PLAINTIFF'S EXHIBIT

UTX-111

CONSOLIDATED FINANCIAL STATEMENTS

UTEX INDUSTRIES, INC. AND SUBSIDIARY

Houston, Texas

December 31, 2000 and 1999

EXHIBIT
Plaintiff's 9
4-30-02

TABLE OF CONTENTS

	PAGE
Independent Auditor's Report	1
Consolidated Balance Sheets	2-3
Consolidated Statements of Income and Retained Earnings	4
Consolidated Statements of Cash Flows	5-6
Notes to the Financial Statements	7-19
Independent Auditor's Report on Additional Information	20
Consolidating Balance Sheet – December 31, 2000	21-22
Consolidating Statement of Income and Retained Earnings – December 31, 2000	23
Consolidating Statement of Cash Flows – December 31, 2000	24-25
Consolidating Balance Sheet – December 31, 1999	26-27
Consolidating Statement of Income and Retained Earnings – December 31, 1999	28
Consolidating Statement of Cash Flows – December 31, 1999	29-30

MS &C McGee, Stocker & Co., LLP
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS AND FINANCIAL CONSULTANTS
414 WEST PHILLIPS, SUITE 102 • CONROE, TEXAS 77301
(936) 760-3369 • HOUSTON METRO (936) 441-8243
(800) 585-4943 • FAX (936) 760-2170

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders
of Utex Industries, Inc.

We have audited the accompanying consolidated balance sheets of Utex Industries, Inc. (a Texas corporation) and subsidiary, as of December 31, 2000 and 1999, and the related consolidated statements of income, retained earnings and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's' management. Our responsibility is to express an opinion on these consolidated 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 the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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.

In our opinion, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Utex Industries, Inc. and subsidiary, as of December 31, 2000 and 1999, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

MCGEE, STOCKER & CO., LLP

McGee, Stocker & Co., LLP

Certified Public Accountants

Conroe, Texas
June 14, 2001

UTEX INDUSTRIES, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

For the Years Ended

	December 31, 2000	December 31, 1999
ASSETS		
Current assets:		
Cash and cash equivalents	$ 726,441	$ 680,894
Accounts receivable		
Trade, less allowance for doubtful accounts of $15,000	4,785,060	4,015,482
Related party	9,170	-
State income tax receivable	3,871	-
Inventory	10,066,421	8,419,027
Prepaid expenses	157,549	126,661
Deferred federal income tax	11,855	12,893
Note receivable	27,483	-
Total current assets	15,787,850	13,254,957
Property, plant, and equipment	39,215,947	38,206,266
Less accumulated depreciation	29,300,085	27,585,249
Net property, plant, and equipment	9,915,862	10,621,017
Other assets		
Deposits	123,622	3,622
Goodwill and technology	481,395	241,003
Other assets	90,926	214,737
Patents and trademarks	338,581	327,330
Assets held for lease or sale	829,959	892,743
Total other assets	1,864,483	1,679,435
TOTAL ASSETS	$ 27,568,195	$ 25,555,409

See Independent Auditor's Report and Accompanying Notes to Financial Statements

	December 31, 2000	December 31, 1999
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 2,413,453	$ 1,924,111
Accrued expenses	874,496	744,863
Accrued federal and state income tax	44,509	42,493
Short-term debt	1,278,462	523,522
Current maturities of notes payable	625,617	448,615
Total current liabilities	5,236,537	3,683,604
Notes payable, net of current maturities	5,039,033	4,599,375
Deferred federal income tax	34,670	37,259
Total liabilities	10,310,240	8,320,238
Stockholders' equity		
Common stock, par value $50 per share:		
Class A voting – 3,415 shares authorized, 3,415 shares issued	170,750	170,750
Class B nonvoting – 25,000 shares authorized, 15,000 shares issued	750,000	750,000
Paid in capital	8,000	8,000
Retained earnings	18,190,705	18,167,921
Treasury stock, at cost (1,285 and 102 shares of Class A, and 4,486 and 2,762 shares of Class B)	(1,861,500)	(1,861,500)
Total stockholders' equity	17,257,955	17,235,171
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 27,568,195	$ 25,555,409

UTEX INDUSTRIES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

For the Years Ended

	December 31, 2000	December 31, 1999
Net sales	$ 29,588,448	$ 23,764,615
Cost of goods sold	(19,606,044)	(15,620,435)
Selling and distribution	(4,280,172)	(4,293,479)
Gross profit	5,702,232	3,850,701
General and administrative	(5,346,908)	(5,306,073)
Income (loss) from operations	355,324	(1,455,372)
Other income (expense)		
Lease income	292,284	312,784
Gain (loss) on sale of assets	17,963	(330,069)
Interest income	33,027	70,984
Other income	30,410	17,411
Interest expense	(527,726)	(512,412)
Other expense	(685)	-
Rent expense	(95,198)	(73,164)
	(249,925)	(514,466)
Net income (loss) before provision for income tax	105,399	(1,969,838)
Income taxes		
Current expense	(44,509)	(42,493)
Deferred benefit	1,551	12,685
	(42,958)	(29,808)
Net income (loss)	62,441	(1,999,646)
Retained earnings, beginning	18,167,921	20,207,224
Dividends paid	(39,657)	(39,657)
Retained earnings, ending	$ 18,190,705	$ 18,167,921

See Independent Auditor's Report and Accompanying Notes to Financial Statements

UTEX INDUSTRIES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended

	December 31, 2000	December 31, 1999
Cash flows from operating activities:		
Cash received from customers	$ 28,751,405	$ 23,381,619
Cash paid to suppliers and employees	(28,118,752)	(22,468,805)
Other income received	322,694	235,877
Interest received	31,934	70,984
Interest paid	(469,941)	(475,406)
Income taxes paid	(44,813)	2,812
Net cash provided by operating activities	472,527	747,081
Cash flows from investing activities:		
Capital expenditures	(662,063)	(1,816,270)
Sales of assets – proceeds	19,000	6,493
Sale of assets held for investment	-	104,996
Loans made to others	(27,483)	-
Net cash used by investing activities	(670,546)	(1,704,781)
Cash flows from financing activities:		
Proceeds from short-term borrowings	1,314,108	569,150
Proceeds from long-term borrowings	-	213,500
Repayments on short-term borrowings	(559,168)	(115,380)
Repayments on long-term borrowings	(471,717)	(266,975)
Repurchase of common stock	-	(115,081)
Dividends paid	(39,657)	(39,657)
Net cash used by financing activities	243,566	245,557
Net increase (decrease) in cash	45,547	(712,143)
Cash and cash equivalents at beginning of year	680,894	1,393,037
Cash and cash equivalents at end of year	$ 726,441	$ 680,894

See Independent Auditor's Report and Accompanying Notes to Financial Statements

UTEX INDUSTRIES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended

(Continued)

	December 31, 2000	December 31, 1999
Reconciliation of net income to net cash provided by operating activities:		
Net income	$ 62,441	$ (1,999,646)
Adjustments to reconcile net income to net cash provided (used) by operating activities		
Depreciation and amortization	2,046,779	2,000,636
(Gain) loss on sale of assets	(17,963)	330,747
Bad debt provision	11,713	119,113
Deferred tax benefit	(1,551)	(12,685)
Changes in assets, (increase) decrease in:		
Accounts receivable	(838,136)	(477,320)
Inventory	(1,424,663)	(887,511)
Prepaid expenses	(30,888)	21,833
State income tax receivable	(3,871)	-
Other assets	-	-
Increase (decrease) in:		
Accounts payable	535,923	1,218,258
Accrued expenses	130,726	401,036
Accrued federal and state income tax	2,016	32,620
Net cash provided by operating activities	$ 472,526	$ 747,081
Supplemental disclosures of noncash investing and financing activities:		
Repurchase of common stock	$ -	$ (762,727)
Purchase of property, plant and equipment	$ (584,927)	$ -
Purchase of intangible assets	$ (280,720)	$ -
Purchase of inventory	$ (222,730)	$ -
New long-term debt assumed	$ 1,088,377	$ 762,727

See Independent Auditor's Report and Accompanying Notes to Financial Statements

UTEX INDUSTRIES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2000 and 1999

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Corporate Organization

Utex Industries, Inc. was incorporated under the laws of the State of Texas in July, 1940, for the purpose of manufacturing and marketing rubber products. The Company purchased Applied Rubber Technology, Inc. on November 20, 1997 as a wholly owned subsidiary.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Applied Rubber Technology, Inc. All significant inter-company accounts and transactions have been eliminated.

Cash

For the purposes of the statement of cash flows, the Company considers all short-term debt securities purchased with a maturity of three months or less when purchased to be cash equivalents.

Inventories

Inventories are stated at the lower of cost or market with cost of inventories being determined on the first-in, first-out (FIFO) method. Finished goods and work in process include direct labor and overhead costs allocated by estimates.

Property, Plant and Equipment

Property, plant and equipment are carried at cost. Depreciation is provided over the estimated useful lives of the assets using the straight-line method for assets purchased prior to 1975 and the declining balance method, which provides higher charges in the early years of asset life, for assets acquired from 1975 through 1980. The straight-line method was used on assets purchased after 1980.

UTEX INDUSTRIES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2000 and 1999

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Income Taxes

The Company adopted the provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." The statement requires the use of the asset and liability approach for financial accounting and reporting for income taxes. The provision for income taxes includes federal income taxes currently payable and those deferred because of temporary differences between the financial statement and tax bases of assets and liabilities due to differences in tax versus financial statement depreciation and the carrying value of inventory.

Nature of Operations

Utex Industries, Inc. manufactures molded rubber and plastic products for the oil and gas drilling production industries as well as mechanical seals and packings for the petrochemical industry. The Company sells primarily to domestic and foreign oil and gas industry companies.

Technology

Technology includes the cost of plans and specifications acquired during 1996. These assets are being amortized on a straight-line basis over 5 years.

Patents and Trademarks

Acquired patents and trademarks are valued at their estimated market value at the time of acquisition and are being amortized by the straight-line method over their estimated useful lives of 5 to 20 years.

Goodwill

Costs in excess of fair value of net assets acquired are amortized on a straight-line basis over 40 years.

UTEX INDUSTRIES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2000 and 1999

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Allowance for Bad Debt

The Company's subsidiary maintains allowances for potential credit losses which, when realized, have been within the range of management's expectations.

NOTE 2 – INVENTORIES

Inventories are comprised of the following:

	2000	1999
Raw materials	$ 1,517,751	$1,455,480
Metal inserts/steel	186,205	183,543
Work-in-process/sub-assemblies	2,592,253	1,635,055
Finished goods	5,313,943	4,815,897
MRO	456,269	329,052
	$ 10,066,421	$ 8,419,027

NOTE 3 – PROPERTY, PLANT AND EQUIPMENT

	2000	1999
Furniture and fixtures	$ 3,154,196	$ 3,121,471
Office & computer equipment	3,765,653	3,502,462
Machinery and equipment	23,222,465	22,621,446
Automobiles and trucks	390,689	371,410
Buildings and improvements	7,974,876	7,866,687
Land	708,068	708,068
Construction in progress	-	14,722
	$ 39,215,947	$ 38,206,266

Depreciation expense totaled $1,580,568 and $1,515,563, respectively, for 2000 and 1999.

See Independent Auditor's Report

(Continued next page)

UTEX INDUSTRIES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2000 and 1999

NOTE 4 – ASSETS HELD FOR LEASE OR SALE

The Company constructed a plant facility in San Benito, Texas in 1982 to increase production capacity. Depressed market conditions in the oil and gas industry in subsequent years eliminated the need for increased production of the packing and gaskets used primarily in that industry. The estimated net realizable value of the assets related to the San Benito plant of $829,960 and $618,180 at December 31, 2000 and 1999, are included in the consolidated balance sheets as "assets held for lease or sale."

The Company invested in commercial rental property in Houston, Texas during 1983. In February 1994, the Company sold a portion of its investment in commercial rental property described above. The Company received cash of $120,000 and a note receivable for $495,000, which was paid off in December, 1998, with interest payable monthly at a rate of 6% for the first year and increasing annually to 8% in the fifth year. The transaction resulted in a loss of $146,000, which was included in operations for 1994. In January 1999, the Company sold the remainder of this property for $104,996 in cash. The transaction resulted in a loss of $323,476, which is included in operations for 1999.

The 1999 sale was an involuntary conversion, which occurred under threat of condemnation. The City of Houston notified the Company of its offer of purchase and advised that if the Company did not accept the offer, court proceedings would follow to force the sale. Company's counsel advised that any additional proceeds obtained through litigation would be offset by attorneys' fees.

NOTE 5 – SHORT-TERM DEBT

Insurance Company	2000	1999
The Company finances various annual general liability and property insurance under a 9-10 month payment plan. Interest is charged at a rate of 9.944% and 8.19%, respectively.	$ 30,441	$ 23,522

(Continued next page)

UTEX INDUSTRIES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2000 and 1999

NOTE 5 – SHORT-TERM DEBT (Continued)

Financial Institution – Line of Credit	2000	1999
The Company has a line of credit with a bank in the amount of $1,000,000 and $500,000, respectively. The line carries a 9.5% and 8.5% variable rate of interest at December 31, 2000 and 1999, and matures on August 2001 and requires monthly interest payments. As of December 31, 2000, the Company owes $1,000,000 against the line. The loan is secured by equipment.	1,000,000	500,000
Financial Institution – Line of Credit		
The Company has a line of credit with a bank in the amount of $250,000. The line carries a 9.5% variable rate of interest at December 31, 2000, and matures on October 2001. The Company owes $250,000 against the line. The loan is secured by a security interest in inventory, accounts receivable and general intangibles.	248,021	-
Total short-term debt	$ 1,278,462	$ 523,522

NOTE 6 – LONG-TERM DEBT

Financial Institution	2000	1999
Secured note dated November 20, 1997 for purchase of stock and various equipment of Applied Rubber Technology, Inc. Terms are sixty monthly payments of $23,960, including interest beginning February, 1998 at 8.5%. Due date of note is January 01, 2003 with a final payment of unpaid principal and interest at that date. Collateralized by assets of Applied Rubber Technology, Inc.	$2,164,607	$ 2,261,828

See Independent Auditor's Report

(Continued next page)

UTEX INDUSTRIES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2000 and 1999

NOTE 6 – LONG-TERM DEBT (Continued)

Financial Institution – (Continued)	2000	1999
Secured note dated May 21, 1999. Terms are monthly payments calculated at a rate of 7.75%. Due date of note is May 21, 2004. Security interest in injection molding press.	181,513	202,192
Financial Institution		
Secured note dated November 20, 1997 for purchase of stock and various equipment of Applied Rubber Technology, Inc. Terms are sixty monthly payments of $21,810, including interest beginning February, 1998. Interest is charged at 8.5%. Due date of note is January 01, 2003 with a final payment of unpaid principal and interest at that date. Collateralized by assets of Applied Rubber Technology, Inc.	1,344,349	1,484,219
Financial Institution		
Secured note dated November 5, 1999 for purchase of equipment. Terms are sixty monthly principal and interest payments of $4,034, beginning December 5, 1999, at 8.75%. Due date of note is November 5, 2004 with a final payment of unpaid principal and interest. Security interest in the equipment purchased.	155,651	-

UTEX INDUSTRIES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2000 and 1999

NOTE 6 – LONG-TERM DEBT (Continued)

Financial Institution	2000	1999
Secured note dated October 13, 2000 for purchase of equipment. Terms are monthly principal payments of $6,667 plus accrued interest beginning March 13, 2001. Due date of note is February 13, 2006. Security interest in the equipment purchased. As of December 31, 2000, only $120,000 had been advanced for a deposit on the equipment being purchased.	119,018	-
Corporation		
Unsecured note dated October 30, 2000, part of purchase price of assets of the lender. Terms are principal installments of $4,167, beginning November 30, 2000. Due date of note is September 30, 2003. This note is interest free, however interest shall accrue on any matured principal at 12%.	145,833	-
Finance Company		
Secured note for purchase of vehicle. Terms are monthly principal & interest payments of $467. Due date of note is February 18, 2003. Interest rate is 5.9%. Security interest in vehicle purchased.	11,376	-
Finance Company		
Secured note for purchase of equipment. Due date of note is February, 2004. Terms are monthly principal & interest payments of $1,451. Interest rate is 8.2%. Security interest in equipment purchased.	48,404	-

(Continued next page)

UTEX INDUSTRIES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2000 and 1999

NOTE 6 – LONG-TERM DEBT (Continued)

Finance Company	2000	1999
Secured note for purchase of equipment. Terms are monthly principal and interest payments of $1,468. Due date of note is January 19, 2005. Interest rate is 10.0%. Security interest in equipment purchased.	58,793	-
Financial Institution		
Secured note dated October 12, 2000 for purchase of assets of a company. Terms are eighty-four monthly payments of principal and interest of $8,208. Due date of note is October 12, 2007, with a final payment of unpaid principal and interest. Security interest in machinery.	490,049	-
Equipment Company		
Secured note dated April 6, 1998 for purchase of equipment. Terms are sixty monthly payments of $5,448, including interest beginning May 6, 1998. Interest is charged at 7.84%. Due date of note is April 6, 2003 with a final payment of unpaid principal and interest at that date. Collateralized by security interest in equipment.	129,880	187,024
Individual Stockholder		
Secured note dated September 23, 1996. Terms are five annual payments of $50,000 plus interest. Interest is charged at prime rate published September 1st of each year. Due date of note is September 23, 2001. Collateralized by security interest in inventory.	35,077	75,000

See Independent Auditor's Report

(Continued next page)

UTEX INDUSTRIES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2000 and 1999

NOTE 6 – LONG-TERM DEBT (Continued)

Individual Stockholder	2000	1999
Secured note dated September 23, 1996. Terms are five annual payments of $50,000 plus interest. Interest is charged at prime rate published September 1st of each year. Due date of note is September 23, 2001. Collateralized by security interest in equipment.	25,000	75,000
Individual - Related Party		
Unsecured note dated March 1, 1999, for repurchase of common stock from related party shareholder. Terms are annual principal payments of $17,712 plus accrued interest. Interest is charged at 4% per annum. Due date of note is March 1, 2019.	350,699	354,241
Individual - Related Party		
Unsecured note dated March 1, 1999, for repurchase of common stock from related party shareholder. Terms are annual principal payments of $14,031 plus accrued interest. Interest is charged at 4% per annum. Due date of note is March 1, 2019.	277,821	280,627
Individual - Related Party		
Unsecured note dated March 1, 1999 for repurchase of common stock from related party shareholder. Terms are annual principal payments of $6,392 plus accrued interest. Interest is charged at 4% per annum. Due date of note is March 1, 2019.	126,580	127,859
Total long-term debt	5,664,650	5,047,990
Less current portion	(625,617)	(448,615)
	$ 5,039,033	$ 4,599,375

See Independent Auditor's Report

(Continued next page)

UTEX INDUSTRIES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2000 and 1999

NOTE 6 – LONG-TERM DEBT (Continued)

December 31, 2000, the future principal maturities on the above obligations were as follows:

2001	$	625,617
2002		616,398
2003		3,214,587
2004		246,033
2005 – thereafter		962,015

NOTE 7 –INCOME TAXES

The 2000 tax provisions for the Parent and Subsidiary Companies consist totally of state income tax. The 1999 tax provisions for the Parent Company were substantially offset by the realization of net operating loss carryforwards. The tax provision in the consolidated statement of income relates to the Parent's wholly owned subsidiary, Applied Rubber Technology, Inc. Federal income tax expense is substantially the same as that calculated at statutory rates.

On the Parent Company, the deferred tax asset resulting from the net operating loss carryforward is fully offset by a valuation allowance. Federal income tax expense differs from the amount calculated at statutory rates because of the utilization of net operating loss carryforwards from prior years.

At December 31, 2000, deferred tax benefits of $11,855 on the books of Applied Rubber Technology, Inc. were recognized for deductible temporary differences, totaling $77,736. Deferred tax liabilities of $34,670 were recognized for taxable temporary differences, totaling $227,345.

At December 31, 1999, deferred tax benefits of $12,893 on the books of Applied Rubber Technology, Inc. were recognized for deductible temporary differences, totaling $84,290. Deferred tax liabilities of $37,259 were recognized for taxable temporary differences, totaling $244,320.

At December 31, 2000 and 1999, the Company had net operating loss carryforwards for regular federal income tax purposes of approximately $5,350,000 and $5,600,000 expiring in the years 2001 through 2014.

See Independent Auditor's Report

(Continued next page)

UTEX INDUSTRIES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2000 and 1999

NOTE 8 – EMPLOYEE BENEFITS

Effective January 1, 1994 the Company converted its noncontributory profit sharing plan to a plan which permits participants, meeting certain eligibility requirements, to make contributions by salary reduction pursuant to section 401 (k) of the Internal Revenue Code. Substantially all employees of the Companies are covered by the plan. The Company may at its discretion make matching contributions and additional discretionary contributions to the plan. During the years ended December 31, 2000 and 1999, the Company made matching and discretionary contributions of $89,688 and $75,091.

The Company's subsidiary maintained a profit-sharing plan, which covered all employees of the subsidiary who met the plan's eligibility requirements. The Subsidiary's Board of Directors elected to contribute $0 and $0 for the years ended December 31, 2000 and 1999, respectively. The Board of Directors elected to terminate the plan effective February 14, 2000. The Company's subsidiary became eligible to participate in the Parent Company's 401 (k) plan effective February 1, 2000.

During 1994, the Company adopted an incentive compensation plan for employees, which became effective January 1, 1995. Participants in the plan receive payments contingent upon the Company exceeding certain gross profit and pretax earnings levels, which are determined by the Board of Directors.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

It is generally the policy of the Company to act as self-insurer for certain insurable risks consisting primarily of employee dental insurance programs. Losses and claims are accrued as incurred.

The Company renewed a facility lease for one of its plants effective February 1, 2000. The lease requires base monthly payments of $6,633 plus monthly common area maintenance, taxes and insurance payments of $839. This lease may be canceled at the end of the 24th month with a cancellation penalty of $10,653.

See Independent Auditor's Report

(Continued next page)

UTEX INDUSTRIES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2000 and 1999

NOTE 9 – COMMITMENTS AND CONTINGENTIES (Continued)

The future minimum payments required under the operating lease as of December 31, are as follows:

2001	$ 89,664
2002	89,664
2003	7,472
Total minimum payments required	$ 186,800

The Company entered into a facility lease for four years effective September 19, 2000, with an addendum to the lease for additional space on December 28, 2000. The lease requires base monthly payments for Year 1 of $2,817, Year 2 $2,921, Year 3 $3,130 and Year 4 $3,234 plus monthly common area maintenance and water of $477.

The future minimum payments required under the operating lease as of December 31, are as follows:

2001	$ 39,030
2002	41,404
2003	33,893
Total minimum payments required	$ 114,327

The Company is involved in various lawsuits in the normal course of business. Management cannot predict the outcome of the lawsuits or estimate the amount of any loss that may result. Accordingly, no provision for any contingent liabilities that may result has been made in the financial statements. Management believes that losses resulting from these matters, if any, would be covered under the Company's liability insurance policy and would not have a material effect on the financial position of the Company.

UTEX INDUSTRIES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2000 and 1999

NOTE 10 – MAJOR CUSTOMERS

For the year ended December 31, 2000, the Company had one major customer, sales to which exceeded 10% of the Company's revenue. Revenue from sales to this customer was $2,776,153. The Company had accounts receivable balance from this customer of $685,140 as of December 31, 2000.

For the year ended December 31, 1999, the Company had no major customers, sales to which exceeded 10% of the Company's revenue.

NOTE 11 – CONCENTRATIONS OF CREDIT RISK

The Company manufactures and markets rubber products for a variety of industries, which include oil and gas, marine, construction and industrial companies. As is common in the industry, the Company sells to its customers on an unsecured credit basis unless past experience with customer requires cash on delivery or other arrangements. Concentrations of credit risk with respect to trade receivables are limited due to the large number of customers comprising the Company's customer base and their dispersion across different industries and geographic areas.

NOTE 12 – TREASURY STOCK

Treasury stock is recorded on the books at cost. During 1999, the Company repurchased 608 shares of Class A common stock and 1,724 of Class B common stock for $877,808.

NOTE 13 – RELATED PARTY TRANSACTIONS

The Company has an account receivable from a stockholder as of December 31, 2000. As of December 31, 2000, the balance was $9,170.

MS &C McGee, Stocker & Co., LLP
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS AND FINANCIAL CONSULTANTS
414 WEST PHILLIPS, SUITE 102 • CONROE, TEXAS 77301
(936) 760-3369 • HOUSTON METRO (936) 441-8243
(800) 585-4943 • FAX (936) 760-2170

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATING INFORMATION

To the Board of Directors and Stockholders of
Utex Industries, Inc. and Subsidiary
Houston, Texas

Our report on our audits of the consolidated financial statements of Utex Industries, Inc. and subsidiary for 2000 and 1999 appear on page 1. Those audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information on pages 20 through 29 has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies. Accordingly, we do not express an opinion on the financial position, results of operations, and cash flows of the individual companies. However, in our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

MCGEE, STOCKER & CO., LLP

McGee, Stocker & Co., LLP

Certified Public Accountants

Conroe, Texas
June 14, 2001

UTEX INDUSTRIES, INC. AND SUBSIDIARY
CONSOLIDATING BALANCE SHEET
December 31, 2000

Assets

	Utex Industries Inc.	Applied Rubber Technology Inc.	Eliminations	Consolidated
Current assets				
Cash and cash equivalents	$ 496,758	$ 229,683	$ -	$ 726,441
Accounts receivable	3,989,372	795,688	-	4,785,060
Accounts receivable – related parties	47,653	11,424	(49,907)	9,170
State income tax receivable	-	3,871	-	3,871
Inventory	9,413,176	653,245	-	10,066,421
Prepaid expenses	92,083	65,466	-	157,549
Deferred federal income tax	-	11,855	-	11,855
Note receivable	27,483	-	-	27,483
Accrued interest receivable - affiliate	1,093	-	(1,093)	-
Total Current Assets	14,067,618	1,771,232	(51,000)	15,787,850
Property, plant and equipment	34,523,763	3,169,720	1,522,464	39,215,947
Less accumulated depreciation	27,701,644	1,598,441	-	29,300,085
Net property, plant & equipment	6,822,119	1,571,279	1,522,464	9,915,862
Other Assets				
Deposits	123,539	83	-	123,622
Notes receivable – affiliate	154,267	-	(154,267)	-
Goodwill and technology	481,395	-	-	481,395
Other assets	90,926	-	-	90,926
Investment in subsidiary	4,038,202	-	(4,038,202)	-
Patents and trademarks	338,581	-	-	338,581
Assets held for lease or sale	829,959	-	-	829,959
Total other assets	6,056,869	83	(4,192,469)	1,864,483
TOTAL ASSETS	$ 26,946,606	$ 3,342,594	$(2,721,005)	$ 27,568,195

See Independent Auditor's Report on Additional Information

UTEX INDUSTRIES, INC. AND SUBSIDIARY
CONSOLIDATING BALANCE SHEET
December 31, 2000

Liabilities and Stockholders' Equity

	Utex Industries Inc.	Applied Rubber Technology Inc.	Eliminations	Consolidated
Current liabilities				
Accounts payable	$ 2,123,001	$ 290,452	$ -	$ 2,413,453
Accounts payable – related party	11,424	38,483	(49,907)	-
Accrued expenses	755,783	118,713	-	874,496
Accrued interest payable - affiliate	-	1,093	(1,093)	-
Accrued federal and state income tax	36,844	7,665	-	44,509
Short-term debt	1,278,462	-	-	1,278,462
Current maturities of note payable – affiliate	-	131,739	(131,739)	-
Current maturities of notes payable	602,959	22,658	-	625,617
Total current liabilities	4,808,473	610,803	(182,739)	5,236,537
Notes payable – affiliate, net of current maturities	-	22,528	(22,528)	-
Notes payable, net of current maturities	4,880,178	158,855	-	5,039,033
Deferred federal income tax	-	34,670	-	34,670
Total liabilities	9,688,651	826,856	(205,267)	10,310,240
Stockholders' equity				
Common stock	920,750	267,167	(267,167)	920,750
Paid in capital	8,000	-	-	8,000
Retained earnings	18,190,705	2,248,571	(2,248,571)	18,190,705
Treasury stock	(1,861,500)	-	-	(1,861,500)
Total stockholders' equity	17,257,955	2,515,738	(2,515,738)	17,257,955
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 26,946,606	$ 3,342,594	$(2,721,005)	$ 27,568,195

See Independent Auditor's Report on Additional Information

UTEX INDUSTRIES, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENT OF INCOME AND RETAINED EARNINGS
For the Year Ended December 31, 2000

	Utex Industries Inc.	Applied Rubber Technology Inc.	Eliminations	Consolidated
Net sales	$ 24,653,401	$ 4,998,463	$ (63,416)	$ 29,588,448
Cost of goods sold	(15,897,079)	(3,772,381)	63,416	(19,606,044)
Selling and distribution	(4,280,172)	-	-	(4,280,172)
Gross profit	4,476,150	1,226,082	-	5,702,232
General and administrative	(4,397,121)	(949,787)	-	(5,346,908)
Income (loss) from operations	79,029	276,295	-	355,324
Other income (expense)				
Lease income	285,084	7,200	-	292,284
Gain (loss) on sale of assets	-	17,963	-	17,963
Undistributed earnings from subsidiary	266,311	-	(266,311)	-
Interest income	31,313	1,714	-	33,027
Other income	29,608	802	-	30,410
Interest expense	(496,862)	(30,864)	-	(527,726)
Other expense	-	(685)	-	(685)
Rent expense	(95,198)	-	-	(95,198)
	20,256	(3,870)	(266,311)	(249,925)
Net income (loss) before provision for income tax	99,285	272,425	(266,311)	105,399
Income taxes				
Current expense	(36,844)	(7,665)	-	(44,509)
Deferred benefit	-	1,551	-	1,551
	(36,844)	(6,114)	-	(42,958)
Net income	62,441	266,311	(266,311)	62,441
Retained earnings, beginning	18,167,921	1,982,260	(1,982,260)	18,167,921
Dividends paid	(39,657)	-	-	(39,657)
Retained earnings, ending	$ 18,190,705	$ 2,248,571	$(2,248,571)	$ 18,190,705

See Independent Auditor's Report on Additional Information

UTEX INDUSTRIES, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2000

	Utex Industries Inc.	Applied Rubber Technology Inc.	Eliminations	Consolidated
Cash flows from operating activities:				
Cash received from customers	$ 24,362,313	$ 4,718,819	$ (329,727)	$ 28,751,405
Cash paid to suppliers and employees	(23,751,426)	(4,430,742)	63,416	(28,118,752)
Other income received	314,692	8,002	-	322,694
Interest received	30,220	1,714	-	31,934
Interest paid	(440,170)	(29,771)	-	(469,941)
Income taxes paid	(37,101)	(7,712)	-	(44,813)
Net cash provided by operating activities	478,528	260,310	(266,311)	472,527
Cash flows from investing activities:				
Capital expenditures	(519,753)	(142,310)	-	(662,063)
Sales of assets – proceeds	-	19,000	-	19,000
Loans made to others	(27,483)	-	-	(27,483)
Undistributed earnings from subsidiary	(266,311)	-	266,311	-
Loan collections - subsidiary	123,391	-	(123,391)	-
Net cash used by investing activities	(690,156)	(123,310)	142,920	(670,546)
Cash flows from financing activities:				
Proceeds from short-term borrowing	1,314,108	-	-	1,314,108
Repayments on short-term borrowing	(559,168)	-	-	(559,168)
Repayments on long-term borrowings	(451,038)	(144,070)	123,391	(471,717)
Dividends paid	(39,657)	-	-	(39,657)
Net cash used by financing activities	264,245	(144,070)	123,391	243,566
Net increase (decrease) in cash	52,617	(7,070)	-	45,547
Cash and cash equivalents at beginning of year	444,141	236,753	-	680,894
Cash and cash equivalents at end of year	$ 496,758	$ 229,683	$ -	$ 726,441

See Independent Auditor's Report on Additional Information

UTEX INDUSTRIES, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2000

	Utex Industries Inc.	Applied Rubber Technology Inc.	Eliminations	Consolidated
Reconciliation of net income to net cash provided by operating activities:				
Net income	$ 62,441	$ 266,311	$ (266,311)	$ 62,441
Adjustments to reconcile net income to net cash provided (used) by operating activities:				
Depreciation and amortization	1,860,999	185,780	-	2,046,779
(Gain) loss on sale of assets	-	(17,963)	-	(17,963)
Bad debt provision	9,929	1,784	-	11,713
Deferred tax benefit	-	(1,551)	-	(1,551)
Changes in assets, (increase) decrease in:				
Accounts receivable	(558,492)	(279,644)	-	(838,136)
State income tax receivable	-	(3,871)	-	(3,871)
Inventory	(1,348,746)	(75,917)	-	(1,424,663)
Prepaid expenses	(3,415)	(27,473)	-	(30,888)
Deposits	-	-	-	-
Other assets	-	-	-	-
Increase (decrease) in:				
Accounts payable	397,295	138,628	-	535,923
Accrued expenses	58,773	71,953	-	130,726
Accrued federal and state income tax payable	(257)	2,273	-	2,016
Net cash provided by operating activities	$ 478,527	$ 260,310	$ (266,311)	$ 472,526
Supplemental disclosures of noncash investing and financing activities:				
Purchase of property, plant and equipment	$ (584,927)	-	-	$ (584,927)
Purchase of intangible assets	$ (280,720)	-	-	$ (280,720)
Purchase of inventory	$ (222,730)	-	-	$ (222,730)
New long-term debt assumed	$ 1,088,377	-	-	$ 1,088,377

See Independent Auditor's Report on Additional Information

UTEX INDUSTRIES, INC. AND SUBSIDIARY
CONSOLIDATING BALANCE SHEET
December 31, 1999

Assets

	Utex Industries Inc.	Applied Rubber Technology Inc.	Eliminations	Consolidated
Current assets				
Cash and cash equivalents	$ 444,141	$ 236,753	$ -	$ 680,894
Accounts Receivable	3,489,556	529,252	(3,326)	4,015,482
Inventory	7,841,699	577,328	-	8,419,027
Prepaid expenses	88,668	37,993	-	126,661
Deferred federal income tax	-	12,893	-	12,893
Total Current Assets	11,864,064	1,394,219	(3,326)	13,254,957
Property, plant and equipment	33,641,461	3,042,341	1,522,464	38,206,266
Less accumulated depreciation	26,158,694	1,426,555	-	27,585,249
Net property, plant & equipment	7,482,767	1,615,786	1,522,464	10,621,017
Other Assets				
Deposits	3,539	83	-	3,622
Notes Receivable, affiliate	277,658	-	(277,658)	-
Goodwill and technology	241,003	-	-	241,003
Other assets	214,737	-	-	214,737
Investment in subsidiary	3,771,891	-	(3,771,891)	-
Patents and trademarks	327,330	-	-	327,330
Assets held for lease or sale	892,743	-	-	892,743
Total other assets	5,728,901	83	(4,049,549)	1,679,435
TOTAL ASSETS	$ 25,075,732	$ 3,010,088	$ (2,530,411)	$ 25,555,409

See Independent Auditor's Report on Additional Information

UTEX INDUSTRIES, INC. AND SUBSIDIARY
CONSOLIDATING BALANCE SHEET
December 31, 1999

Liabilities and Stockholders' Equity

	Utex Industries Inc.	Applied Rubber Technology Inc.	Eliminations	Consolidated
Current liabilities				
Accounts payable	$ 1,735,503	$ 188,608	$ -	$ 1,924,111
Accounts payable – affiliate	1,627	1,699	(3,326)	-
Accrued expenses	697,010	47,853	-	744,863
Accrued federal and state income tax	37,101	5,392	-	42,493
Short-term debt	523,522	-	-	523,522
Current maturities of note payable – affiliate	-	123,391	(123,391)	-
Current maturities of notes payable	427,641	20,974	-	448,615
Total current liabilities	3,422,404	387,917	(126,717)	3,683,604
Notes payable – affiliate, net of current maturities	-	154,267	(154,267)	-
Notes payable, net of current maturities	4,418,157	181,218	-	4,599,375
Deferred federal income tax	-	37,259	-	37,259
Total liabilities	7,840,561	760,661	(280,984)	8,320,238
Stockholders' equity				
Common stock	920,750	267,167	(267,167)	920,750
Paid in capital	8,000	-	-	8,000
Retained earnings	18,167,921	1,982,260	(1,982,260)	18,167,921
Treasury stock	(1,861,500)	-	-	(1,861,500)
Total stockholders' equity	17,235,171	2,249,427	(2,249,427)	17,235,171
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 25,075,732	$ 3,010,088	$ (2,530,411)	$ 25,555,409

See Independent Auditor's Report on Additional Information

UTEX INDUSTRIES, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENT OF INCOME AND RETAINED EARNINGS
For the Year Ended December 31, 1999

	Utex Industries Inc.	Applied Rubber Technology Inc.	Eliminations	Consolidated
Net sales	$ 19,431,245	$ 4,396,912	$ (63,542)	$ 23,764,615
Cost of goods sold	(12,250,683)	(3,433,294)	63,542	(15,620,435)
Selling and distribution	(4,293,479)	-	-	(4,293,479)
Gross profit	2,887,083	963,618	-	3,850,701
General and administrative	(4,279,395)	(1,026,678)	-	(5,306,073)
Loss from operations	(1,392,312)	(63,060)	-	(1,455,372)
Other income (expense)				
Lease income	311,584	1,200	-	312,784
Gain (loss) on sale of assets	(321,676)	(8,393)	-	(330,069)
Share in net loss from subsidiary	(94,997)	-	94,997	-
Interest income	59,937	11,047	-	70,984
Other Income	15,320	2,091	-	17,411
Interest expense	(467,237)	(45,175)	-	(512,412)
Rent expense	(73,164)	-	-	(73,164)
	(570,233)	(39,230)	94,997	(514,466)
Net loss before provision for income tax	(1,962,545)	(102,290)	94,997	(1,969,838)
Income taxes				
Current expense	(37,101)	(5,392)	-	(42,493)
Deferred benefit	-	12,685	-	12,685
	(37,101)	7,293	-	(29,808)
Net loss	(1,999,646)	(94,997)	94,997	(1,999,646)
Retained earnings, beginning	20,207,224	2,077,257	(2,077,257)	20,207,224
Dividends paid	(39,657)	-	-	(39,657)
Retained earnings, ending	$ 18,167,921	$ 1,982,260	$ (1,982,260)	$ 18,167,921

See Independent Auditor's Report on Additional Information

UTEX INDUSTRIES, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENT OF CASH FLOWS
For the Year Ended December 31, 1999

	Utex Industries Inc.	Applied Rubber Technology Inc.	Eliminations	Consolidated
Cash flows from operating activities:				
Cash received from customers	$ 18,880,837	$ 4,469,327	$ 31,455	$ 23,381,619
Cash paid to suppliers and employees	(18,195,573)	(4,336,774)	63,542	(22,468,805)
Other income received	232,586	3,291	-	235,877
Interest received	59,937	11,047	-	70,984
Interest paid	(429,206)	(46,200)	-	(475,406)
Income taxes paid	-	2,812	-	2,812
Net cash provided by operating activities	548,581	103,503	94,997	747,081
Cash flows from investing activities:				
Capital expenditures	(1,437,801)	(378,469)	-	(1,816,270)
Sales of assets – proceeds	6,493	-	-	6,493
Sales of assets held for investment	104,996	-	-	104,996
Loan collections - subsidiary	298,225	-	(298,225)	-
Net cash used by investing activities	(1,028,087)	(378,469)	(298,225)	(1,704,781)
Cash flows from financing activities:				
Proceeds from short-term borrowing	569,150	-	-	569,150
Proceeds from long-term borrowings	-	213,500	-	213,500
Repayments on short-term borrowing	(62,246)	(53,134)	-	(115,380)
Repayments on long-term borrowings	(255,668)	(214,535)	203,228	(266,975)
Repurchase of common stock	(115,081)	-	-	(115,081)
Dividends paid	(39,657)	-		(39,657)
Net cash used by financing activities	96,498	(54,169)	203,228	245,557
Net decrease in cash	(383,008)	(329,135)	-	(712,143)
Cash and cash equivalents at beginning of year	827,149	565,888	-	1,393,037
Cash and cash equivalents at end of year	$ 444,141	$ 236,753	$ -	$ 680,894

See Independent Auditor's Report on Additional Information

UTEX INDUSTRIES, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENT OF CASH FLOWS
For the Year Ended December 31, 1999

	Utex Industries Inc.	Applied Rubber Technology Inc.	Eliminations	Consolidated
Reconciliation of net income to net cash provided by operating activities:				
Net (loss)	$ (1,999,646)	$ (94,997)	$ 94,997	$ (1,999,646)
Adjustments to reconcile net income to net cash provided (used) by operating activities:				
Depreciation and amortization	1,832,557	168,079	-	2,000,636
Loss on sale of assets	322,354	8,393	-	330,747
Bad debt provision	99,377	19,736	-	119,113
Deferred tax benefit	-	(12,685)	-	(12,685)
Changes in assets, (increase) decrease in:				
Accounts receivable	(549,728)	72,408	-	(477,320)
Inventory	(800,048)	(87,463)	-	(887,511)
Prepaid expenses	(42,121)	63,954	-	21,833
Deposits	-	-	-	-
Other assets	-	-	-	-
Increase (decrease) in:				
Accounts payable	1,179,531	38,727	-	1,218,258
Accrued expenses	469,204	(68,168)	-	401,036
Federal and state income tax payable	37,101	(4,481)	-	32,620
Net cash provided by operating activities	$ 548,581	$ 103,503	$ 94,997	$ 747,081
Supplemental disclosures of noncash investing and financing activities:				
Repurchase of common stock	$ (762,727)	-	-	$ (762,727)
New long-term debt assumed	762,727	-	-	762,727

See Independent Auditor's Report on Additional Information