

Edgar Filing: INNOVEX INC - Form 10-Q

INNOVEX INC  
Form 10-Q  
February 14, 2001

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM 10-Q  
Quarterly Report Under Section 13 or 15 (d)  
of the Securities Exchange Act of 1934

Quarterly Report Pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934.

For the Period ended December 31, 2000.

OR

Transition Report Pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934.

Commission File Number: 0-13143

INNOVEX, INC.

(Exact name of registrant as specified in its charter)

Minnesota  
(State or other jurisdiction of  
incorporation or organization)

41-1223933  
(IRS Employer  
Identification No.)

5540 Pioneer Creek Drive, Maple Plain, Minnesota  
(Address of principal executive offices)

55359-9003  
(Zip Code)

Registrant's telephone number, including area code: (763) 479-5300

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes -  No

As of February 2, 2001, 14,985,713 shares of the registrant's common stock, \$.04 par value per share, were outstanding.

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PART 1: ITEM 1

FINANCIAL INFORMATION

INNOVEX, INC. AND SUBSIDIARIES

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CONDENSED CONSOLIDATED BALANCE SHEETS

|   | December 31,<br>2000<br>(Unaudited) | September 30,<br>2000<br>(Audited) |
|---|-------------------------------------|------------------------------------|
| ASSETS  | -----                               | -----                              |
| Current assets:   |                                     |                                    |
| Cash and equivalents  | \$ 2,277,738                        | \$ 1,673,486                       |
| Short-term investments  | 5,000                               | 5,000                              |
| Accounts receivable, net  | 17,472,186                          | 23,834,538                         |
| Inventories   | 23,163,272                          | 21,570,553                         |
| Income taxes receivable   | 1,521,571                           | 2,182,924                          |
| Other current assets  | 8,017,011                           | 7,311,184                          |
| Total current assets  | -----<br>52,456,778                 | -----<br>56,577,685                |
| Property, plant and equipment, net of accumulated depreciation<br>of \$20,635,000 and \$17,955,000                      | 95,510,728                          | 94,519,926                         |
| Intangible and other assets, net of accumulated amortization of<br>\$1,543,000 and \$1,326,000                          | 6,892,764                           | 7,089,649                          |
| Deferred income taxes   | 9,445,161                           | 9,445,162                          |
| Other assets  | 46,869                              | 47,470                             |
|   | -----<br>\$164,352,300<br>=====     | -----<br>\$167,679,892<br>=====    |
|   |                                     |                                    |
| LIABILITIES AND STOCKHOLDERS' EQUITY  |                                     |                                    |
| Current liabilities:  |                                     |                                    |
| Current maturities of long-term debt  | \$ 7,490,491                        | \$ 7,198,411                       |
| Line of credit  | 10,500,000                          | 9,700,000                          |
| Accounts payable  | 21,579,888                          | 24,872,142                         |
| Accrued compensation  | 2,432,355                           | 2,173,881                          |
| Other accrued liabilities   | 5,466,663                           | 6,336,127                          |
| Total current liabilities   | -----<br>47,469,397                 | -----<br>50,280,561                |
| Long-term debt, less current maturities   | 20,769,106                          | 21,003,284                         |
| Stockholders' equity:   |                                     |                                    |
| Common stock, \$.04 par value; 30,000,000 shares authorized,<br>14,985,713 and 14,930,286 shares issued and outstanding | 599,209                             | 597,211                            |
| Capital in excess of par value  | 17,429,308                          | 17,086,609                         |
| Retained earnings   | 78,085,280                          | 78,712,227                         |
| Total stockholders' equity  | -----<br>96,113,797                 | -----<br>96,396,047                |
|   | -----<br>\$164,352,300<br>=====     | -----<br>\$167,679,892<br>=====    |

See accompanying notes to condensed consolidated financial statements.

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INNOVEX, INC. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
 (Unaudited)

|                                      | Three Months Ended<br>2000 | December 31,<br>1999 |
|--------------------------------------|----------------------------|----------------------|
|                                      | -----                      | -----                |
| Net sales                            | \$ 38,576,884              | \$ 44,724,625        |
| Costs and expenses:                  |                            |                      |
| Cost of sales                        | 32,550,180                 | 40,009,449           |
| Selling, general and administrative  | 4,205,031                  | 4,235,842            |
| Engineering                          | 1,695,565                  | 1,704,115            |
| Restructuring charges                | --                         | 13,785,085           |
| Net interest (income) expense        | 919,023                    | 526,829              |
| Net other (income) expense           | 90,109                     | 194,660              |
|                                      | -----                      | -----                |
| Income (loss) before taxes           | (883,024)                  | (15,731,355)         |
| Provision for income taxes           | (256,077)                  | (4,562,093)          |
|                                      | -----                      | -----                |
| Net income (loss)                    | \$ (626,947)               | \$ (11,169,262)      |
|                                      | =====                      | =====                |
| Net income (loss) per share:         |                            |                      |
| Basic                                | (\$ 0.04)                  | (\$ 0.75)            |
|                                      | =====                      | =====                |
| Diluted                              | (\$ 0.04)                  | (\$ 0.75)            |
|                                      | =====                      | =====                |
| Weighted average shares outstanding: |                            |                      |
| Basic                                | 14,960,126                 | 14,823,634           |
|                                      | =====                      | =====                |
| Diluted                              | 14,960,126                 | 14,823,634           |
|                                      | =====                      | =====                |

See accompanying notes to condensed consolidated financial statements.

INNOVEX, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

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(Unaudited)

|  | Three Months Ended<br>2000<br>----- |
|--|-------------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES:  |                                     |
| Net income (loss)  | \$ (626,947)                        |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: |                                     |
| Depreciation and amortization  | 3,328,393                           |
| Restructuring and asset impairment charges   | --                                  |
| Other non-cash items   | 42,965                              |
| Changes in operating assets and liabilities net of business acquisitions and restructurings:       |                                     |
| Accounts receivable  | 6,362,352                           |
| Inventories  | (1,592,719)                         |
| Other current assets   | (725,162)                           |
| Accounts payable   | (3,292,254)                         |
| Other liabilities  | (610,989)                           |
| Income taxes payable   | 661,353                             |
|  | -----                               |
| Net cash provided by (used in) operating activities  | 3,546,992                           |
| CASH FLOWS FROM INVESTING ACTIVITIES:  |                                     |
| Capital expenditures   | (4,173,919)                         |
| Business acquisition   | --                                  |
| Proceeds from sale of assets   | 28,580                              |
| Maturities of held-to-maturity securities  | --                                  |
|  | -----                               |
| Net cash provided by (used in) investing activities  | (4,145,339)                         |
| CASH FLOWS FROM FINANCING ACTIVITIES:  |                                     |
| Principal payments on long-term debt   | (1,806,830)                         |
| Issuance of long-term debt   | 1,864,732                           |
| Net activity on line of credit   | 800,000                             |
| Proceeds from exercise of stock options  | 344,697                             |
| Dividends paid   | --                                  |
|  | -----                               |
| Net cash provided by (used in) financing activities  | 1,202,599                           |
| Increase (decrease) in cash and equivalents  | 604,252                             |
| Cash and equivalents at beginning of year  | 1,673,486                           |
|  | -----                               |
| Cash and equivalents at end of period  | \$ 2,277,738<br>=====               |

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash paid for interest was \$1,029,000 and \$607,000 in fiscal 2001 and 2000, respectively.

Income tax payments were \$-0- and \$107,000 in fiscal 2001 and 2000, respectively.

See accompanying notes to condensed consolidated financial statements.

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## INNOVEX INC. AND SUBSIDIARIES NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 1 - FINANCIAL INFORMATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions on Form 10-Q and do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. The unaudited condensed consolidated financial statements include the accounts of Innovex, Inc. and its subsidiaries (the "Company") after elimination of all significant intercompany transactions and accounts. In the opinion of management, all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of operating results have been made. Operating results for interim periods are not necessarily indicative of results that may be expected for the year as a whole. The Company utilizes a fiscal year that ends on the Saturday nearest to September 30. For clarity of presentation, the Company has described all periods as if they end at the end of the calendar quarter. For further information, refer to the consolidated financial statements and footnotes included in the registrant's annual report on Form 10-K for the year ended September 30, 2000.

Preparation of the Company's condensed consolidated financial statements requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and related revenues and expenses. Actual results could differ from these estimates.

### NOTE 2 - RESTRUCTURING CHARGES

#### LEAD WIRE ASSEMBLY PRODUCT LINE DISPOSITION-

During the fourth quarter of fiscal 1999, the Company recorded a charge of approximately \$2,765,000 related to the discontinuation of the lead wire assembly product line. The charge included approximately \$871,000 related to asset impairment, \$1,403,000 for the write off of inventory and supplies, \$197,000 in employee severance, \$156,000 in facility abandonment costs and \$138,000 to increase the accounts receivable reserve. The disposition was substantially completed by June 30, 2000. The restructuring charge was reduced by \$184,000 in the third quarter of fiscal 2000 as a result of a change in the estimated liability.

#### MANUFACTURING OPERATIONS RESTRUCTURING-

The fiscal 2000 first quarter includes a \$13,785,085 restructuring charge related to restructuring the Company's manufacturing operations. The restructuring is primarily related to moving operations from the Company's Agua Prieta, Mexico facility to its new facility in Lamphun, Thailand. The charge was recorded pursuant to a plan announced in November 1999. The charge included approximately \$6,605,000 related to asset impairment of property and equipment, \$356,000 for the write off of inventory and supplies, \$176,000 for increasing the accounts receivable reserve, and accrued liabilities of \$2,101,000 for facility abandonment costs and \$4,547,000 in employee severance and benefits. The company expected approximately 2,100 employees to be terminated as a result of the restructuring, primarily in the Agua Prieta, Mexico facility. The restructuring was substantially complete as of September 2000 with the exception of completing the disposition of the Mexican facility. During the fourth quarter of fiscal 2000, the Company had a change in estimate of employee termination benefits. The change from the original estimate is due to higher turnover than projected. The Company also increased its facility abandonment charges due to additional costs relating to the disposition of the facility located in Agua Prieta, Mexico.

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The remaining restructuring accrual as of December 31, 2000 totaled \$877,000. Selected information regarding the restructuring follows (in thousands):

| Lead Wire Assembly Product<br>Line Disposition |                                     | Manufacturing Operations<br>Restructuring |                                     | Total |
|--|-------------------------------------|---|-------------------------------------|-------|
| Facility<br>Abandonment<br>Charges             | Employee<br>Termination<br>Benefits | Facility<br>Abandonment<br>Charges        | Employee<br>Termination<br>Benefits |       |

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Accrual at September 30,

|                          |        |        |         |         |         |
|--------------------------|--------|--------|---------|---------|---------|
| 1999                     | \$ 156 | \$ 197 | \$-     | \$-     | \$ 353  |
| Establishment of accrual |        |        | 2,101   | 4,547   | 6,648   |
| Payments                 | (3)    | (152)  | (2,124) | (5,091) | (2,812) |
| Change in estimate       | (153)  | 19     | 1,435   | (1,485) | (184)   |
|                          |        |        |         |         |         |
| Accrual remaining at     |        |        |         |         |         |
| September 30, 2000       | --     | 64     | 1,412   | 250     | 1,726   |
| Payments                 |        | (58)   | (688)   | (103)   | (849)   |
| Change in estimate       |        | (6)    | 6       |         | --      |
|                          |        |        |         |         |         |
| Accrual remaining at     |        |        |         |         |         |
| December 31, 2000        | \$-    | \$-    | \$ 730  | \$ 147  | \$ 877  |
|                          |        |        |         |         |         |

On January 23, 2001, the Company announced plans to close its Chandler manufacturing facility and transfer those operations to its Minnesota facilities. The Company expects to incur restructuring and asset impairment charges of up to \$20 million related to this manufacturing operation consolidation. The restructuring is expected to significantly reduce operating costs by the end of the fiscal year as a result of consolidating facilities and the higher level of efficiency of the Minnesota operations.

NOTE 3 - EARNINGS PER SHARE The Company's basic net income (loss) per share is computed by dividing net income (loss) by the weighted average number of outstanding common shares. The Company's diluted net income (loss) per share is computed by dividing net income (loss) by the weighted average number of outstanding common shares and common share equivalents relating to stock options when dilutive. Options to purchase 805,250 shares of common stock with a weighted average exercise price of \$14.97 were outstanding during the three month period ending December 31, 2000, but were excluded from the computation of common share equivalents because they were not dilutive. Options to purchase 771,970 shares of common stock with a weighted average exercise price of \$14.72 were outstanding during the three month period ending December 31, 1999, but were excluded from the computation of common share equivalents because they were not dilutive.

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NOTE 4 - INVENTORIES

Inventories are comprised of the following (in thousands):

|                                    | December 31,<br>2000 | September 30,<br>2000 |
|------------------------------------|----------------------|-----------------------|
| Raw materials and purchased parts  | \$11,961             | \$11,804              |
| Work-in-process and finished goods | 11,202               | 9,767                 |
|                                    | \$23,163             | \$21,571              |

PART I: ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

THE COMPANY

On August 9, 1999, Innovex, Inc. and its subsidiaries (the "Company") consummated the purchase of approximately 76% of the outstanding shares of ADFlex Solutions, Inc. ("ADFlex") at a purchase price of \$3.80 per share subject to a tender offer. The remaining approximately 24% of ADFlex issued and outstanding common stock not tendered in response to the tender offer was acquired by the Company through a merger transaction completed on September 14, 1999. The total ADFlex purchase price, including transaction costs, change in control payments and all of the issued and outstanding common stock was approximately \$37 million. The Company also obtained credit facilities totaling in principal amount \$40 million, which were utilized to refinance ADFlex's outstanding debt, pay down current liabilities and pay related transaction costs. Prior to the acquisition, ADFlex was a leading supplier of flexible circuit based solutions to the computer, computer peripheral, communications and consumer electronics industries. Applications for these flex-based interconnects include cellular phones, hard disk

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drives, other storage systems, high-end consumer products, notebook computers, pagers and personal communication systems. ADFlex's diverse customer and industry base has reduced Innovex's reliance on the disk drive industry.

Prior to the ADFlex acquisition, the Company had one primary operating group, Innovex Precision Components. The Company has combined the ADFlex operation into its existing operations as both operations design and manufacture flexible circuits.

Prior to fiscal 1999, the Company operated through three divisions, Precision Products (Precision), Litchfield Precision Components (LPC) and Iconovex. Each division had its own administrative, engineering, manufacturing and marketing organizations. During the quarter ending September 30, 1998, the Company combined the operations of its two core operating divisions, Precision and LPC into one operating division, Innovex Precision Components. The combination merged the rapidly growing LPC flexible circuit fabrication and chemical etching operations with Precision's high volume fine wire manufacturing expertise. The combination also allowed Innovex to leverage Precision's disk drive industry market and trade knowledge to disk drive industry flexible circuit applications as the industry transitioned from wire interconnects.

Prior to the divisional combination, the largest division, Precision, developed, engineered and manufactured specialty precision electromagnetic products for

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original equipment manufacturers ("OEM's"). Lead wire assemblies for the thin film disk drive market were the division's primary product. Lead wire assemblies are fine twisted magnet wires that connect the back end electronics of a disk drive with the inductive or magneto resistive thin film heads that read and write information on the disk. Since the divisional combination, the lead wire assembly revenue declined as anticipated. As a result, during the fiscal 1999 fourth quarter, charges of \$2.8 million were recorded to account for the discontinuance of this product line.

LPC, prior to the fiscal 1998 divisional combination, designed and manufactured highly complex flexible circuitry and chemically machined components for computer, computer peripheral, medical and other applications. The Company purchased Litchfield Precision Components, Inc. on May 16, 1996. This acquisition reduced the Company's reliance on the disk drive industry while providing an entry into the large and rapidly growing flexible circuit market. Innovex's flexible circuit operation is one of a limited number of operations in the world able to produce flexible circuits with line and spacing tolerances of less than 2 mils for the high-end portion of the flexible circuit market.

Innovex, Inc. was incorporated under the laws of the State of Minnesota in 1972. Its principal executive offices are located at 5540 Pioneer Creek Drive, Maple Plain, Minnesota 55359-9003 and its telephone number is (763) 479-5300. Products are developed and manufactured through the Company's wholly owned subsidiaries, Innovex Precision Components, Inc., Innovex Southwest, Inc., Innovex (Thailand) Ltd. and Innovex Limited. Innovex Precision Components, Inc. and Innovex Ltd. are Minnesota corporations. Innovex Southwest, Inc. is a Delaware corporation and Innovex (Thailand) Ltd. is a Thailand corporation.

### RESULTS OF OPERATIONS

#### NET SALES

The Company's net sales from operations totaled \$38,577,000 for the quarter, down 14% from \$44,725,000 reported in fiscal 2000. The decrease in net sales for the first quarter of fiscal 2001 was due to lower revenue generated by standard flexible circuit product lines associated with the ADFlex Solutions acquisition in late 1999. Revenue generated by the acquired ADFlex Solutions operation declined throughout fiscal 2000 as a result of quality, cost and customer service issues existing at the time of purchase. These issues have been addressed and revenue increases are expected from these product lines in the last half of fiscal 2001.

Revenue from the disk drive industry generated 61% of the Company's revenue for the quarter. In addition, 14% of the revenue was generated by flexible circuits for consumer applications, 16% from

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network system applications, 4% from telecommunication applications and 5% from applications for other industries. The acquisition of ADFlex has reduced the Company's dependence on the disk drive industry significantly from its historical levels of 85-90% of revenue. Although revenue growth for the next quarter will be limited as a result of the current economic conditions, the last half of fiscal 2001 should benefit from continued growth in demand for high technology flexible circuit products including the Company's Flex Suspension Assembly (FSA). Significant progress has been made in gaining customer acceptance of the Company's FSA product that will be integral to increasing revenue in fiscal 2001.



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### GROSS MARGINS

The Company's gross profit as a percent of sales for the quarter increased to 16%, from the 11% reported for the fiscal 2000 first quarter. The increase was due to yield and efficiency improvements related to manufacture of the high technology flexible circuits. These improvements offset the unfavorable impact on gross margins resulting from the lower revenue level of the standard flexible circuits. The Company anticipates that gross margins in the last quarter of fiscal 2001 will improve as a result of the cost reductions and improved efficiencies related to closing the Chandler manufacturing facility. Near term gross margins will be negatively impacted due to the duplicate costs of ramping up production at the Company's Minnesota operations while discontinuing the Chandler operation. Revenue increases during the last half of fiscal 2001 should also have a favorable impact on gross margins.

### OPERATING EXPENSES

Operating expenses were 15.3% of sales for the current quarter, as compared to 13.3% in the prior year's first quarter. The increase in operating expenses as a percent of sales for the current year is primarily due to decreased revenue generated by the standard flexible circuit product lines. Total operating expenditures remained unchanged from the same period last year. Fiscal 2001 operating expenses are expected to decrease as a percent of sales due to increased revenue in the last half of the year.

### RESTRUCTURING CHARGES

A restructuring charge of \$13,785,000 was recorded during the first quarter of fiscal 2000 related to the restructuring of the Company's manufacturing operations. The restructuring was primarily related to moving operations from the Company's Agua Prieta, Mexico facility to its new facility in Lamphun, Thailand. The majority of this charge included employee severance, asset impairment of property and equipment and facility abandonment costs.

On January 23, 2001, the Company announced plans to close its Chandler manufacturing facility and transfer those operations to its Minnesota facilities. The Company expects to incur restructuring and asset impairment charges of up to \$20 million related to this manufacturing operation consolidation. The restructuring is expected to significantly reduce operating costs by the end of the fiscal year as a result of consolidating facilities and the higher level of efficiency of the Minnesota operations.

### OPERATING PROFIT (LOSS)

The consolidated operating profit of \$126,000 in the current quarter was up from the operating loss of \$(15,010,000) for the prior year first quarter. The increase is primarily due to the restructuring charge recorded during the prior year first quarter.

### NET INCOME (LOSS)

Consolidated net loss for the fiscal 2001 first quarter was \$(627,000) as compared to \$(11,169,000) for the prior year. Basic and diluted net loss per share were (\$0.04) as compared to (\$0.75) for the prior year first quarter.

### LIQUIDITY AND CAPITAL RESOURCES

Cash and short-term investments increased to \$2.3 million at December 31, 2000 from \$1.7 million at September 30, 2000.

Accounts receivable at December 31, 2000 decreased by \$6.4 from September 30, 2000 due to a large customer temporarily reducing their payment cycle.

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Inventories at December 31, 2000 increased by \$1.6 million from September 30, 2000 due a build up of inventory for a new program ramp up that was temporarily delayed.

Accounts payable at December 31, 2000 decreased by \$3.3 million primarily due the reduced level of capital expenditures during the quarter and the lower level of purchasing activity toward the end of the quarter.

Working capital totaled \$5.0 million and \$6.3 million at December 31, 2000 and September 30, 2000.

Since September 30, 2000, the Company has invested \$4.2 million in capital expenditures primarily for FSA attachment equipment. Capital expenditures of approximately \$6 million are expected during the remainder of fiscal 2001. These expenditures will increase the Company's FSA production capacities and complete the move of the Chandler operation to Minnesota.

Management has entered into negotiations for obtaining additional credit facilities that would be secured by the receivables, inventory and assets held by the Company in Thailand. Management believes that a new credit facility secured by Thailand assets, existing credit facilities, cash and investments and cash generated from operations will provide an adequate source of funds to support projected working capital and capital expenditures in fiscal 2001. The Company will seek alternative financing if it is not successful in negotiating this credit facility on terms acceptable to the Company. The Company is in compliance with the debt covenants of its primary financing agreement as amended by the Second Amendment to Credit Agreement attached to this document as an exhibit.

### FORWARD LOOKING STATEMENTS

Statements included in this Management's Discussion and Analysis of Financial Condition and Results of Operations, elsewhere in the Company's Form 10-Q and in future filings by the Company with the SEC, except for the historical information contained herein and therein, are "forward-looking statements" that involve risks and uncertainties. These risks and uncertainties include the timely availability and acceptance of new products including the FSA and semiconductor packaging substrates, the impact of competitive products and pricing, the development and implementation of a materials manufacturing process, the transfer of Chandler AZ operations to Minnesota, interruptions in the operations the Company's single source suppliers, changes in manufacturing efficiencies and other risks detailed from time to time in the Company's reports filed with the Securities and Exchange Commission. In addition, a significant portion of the Company's revenue is generated from the disk drive, consumer electronics, network system and telecommunication industries and any changes in the structure, technology or outlook of these industries could have a significant impact on the Company's operations. The Company disclaims any obligation subsequently to revise any forward-looking statements to reflect subsequent events or circumstances or the occurrence of unanticipated events.

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### ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There were no material changes in the Company's market risk during the three-month period ended December 31, 2000.

### PART II - OTHER INFORMATION

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Responses to Items 1 through 3 and 5 are omitted since these items are either inapplicable or the response thereto would be negative.

ITEM 4: SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

- a) The Annual Meeting of the shareholders of Innovex, Inc. was held on January 17, 2001. There were 14,980,213 shares of common stock entitled to vote at the meeting and a total of 13,758,409 shares were represented at the meeting.
- b) Seven directors were elected at the meeting to serve for one year or until their successors are elected and qualified. Shares were voted as follows:

|                    | For<br>--- | Withheld<br>----- |
|--------------------|------------|-------------------|
| Gerald M. Bestler  | 13,523,872 | 234,537           |
| Frank L. Farrar    | 11,529,314 | 2,229,095         |
| Thomas W. Haley    | 12,382,715 | 1,375,694         |
| Elick Eugene Hawk  | 13,578,679 | 179,730           |
| William P. Murnane | 13,523,932 | 234,477           |
| Michael C. Slagle  | 13,580,710 | 177,699           |
| Bernt M. Tessem    | 13,578,692 | 179,717           |

- c) Other matters voted on at the meeting:  
 Proposal #2. A proposal was made to approve the selection of the Company's independent public accountants for the current fiscal year. Shares were voted as follows:

| For<br>---- | Against<br>----- | Abstain<br>----- |
|-------------|------------------|------------------|
| 13,642,120  | 26,848           | 89,441           |

ITEM 6: EXHIBITS AND REPORTS ON FORM 8-K

- a) Exhibits  
 10 Second Amendment to Credit Agreement.
- b) Reports on Form 8-K  
 None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

INNOVEX, INC.  
 Registrant

Date: February 14, 2001

By \s\ William P. Murnane  
 William P. Murnane  
 President and Chief Executive Officer

By \s\ Thomas Paulson  
 Thomas Paulson

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Chief Financial Officer

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