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, 2012, attached hereto as Exhibit A, and a summary of the claims paid during the year ending December 31, 2012 (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 11, 2013
Dallas, Texas

Respectfully submitted by:

Jo E. Hartwick

STUTZMAN, BROMBERG, ESSERMAN
& PLIFKA,
A Professional Corporation
Sander L. Esserman
State Bar No. 06671500
Jo E. Hartwick
State Bar No. 09175045
2323 Bryan Street
Suite 2200
Dallas, Texas 75201-2689
Telephone: (214) 969-4900
Telecopier: (214) 969-4999

Counsel for the Utex Industries, Inc. Successor Trust

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CERTIFICATE OF SERVICE

I hereby certify that on the 11th day of April, 2013, 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, 2012 and 2011

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UTEX INDUSTRIES, INC. SUCCESSOR TRUST

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BKM SOWAN HORAN

Accountants + Consultants

15301 Dallas Parkway
Suite 960
Addison, Texas 75001
MAIN 214 545 3965
FAX 214 545 3966
www.bkmsh.com

REPORT OF INDEPENDENT AUDITORS

The Trustee of Utex Industries, Inc. Successor Trust

We have audited the accompanying financial statements of Utex Industries, Inc. Successor Trust, which comprise the statements of fund deficit as of December 31, 2012 and 2011, and the related statements of changes in fund deficit and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U. S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with U. S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

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, 2012 and 2011, and the changes in fund deficit and cash flows for the years then ended in accordance with U. S. generally accepted accounting principles.

Emphasis of Matter

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.

Restriction on Use

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
March 20, 2013
Addison, Texas

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UTEX INDUSTRIES, INC. SUCCESSOR TRUST

Statements of Fund Deficit

	December 31,	
	2012	2011
ASSETS		
Cash and cash equivalents	$ **3,853,947**	$ 3,958,094
Prepaid expenses and other assets	**54,129**	113,985
	$ **3,908,076**	$ 4,072,079
LIABILITIES		
Accounts payable and accrued expenses	$ **3,372**	$ 8,774
Accrued asbestos injury claims	**197,314,906**	212,887,336
Total liabilities	**197,318,278**	212,896,110
Fund deficit	$ **(193,410,202)**	$ (208,824,031)

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,	
	2012	2011
Fund deficit, beginning of year	**$ (208,824,031)**	$ (296,455,597)
Additions		
Decrease in accrued asbestos injury claims	**15,551,700**	87,871,800
Investment income	**6,049**	2,021
Total additions	**15,557,749**	87,873,821
Deductions		
Operating and legal expenses	**143,920**	242,255
Fund deficit, end of year	**$ (193,410,202)**	$ (208,824,031)

See accompanying notes to financial statements.

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UTEX INDUSTRIES, INC. SUCCESSOR TRUST

Statements of Cash Flows

	Years Ended December 31,	
	2012	2011
Cash inflows		
Interest received	$ **6,049**	$ 2,021
Cash outflows		
Operating and legal expenses	**89,466**	334,864
Asbestos claim payments	**20,730**	48,870
Total cash outflows	**110,196**	383,734
Net decrease in cash and cash equivalents	**(104,147)**	(381,713)
Cash and cash equivalents, beginning of year	**3,958,094**	4,339,807
Cash and cash equivalents, end of year	$ **3,853,947**	$ 3,958,094

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.

Termination

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

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Note 1 – Description of the Trust – (Continued)

Termination - continued

- 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.

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).

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

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 March 20, 2013, 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 2012 and 2011, the Trust's primary cash equivalent vehicle was short-term repurchase agreements.

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

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

Fund balance (deficit) - continued

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 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.

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.

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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 $197,314,906 and $212,887,336 as of December 31, 2012 and 2011, respectively.

The 2012 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) $104,149,280 for the unpaid liability of previously paid Claims, (iv) $2,155,900 for unpaid allowed claims, (v) $2,600,000 for pending Unresolved Claims, and (vi) $78,747,300 for liability for Future Claims.

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 accrued asbestos claim liability reflects cumulative payments of $4,043,209 and $4,022,479 by the Trust through December 31, 2012 and 2011, respectively, from both collateral and non-collateral assets.

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.

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UTEX INDUSTRIES, INC. SUCCESSOR TRUST

Notes to Financial Statements

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 35% as of December 31, 2012, increasing to 39.6% as of January 31, 2013.

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

	Years ended December 31,	
	2012	2011
Net taxable loss	$ **137,869**	$ 240,234
Tax rate	**35%**	35%
Federal income tax benefit	**(48,254)**	(84,082)
Change in valuation allowance	**48,254**	84,082
Net federal tax expense	$ **-**	$ -

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

	December 31,	
	2012	2011
Net operating loss carryforward	$ **633,722**	$ 585,467
Valuation allowance	**(633,722)**	(585,467)
Net deferred tax asset	$ **-**	$ -

The Trust has a net operating loss carryforward of approximately $1,811,000 as of December 31, 2012, 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. Tax returns for year ending in 2008 and subsequent years are open to examination by government authorities.

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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, 2012

Number of Claims Filed in 2012	Number of Claims Paid in 2012
94	49