflows		
Operating and legal expenses	**334,864**	189,427
Asbestos claim payments	**48,870**	226,500
Total cash outflows	**383,734**	415,927
Net decrease in cash and cash equivalents	**(381,713)**	(411,117)
Cash and cash equivalents, beginning of year	**4,339,807**	4,750,924
Cash and cash equivalents, end of year	$ **3,958,094**	$ 4,339,807

See accompanying notes to 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 (the "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, the Debtor 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 created 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 the Debtor 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 the Utex Industries, Inc. Successor Trust Agreement (the "Trust Agreement"), within the meaning of Treasury Regulation 1.468B-1 et seq, promulgated under Section 468B of the Internal Revenue Code (the "IRC") and in compliance with the requirements of a trust set forth in Section 524(g)(2)(B)(i) of the Bankruptcy 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.

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UTEX INDUSTRIES, INC. SUCCESSOR TRUST

Notes to Financial Statements

Note 1 – Description of the Trust – (Continued)

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;

- 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.

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UTEX INDUSTRIES, INC. SUCCESSOR TRUST

Notes to Financial Statements

Note 2 - Summary of Significant Accounting Policies

Basis of presentation

The financial statements of the Trust are prepared under the accrual method of accounting and in accordance with accounting principles generally accepted in the United States of America (GAAP).

Subsequent events

The Trust has evaluated events and transactions subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through April 18, 2012, the date on which the financial statements were available to be issued.

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.
- 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 collectible, 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 equivalents

The Trust considers all highly-liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Cash equivalents are carried at cost, which approximates fair value. During 2011 and 2010, the Trust's primary cash equivalent vehicle was short-term repurchase agreements.

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UTEX INDUSTRIES, INC. SUCCESSOR TRUST

Notes to Financial Statements

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

Claims and claim expenses

Claims and claim expenses are recorded when they become estimable and probable.

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. Portions of the fund balance (deficit) are used to fund the legal and operational expenses of the Trust.

Use of estimates

The preparation of the financial statements in conformity with GAAP requires 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 date of the financial statements and the

Use of estimates - continued

reported amounts of additions and deductions to the fund deficit during the reporting periods. Significant items subject to such estimates and assumptions include the carrying value of accrued asbestos injury claims and the realization of deferred tax assets. Actual results could differ from these estimates.

Income taxes

Deferred tax assets and liabilities are recorded based on temporary differences between the carrying amounts of assets and liabilities for financial reporting and income tax purposes using the tax rates currently in effect. A valuation allowance is established when it is more likely than not that the deferred tax assets may not be realized.

The amount of income taxes the Trust pays is subject to ongoing audits by federal authorities. The Trust's estimate of the potential outcome of any uncertain tax issues is subject to management's assessment of relevant risks, facts, and circumstances existing at that time. The Trust uses a more likely than not threshold for financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. To the extent that the Trust's assessment of such tax positions changes, the change in estimate is recorded in the period in which the determination is made. The Trust reports tax-related interest and penalties as a component of income tax expense and operating expenses, respectively. The Trust has recognized no unrecognized tax expenses or benefits.

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Note 3 - Claims Resolution

The CRP was approved by the Bankruptcy Court and the U.S. District Court pursuant to the Confirmation Order. The CRP provides 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, allows, or disallows Asbestos Claims in accordance with the CRP.

Note 4 - Accrued Asbestos Injury Claims

The fund deficit reflects the ultimate amount of Asbestos PD Claims filed, and the aggregate accrued liability therefore, which was estimated by the Trustee and its experts at $212,887,336 and $300,808,006 as of December 31, 2011 and 2010, respectively.

The 2011 liability includes (i) $3,136,368 in pre-bankruptcy Participation Claims settlements to be partially funded by the Collateral Assets, as defined in the Plan, (ii) $6,526,058 in pre-bankruptcy Participation Claims settlements to be partially funded by the Non-Collateral Assets, as defined in the Plan, (iii) $100,922,010 for the unpaid liability of previously paid Claims, (iv) $1,537,800 for unpaid allowed claims, (v) $6,200,000 for pending Unresolved Claims, and (vi) $94,565,100 for liability for Future Claims.

The 2010 liability includes (i) $3,136,368 in pre-bankruptcy Participation Claims settlements to be partially funded by the Collateral Assets, as defined in the Plan, (ii) $6,526,058 in pre-bankruptcy Participation Claims settlements to be partially funded by the Non-Collateral Assets, as defined in the Plan, (iii) $96,736,080 for the unpaid liability of previously paid Claims, (iv) $7,713,500 for unpaid allowed claims, (v) $2,869,000 for pending Unresolved Claims, and (vi) $183,827,000 for liability for Future Claims.

The accrued asbestos claim liability reflects cumulative payments of $4,022,479 and $3,973,609 by the Trust through December 31, 2011 and 2010, respectively, from both collateral and non-collateral assets.

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UTEX INDUSTRIES, INC. SUCCESSOR TRUST

Notes to Financial Statements

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 Trustee 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 Trustee before implementing a decision, subject to Bankruptcy Court approval in the event of a disagreement between the parties.

Note 6 – Taxation

The Trust reports its income to the Internal Revenue Service as a designated settlement fund which is taxed at the highest rate applicable to trusts under Section 1(e) of the Code, which is currently 35%.

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

	Years ended December 31,	
	2011	2010
Net taxable loss	$ **240,234**	$ 188,680
Tax rate	**35%**	35%
Federal income tax benefit	**(84,082)**	(66,038)
Change in valuation allowance	**84,082**	66,038
Net federal tax expense	$ **-**	$ -

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UTEX INDUSTRIES, INC. SUCCESSOR TRUST

Notes to Financial Statements

Note 6 – Taxation – (Continued)

The tax effects of temporary differences that give rise to deferred tax assets and liabilities are as follows:

	December 31,	
	2011	2010
Net operating loss carryforward	$ **585,467**	$ 501,385
Valuation allowance	**(585,467)**	(501,385)
Net deferred tax asset	$ -	$ -

The Trust has a net operating loss carryforward of approximately $1,673,000 as of December 31, 2011, which begin to expire in 2024. 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 asset is necessary since it is not more likely than not that the tax benefits will be realized.

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EXHIBIT B

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UTEX INDUSTRIES, INC. SUCCESSOR TRUST
SUMMARY OF CLAIMS DISPOSED OF DURING THE TIME PERIOD COVERED BY THE AUDITED ANNUAL REPORT FOR THE FISCAL YEAR ENDING DECEMBER 31, 2011

Number of Claims Filed in 2011	Number of Claims Paid in 2011
212	249

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