UNITED STATES BANKRUPTCY COURT
DISTRICT OF CONNECTICUT
BRIDGEPORT DIVISION

In re	)	Chapter 11
	)	
	)	Case No. 5-89-00293 (AHWS)
RAYTECH CORPORATION,	)	
	)	
Debtor.	)	
	)	

ANNUAL REPORT AND FINANCIAL STATEMENTS AND ACCOUNT OF THE TRUSTEES OF THE RAYTECH CORPORATION ASBESTOS PERSONAL INJURY SETTLEMENT TRUST FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011

TO THE HONORABLE ALAN H. W. SHIFF
UNITED STATES BANKRUPTCY JUDGE

Richard A. Lippe, Archie R. Dykes, and Stephen C. Halpern, as Trustees of the Raytech Corporation Asbestos Personal Injury Settlement Trust (the "**Trust**"), submit this Annual Report and the attached Financial Statements and Account for the fiscal year ended December 31, 2011 (the "**Annual Report**").

The Annual Report and Financial Statements and Account are filed in compliance with Section 2.2 of the Raytech Corporation Second Amended and Restated Asbestos Personal Injury Trust Agreement (the "**Trust Agreement**"). All capitalized terms not otherwise defined herein shall have their respective meanings as set forth in Raytech Corporation's Second Amended Plan of Reorganization, as modified July 21, 2000 (the "**Plan**"), together with the First Amended Disclosure Statement with respect thereto, dated May 11, 2000 (the "**Disclosure Statement**").

Section 2.2(c) of the Trust Agreement states:

> The Trustees shall timely account to the Bankruptcy Court as follows:

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> (i) The Trustees shall cause to be prepared and filed with the Bankruptcy Court, as soon as available, and in any event within one hundred and twenty (120) days following the end of the fiscal year, an annual report containing financial statements of the PI Trust (including, without limitation, a statement of operations for such fiscal year) audited by a firm of independent certified public accountants selected by the Trustees and accompanied by an opinion of such firm as to the fairness of the financial statements' presentation of the cash and investments available for the payment of claims and as to the conformity of the financial statements with generally accepted accounting principles. The Trustees shall provide a copy of such report to the TAC, the Legal Representative, and Reorganized Raytech when such reports are filed with the Bankruptcy Court.
>
> (ii) Simultaneously with delivery of each set of financial statements referred to in Article 2.2(c)(i) above, the Trustees shall cause to be prepared and filed with the Bankruptcy Court a report containing a summary regarding the number and type of claims disposed of during the period covered by the financial statements. . . .

The purpose of this Annual Report is to report on and provide the basis for the Court's discharge from liability of the Trustees with respect to the actions taken and obligations undertaken on behalf of the Trust by its Trustees during the period from January 1, 2011 through December 31, 2011 (the "**Reporting Period**").

I. Meetings

In 2011, the Trustees held formal meetings on January 12, April 6, April 19, June 8, July 13, October 11, and November 29. The meetings were attended by the Legal Representative for future claimants (the "**Legal Representative**") and one or more representatives of the Trust Advisory Committee (the "**TAC**"). In addition, the Trustees frequently conferred among themselves on matters pertaining to the business of the Trust. Together and individually, the Trustees devoted considerable time to Trust matters outside of formal meetings.

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II. Raytech Corporation

Raytech Corporation is wholly owned by the Trust. As previously reported, the Raytech businesses have been sold and, after payments to creditors, the sale proceeds have been distributed to the Trust. During the Reporting Period, Trustees Lippe and Dykes continued to serve as members of the Raytech Corporation Board of Directors.

Previously, under an Assignment and Assumption Agreement dated as of September 18, 2002, Raytech Corporation assumed all Raymark Industries Inc.'s obligations under the Raymark Industries Inc. Retirement Plan for Hourly Paid Employees and the Retirement Plan for Hourly Paid Employees of Raymark Industries, Inc. Marshville Plant (the "**Raymark Pension Plan**"). In January 2009, the Trustees held a joint meeting with the Raytech Corporation Board of Directors for the sole purpose of discussing the administration of the Raymark Pension Plan. The chief issue was the underfunding levels of the Raymark Pension Plan and the means available for providing continuing benefits to the plan participants.

The Board of Directors considered various investment alternatives to fund the Raymark Pension Plan's liabilities and the risks associated with each alternative. After considering the requirements to purchase an annuity and select the safest available provider, and upon the recommendation of its expert financial advisors, the Raytech Corporation Board of Directors concluded that the best alternative for the company was to terminate the Raymark Pension Plan and purchase annuity contracts from MassMutual and Marshall & Illsley Trust Company N.A. to provide the participants' benefits. The effect of the plan termination and annuity purchases was to ensure future pension benefits to all plan participants while eliminating the risk to the Raytech Corporation or the Trust of future pension-funding obligations, and relieving them of the burden of administering the pension plan.

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During the last Reporting Period, Raytech Corporation received a final determination from the IRS approving the termination of the Raymark Pension Plan. The Raymark Pension Plan was randomly selected by the Pension Benefit Guaranty Corporation (the **"PBGC"**) for audit. The audit was completed and closed by the PBGC on February 8, 2012.

As previously reported, the subsidiaries of Raytech Corporation entered into a series of merger agreements to simplify their capital structure. On March 15, 2010, Raytech Systems II, Inc. merged with and into Raytech Powertrain II, Inc., and Raytech Products Company II, Inc. merged with and into Raytech Composites. Then, on March 20, 2010, Raytech Powertrain II, Inc. merged with and into Raytech Corporation. Finally, Raytech Holding Company, LLC was dissolved on March 21, 2010. There are two remaining subsidiaries of Raytech Corporation: Raytech Composites, a Delaware corporation, and Raybestos Automotive Components Company, a Michigan corporation. The boards of directors of the two remaining corporations soon will begin planning to formally dissolve these corporations.

III. Asset Management

Citi Private Bank, which has served as investment manager for the Trust for many years, advised the Trustees on the Trust's investments throughout the Reporting Period. In addition, HT Capital Advisors, LLC, a financial advisory firm, has advised the Trustees periodically on asset allocation and other investment matters, and it did so during the Reporting Period.

The Trustees charged Citi Private Bank with determining a revised asset allocation for the Trust's portfolio in 2010. Along with Citi Bank, Eric Lomas of HT Capital Advisors, then an advisor to the Trust, prepared a new Investment Policy Statement for the Trust, including an asset allocation that the Trustees adopted at the January 2010 Trustees' meeting. The Trustees

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reviewed the portfolio's asset allocation throughout the Reporting Period and maintained the asset allocation their advisors had recommended in 2010.

During the last Reporting Period, the Trustees considered broadening the Trust's investment portfolio to include variable annuities as a way to protect the Trust from a reduction in the principal amount of its investments, while at the same time providing an opportunity for growth in their value. This decision was made following analysis of potential annuity products and consultation with prominent insurance companies and their agents. Only annuities with specific features were considered, including A+ or better A.M. Best ratings, a hold harmless against principal loss, the right to lock up any net, underlying annual gain, and no limitation on any increase in the underlying investments. The Trust also received correspondence from the Life Insurance Guaranty Corporation of New York ("**LICGC**") indicating that any annuity contacts purchased by the Trust likely would be eligible for the protection provided by the LICGC, within the limits specified by law. Following the recommendation of Mr. Lomas and other advisors, the Trustees approved the purchase of variable annuities issued by two different insurance companies: Jackson National Life Insurance Company and Pacific Life Insurance Company. As of December 31, 2011, the fair market value of these combined annuities was $3,011,959.

At the end of the Reporting Period, the asset allocation for the Trust's investment portfolio was 4.7% in cash and invested cash, 67.3% in fixed income, 17.7% in equities, 6.6% in annuities, and 3.7% in alternative investments. The Trust realized a 1.8% return on its investments in 2011.

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IV. Trust Administration

The Trustees continued to retain Mr. Jack Feinblatt to manage the daily operations and finances of the Trust.

The term of Trustee Stephen Halpern was unanimously renewed at the April 6, 2011 Trustees' meeting. Pursuant to the Trust Agreement, Trustee Halpern's renewed term will be for five years.

Also, at the April 6, 2011 Trustees' meeting, the members of the TAC unanimously extended the term of TAC member Robert Komitor for five years.

V. Status of Processing and Payment of Claims

The Trustees entered into a formal agreement on August 31, 2009 with their selected claims processing facility, Claims Processing Facility, Inc. of Naperville, Illinois, ("**CPF**") for the processing of claim submissions.

During the Reporting Period, the Trustees continued to utilize the professional services of Dr. B. Thomas Florence and his firm, ARPC Consulting ("**Dr. Florence**" or "**ARPC**"), for matters relating to the estimation of claims liabilities, future claims forecasting, and oversight of claims processing.

As previously reported, the Trust began accepting and processing claims on January 15, 2010. The Trustees, in consultation with the TAC and Legal Representative, continued to devote considerable efforts during the Reporting Period to claims processing issues.

The Trust Distribution Procedures (**"TDP"**) provide for a bar date of one year following the initial claims filing date of January 15, 2010. All PI Trust Claims, as that term is defined in the TDP, first diagnosed prior to October 1, 2006 must be filed with the Trust within one year of the initial claims filing date. Also, any PI Trust Claim first diagnosed after October 1, 2006 must be filed with the Trust within one year of the initial claims filing date or three years from the date

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of diagnosis, whichever occurs later. The number of claims received by the Trust at this deadline significantly exceeded the original claims forecast. The Trustees directed CPF to suspend extending offers to claimants until ARPC could perform an update to the claims forecast, including a sampling of claims filed, but not yet processed, as of the bar date. This updated forecast was completed by ARPC and presented to the Trustees, at which time Dr. Florence recommended a re-determination of the Pro Rata Percentage. The Trustees accepted this recommendation following input from the Trust's investment advisors. With the consent of the TAC and Legal Representative, the Trustees approved a downward adjustment to the initial payment percentage of 2% to 0.84% on November 29, 2011. Offers on claims resumed following this adjustment.

Also during the Reporting Period, the Trustees, with the consent of the TAC and Legal Representative, approved an amendment to Section 6.3 of the TDP to address concerns over the volume of deficient claims filed with the Trust, including resulting uncertainties in claims forecasting and increased processing costs. The amendment, effective November 29, 2011, requires intake-deficient claims to be cured within 90 days of notice of deficiency and review-deficient claims to be cured within 180 days of notice of deficiency. Non-compliance with these deadlines will result in the rejection of the deficient claim that will then be forever barred from re-filing with the Trust.

During the Reporting Period, the Trust received 61,404 claim filings and paid 3,600 claims in the total aggregate amount of $5,945,990. Attached at Exhibit 1 is a summary of the Trust's personal injury claims filings and payments made since the Trust first began receiving personal injury claims.

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VI. Trust Transactions

Pursuant to Section 2.1(c)(xx) of the Trust Agreement, the Trustees have the power to allow transactions between the Trust and Trustees or other affiliated entities under certain circumstances:

> [T]he Trustees shall have the power to . . .
>
> (xx) enter into any contract or otherwise engage in any transaction with any Trustee or any Entity affiliated with any Trustee, provided, however, (1) that such contract or such transaction is approved by the unanimous vote of the Trustees voting thereon, it being understood that to the extent permitted by law the usual rules prohibiting fiduciaries from dealing with themselves as individuals or from dealing with respect to any manner in which they have a personal interest shall not apply to the Trustees, and (2) that any contract or transaction entered into pursuant to this paragraph (xx) shall be disclosed in the report to the Bankruptcy Court described in Section 2.2(c)(i).

The Trust regularly discloses any amounts paid to Trustees or any related person or entity. During the Reporting Period, the law firm of Meltzer, Lippe, Goldstein & Breitstone, LLP, of which Trustee Richard Lippe is a partner, performed certain legal services on behalf of the Trust. The Trust paid the firm $9,854 in 2011 for legal services and expenses. In addition, the Trust paid the firm $6,000 for rent and $14,050 for secretarial services.

VII. Financial

The Raytech Asbestos Personal Injury Settlement PI Trust's Special-Purpose Financial Statements and Other Financial Information as of December 31, 2011 and 2010, prepared by the firm of Raphael Sanders Goldberg Nikpour & Cohen CPA's, PLLC, are attached to this report as Exhibit 2. Section 2.2(c)(i) of the Trust Agreement, set forth above, requires the Trustees to file with their Annual Report financial statements audited by a firm of independent accountants selected by the Trustees.

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Dated: April 27, 2012

Respectfully submitted,

/s/ Richard A. Lippe
Richard A. Lippe, Managing Trustee, on behalf of himself, Archie R. Dykes, Trustee, and Stephen C. Halpern, Trustee

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EXHIBIT 1

CUMULATIVE CLAIMS RECEIVED
As of 12/31/11

Disease	2010	2011
Mesothelioma	11,261	23,066
Lung Cancer	16,351	54,077
Other Cancer	6,738	13,040
Severe Asbestosis	9,130	14,643
Non-Asbestos Related	6,307	6,365
Cumulative	49,787	111,191
Annual	49,787	61,404

TABLE NOTES:

- *Disease designations can change over time as claims are evaluated.*

CUMULATIVE REVIEW / PROCESSING STATUS
As of 12/31/11

Disease	Intake Deficient	Backlog	Withdrawn	Disputed	Pending Approval	Approved	Paid	Total
Mesothelioma	3,318	12,094	507	1,778	6	3,482	1,881	23,066
Lung Cancer	6,838	38,630	202	1,962	12	5,228	1,205	54,077
Other Cancer	2,610	6,553	81	978	4	2,375	439	13,040
Severe Asbestosis	8,148	5,356	55	318	2	689	75	14,643
Non-Asbestos Related	257	22	204	5,882	0	0	0	6,365
Total	21,171	62,655	1,049	10,918	24	11,774	3,600	111,191

TABLE NOTES:

- *Intake Deficient Claims: Claims that are missing information from the claim form necessary to process the claim. The claimants have been notified of the deficiencies.*
- *Backlog Claims: Claims that have no Intake Deficiencies but have not yet been reviewed.*
- *Withdrawn Claims: Claims withdrawn by the claimant.*
- *Disputed Claims: Claims that have been disallowed by the Trust due to insufficient proof of alleged injury and/or exposure to Raytech asbestos-containing products, for which determination the claimant currently disputes. These claims may be allowed if additional documentation is provided in support of the claim.*
- *Pending Approval: Claims reviewed and awaiting final approval.*
- *Approved: Claims approved for payment but not yet paid.*
- *Claims Paid: Claims that have had a check issued.*

CUMULATIVE CLAIMS PAID / DOLLARS PAID
As of 12/31/11

	2010		2011	
Disease	Claims Paid	Dollars Paid	Claims Paid	Dollars Paid
Mesothelioma	787	$1,967,500	1,881	$4,702,500
Lung Cancer	533	$439,192	1,205	$992,920
Other Cancer	219	$94,170	439	$188,770
Severe Asbestosis	23	$18,952	75	$61,800
Non-Asbestos Related	0	$0	0	$0
Total	1,562	$2,519,814	3,600	$5,945,990

TABLE NOTES:

- *In addition to claims paid, as of December 31, 2011 there are 11,774 claims approved that either have outstanding offers or are awaiting payment. The sum of these payments is $14,601,428.*

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Raytech Corporation Asbestos Personal Injury Settlement Trust

Special-Purpose Financial Statements And Other Financial Information

December 31, 2011 and 2010

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Raytech Corporation Asbestos Personal Injury Settlement Trust

Special-Purpose Financial Statements
And Other Financial Information

December 31, 2011 and 2010

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RSGN&C RAPHAEL SANDERS GOLDBERG NIKPOUR COHEN
CERTIFIED PUBLIC ACCOUNTANTS PLLC

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Gary Sanders CPA
Floria Samii-Nikpour CPA
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Anita C. Jacobsen CPA

Founding Partner:
Melvin Goldberg, CPA

Independent Auditors' Report

To The Trustees
Raytech Corporation Asbestos Personal Injury Settlement Trust

We have audited the accompanying special-purpose statements of net claimants' equity of Raytech Corporation Asbestos Personal Injury Settlement Trust (the "Trust") as of December 31, 2011 and 2010, and the related special-purpose statements of changes in net claimants' equity for the years then ended. These financial statements are the responsibility of the Trustees. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As described in Note 2, the accompanying special-purpose financial statements were prepared for the purpose of complying with Section 2.2 of the Trust Agreement dated April 18, 2001, and are not intended to be a presentation in conformity with generally accepted accounting principles.

In our opinion, the special-purpose financial statements referred to above present fairly, in all material respects, the net claimants' equity of the Trust at December 31, 2011 and 2010, and its changes in net claimants' equity for the years then ended, on the basis of accounting described in Note 2.

This report is intended solely for the information and use of the Trustees, beneficiaries of the Trust, and the United States Bankruptcy Court for the District of Connecticut and is not intended to be and should not be used by anyone other than these specified parties.

Raphael Sanders Goldberg Nikpour & Cohen CPAs PLLC

Woodbury, New York
April 13, 2012

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RAYTECH CORPORATION ASBESTOS PERSONAL INJURY SETTLEMENT TRUST
SPECIAL-PURPOSE STATEMENTS OF NET CLAIMANTS' EQUITY
DECEMBER 31, 2011 AND 2010

	2011	2010
Assets		
Cash and cash equivalents (Notes 1, 2 and 3)	$ 2,564	$ 92,639
Invested cash (Notes 2 and 4)	2,191,710	4,445,764
Investments - securities (Note 4)	43,731,866	45,282,152
Cash and investments	45,926,140	49,820,555
Investment in Raytech Corporation (Note 5)	1,500,000	1,500,000
Prepaid insurance (Note 10)	18,099	25,339
Miscellaneous receivable	0	4,206
Prepaid Federal tax	85	3,311
Total Assets	$ 47,444,324	$ 51,353,411
Liabilities and Net Claimants' Equity		
Cash overdraft (Notes 1, 2 and 3)	$ 57,516	$ 0
Net Claimants' Equity	47,386,808	51,353,411
Total Liabilities and Net Claimants' Equity	$ 47,444,324	$ 51,353,411

The accompanying notes are an integral part of these financial statements.

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RAYTECH CORPORATION ASBESTOS PERSONAL INJURY SETTLEMENT TRUST
SPECIAL-PURPOSE STATEMENTS OF
CHANGES IN NET CLAIMANTS' EQUITY
YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
Investment income (loss):		
Investment income	$ 1,444,511	$ 1,116,868
Realized gain on sale of investments	321,904	551,066
Realized loss on sale of investments	(1,016,966)	(263,626)
Change in unrealized gain on investments (Note 4)	471,560	1,076,526
Income (loss) from alternative investment	5,903	(259,176)
Amortization of premium on bonds	(401,506)	(418,456)
	825,406	1,803,202
Operating expenses:		
General and administrative expenses	989,092	954,241
Legal expenses (Note 11)	127,023	163,183
Claims processing expense (Note 7)	249,718	125,839
Federal tax expense	0	144,046
	1,365,833	1,387,309
Net (decrease) increase	(540,427)	415,893
Claims paid (Note 7)	(3,426,176)	(2,519,814)
Increase in value of Raytech Corporation (Note 5)	0	500,000
Net decrease in net claimants' equity	(3,966,603)	(1,603,921)
Net claimants' equity at beginning of year	51,353,411	52,957,332
Net claimants' equity at end of year	$ 47,386,808	$ 51,353,411

The accompanying notes are an integral part of these financial statements.

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RAYTECH CORPORATION ASBESTOS PERSONAL INJURY SETTLEMENT TRUST
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

Note 1. Description of the Trust

Raytech Corporation, as debtor and debtor in possession (the "Debtor") proposed a Plan of Reorganization which was confirmed on August 31, 2000 (the "Plan") pursuant to the United States Bankruptcy Code, which resulted in the creation of the Raytech Corporation Asbestos Personal Injury Settlement Trust on April 18, 2001 (the "Trust"). The Trust, which is irrevocable, assumed the liabilities of the debtor relating to personal injury and wrongful death attributable to asbestos-containing products. Subject to the requirements of the Trust Agreement, the purpose of the Trust is to use the Trust's assets and income to pay holders of valid asbestos-related claims in accordance with the Trust Agreement and the Raytech Corporation Asbestos Related Personal Injury Claims Resolution and Distribution Procedures (the "Procedures") in such a way that holders of such claims are treated fairly, equitably and reasonably in light of the extremely limited assets available. The Trust received substantially all of the Debtor's existing assets with the exception of 17.65% of the common stock and outstanding options of the reorganized Debtor, of which 7.65% was distributed to the Government Claimants and 10% continued to be held by the existing holders of the Debtor (Note 5). The reorganized Debtor, Raytech Corporation, is referred to hereinafter as Raytech.

Pursuant to the Plan, the Debtor transferred the following assets to the Trust on April 18, 2001:

Cash	$ 1,966,509
34,758,032 shares of Raytech Common stock, $1 par value, representing 82.35% of company's equity and outstanding options	130,000,000
Tax Refund Assignment (Note 8)	-
	$ 131,966,509

Note 2. Summary of Significant Accounting Policies

This summary of significant accounting policies of the Trust is presented to assist in understanding the Trust's financial statements. The financial statements and notes are representations of the Trustees, who are responsible for the integrity and objectivity of the financial statements. These accounting policies conform to the cash basis of accounting and have been consistently applied in the preparation of the financial statements.

Basis of Accounting

The Trust's financial statements are prepared using special-purpose accounting adopted by the Trustees to comply with, and on the basis of accounting practices specified in the Trust agreement. These methods differ from accounting principles generally accepted in the United States (GAAP). The special-purpose accounting methods were adopted in order to communicate to the beneficiaries of the Trust the amount of equity available for beneficiaries.

The accompanying financial statements have been prepared on a cash basis of accounting. Trust funding and income and the related assets are recognized when received rather than when due or earned. Expenses are recognized when paid rather than when obligations are incurred, other than premiums paid for a Directors and Officers insurance policy (see Note 10).

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Note 2. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

All liquid investments with maturities of three months or less at the date of purchase are considered to be cash and cash equivalents.

Accounting for Certain Investments in Debt and Equity Securities (ASC 320)

Under ASC 320, Accounting for Certain Investments in Debt and Equity Securities, investments of the Trust are classified as available-for-sale. Available-for-sale securities are carried at fair value, with unrealized gains and losses reported as a separate component of the accompanying statement of changes in claimants' equity. The amortized cost of debt securities in this category is adjusted for amortization of premiums and accretion of discounts to maturity.

The cost of securities sold is based on the specific identification method. Interest and dividends on securities classified as available-for-sale are included in investment income.

Investment income is recognized when received and gains or losses on sales are determined by specific identification.

Tax Status

The Trust is subject to federal income tax under Internal Revenue Section 468B and files a U.S. Income Tax Return for Settlement Funds, Form 1120-SF. The Trust incurred losses in 2008 which were used as a carryback to 2007. As a result, the Trust received a refund of $1,401,971 in March 2012. The balance of these losses will be carried forward to 2009 and any balance to subsequent tax filing years. The Trust is exempt from any state tax.

Fair Value Measurements and Disclosures (ASC 820)

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" ("SFAS 157") which is now recognized as ASC 820. The Trust adopted ASC 820 (Fair Value Measurements and Disclosures) which among other things requires enhanced disclosures about financial instruments that are measured and reported at fair value. In accordance with ASC 820, fair value is defined as the price that the Trust would receive from the sale of an investment or pay to transfer a liability in a timely transaction with an independent buyer in the principal market, or in the absence of a principal market, the most advantageous market for the investment or liability. ASC 820 establishes a three-tier hierarchy to distinguish between inputs that reflect the assumptions market participants would use in pricing an asset or liability developed based on market data obtained from sources independent of the reporting entity (observable inputs) and inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing an asset or liability developed based on the best information available in the circumstances (unobservable inputs) and to establish classification of fair value measurements for disclosure purposes. Various inputs are used in determining the value of the Trust's investments.

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Note 2. Summary of Significant Accounting Policies (continued)

Fair Value Measurements and Disclosures (ASC 820) (continued)

In accordance with ASC 820, fair value measurements are classified under the following hierarchy:

- Level 1 - quoted prices in active markets for identical investments
- Level 2 - other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 - significant unobservable inputs (including the Trust's own assumptions in determining the fair value of investments)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with determining the value of those securities.

At December 31, 2011 and 2010, all securities owned were recorded at fair value based on quoted market prices in active markets for identical investments, being Level 1 inputs.

Use of Estimates

The preparation of the special-purpose financial statements in conformity with the basis of accounting described above requires the Trust to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the special-purpose financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are based on the Trustee's best knowledge of current events, historical experience, actions that the Trust may undertake in the future and on various other assumptions that are believed to be reasonable under the circumstances. As a result, actual results could differ from these estimates.

Accounting for Uncertainties – Income Taxes

The Trust adopted the provisions of the Accounting Standards Codification (ASC) 740, "Accounting for Uncertainties - Income Taxes". ASC 740 provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. ASC 740 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Trust's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained upon examination by the applicable tax authority. Tax positions that are not deemed to meet the more-likely-than-not threshold would be recorded as a tax expense at the Trust level in the current year and is applied to all open tax years as of the effective date.

Based on its continued analysis, the Trustees have determined that the adoption of ASC 740 is not applicable to the Trust's financial statements as there are no positions taken that would require recording a tax expense. However, the Trustees' conclusions regarding ASC 740 may be subject to review and adjustment at a later date based on the on-going analysis of tax laws, regulations and interpretations thereof and other factors.

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Note 3. Concentration of Credit Risk

The Trust maintains its cash in bank deposit accounts which at times may exceed federally insured limits. The Trust has not experienced any losses in such accounts. The federal government, through the Federal Deposit Insurance Corporation (FDIC), insures accounts to a maximum of $250,000. From December 31, 2010 through December 31, 2012, all noninterest-bearing transaction accounts are fully insured, regardless of the balance of the account, at all FDIC-insured institutions. This unlimited coverage is separate from, and in addition to, the insurance coverage provided for a depositor's other accounts held at an FDIC-insured institution. The Trustees believe the Trust is not exposed to any significant credit risk on cash and cash equivalents. The cash deposit accounts held by Citibank is held in three different banks under the auspice of Citibank, which will allow for three insured FDIC accounts of $250,000 each, totaling $750,000. Thus, at December 31, 2011, the Trust had uninsured cash of $1,152,514.

Note 4. Investments

The Trustees have established the investment criteria with the advice of the Trustees Advisory Committee (TAC) representatives and the Future Representative to allow investment allocation per the investment advisor's recommendation. In 2011, the Trust invested in variable annuities with two different insurance companies. These annuities have specific features which included A+ or better A.M. Best ratings; a hold harmless against principle loss; the right to lock-up any net underlying annual gain based upon dates specified in each of the two annuity contracts and no limitation on any increase in the underlying investments. They are also subject to certain withdrawal restrictions and early termination penalties as defined in their respective annuity contracts. In 2011, the advisors reduced the emerging market's equity holdings and used the proceeds, within the investment guidelines, to purchase exchange trading gold shares. Investments in securities at December 31, 2011, which except for Annuities, were held in custody by Citibank, were as follows:

	Carrying Value	Market Value
Municipal Bonds	$ 15,101,889	$ 15,791,840
Taxable Bonds	15,132,186	15,101,281
Equities	7,371,286	7,759,255
Gold Shares	387,840	353,833
Alternative Investment	1,807,766	1,713,699
Annuities	2,500,000	3,011,958
	$ 42,300,967	$ 43,731,866

For one of the annuities, Jackson National Life Insurance Co., which has a cost of $1,500,000 and market value of $1,781,464 at December 31, 2011, the Trust was able to lock in a guaranteed base on its one year anniversary date (June 29, 2011) of $1,862,331. As this is the lowest amount that the Trust will receive, the guaranteed base is used as the market value and used to calculate the change in unrealized gain at December 31, 2011.

Invested cash at December 31, 2011 and 2010 represents money market balances in various Citibank investment accounts and includes $570,000 in certificates of deposit, in each year.

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Note 4. Investments (continued)

The investments for the year 2011 have met all the investment criteria.

The change in unrealized gain on investments for 2011 of $471,560 consists of the change in unrealized gain of positions that have been sold during 2011 of $73,601 and the change in unrealized gain on positions that were open at December 31, 2011 of $397,959

Note 5. Valuation of Raytech Corporation Shares

Pursuant to the Plan, the Debtor transferred to the Trust 34,758,032 common shares of the Reorganized Raytech. At the time of the transfer, a valuation of Raytech was performed by an independent appraiser retained by the Raytech Corporation. The appraisal value of Raytech at the time of transfer was $130,000,000. The Raytech Corporation was listed on the NYSE Exchange and traded under the symbol "RAY". During 2002, the Trust sold 173,600 shares for $1,506,337. At December 31, 2006, the Trust owned 34,584,432 shares with a fair market value of $43,576,384.

On January 4, 2006, the Trust completed a transaction involving the acquisition of certain assets from the Environmental claimants including 3,228,888 shares of Raytech common stock for $9,457,776 (see Note 8). Upon completion of the acquisition, the Trust owned approximately 90.6% of the issued and outstanding shares of stock of Raytech. Immediately following the completion of the acquisition, the Trust transferred all of the shares of Raytech common stock owned by the Trust to Raytech Acquisition Corp., the Trust wholly owned subsidiary ("Merger Subsidiary"), causing the Merger Subsidiary to own approximately 90.6% of Raytech's issued and outstanding shares of stock.

Under Section 253 of the Delaware General Corporation Law, on January 4, 2006, Merger Subsidiary filed a Certificate of Ownership and Merger with the Secretary of State of the State of Delaware, which caused Raytech to be merged with and into Merger Subsidiary with Merger Subsidiary being the surviving corporation in the Merger. The Merger became effective immediately upon this filing with the Secretary of State of the State of Delaware. Upon the effectiveness of the Merger, each outstanding share of Raytech stock owned by stockholders other than Merger Subsidiary was canceled and converted into the right to receive the sum of $1.32 per share, in cash without interest. On January 5, 2006, the Trust transferred to the American Stock Transfer and Trust Company a sum of $5,179,662 representing the purchase price of the remaining 3,923,986 shares.

On December 22, 2006, the Trust contributed its 100% ownership of Raytech to the Raytech Holding Company, LLC (a Delaware Limited Liability Company) for a 100% ownership in this LLC. The Trust is the managing member known as a Class A Member and has the sole right to make all decisions regarding Raytech. The Trust established the LLC to give senior management and certain key employees the ability to obtain a Class B Membership interest. The operating agreement details the rights and requirements of the Class B Membership interest. On April 21, 2010, the LLC was dissolved and the Trust is the sole owner of the common shares of the Raytech Corporation.

The value of the Raytech Stock at December 31, 2011 and 2010 was based on our review of the Trust's formal opinion of the value of Raytech. On February 22, 2008, Raytech sold the assets of their domestic operations and on February 28, 2008, Raytech sold the assets of their foreign

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Note 5. Valuation of Raytech Corporation Shares (continued)

subsidiaries. Based on a forecast prepared by management of Raytech reflecting the projected net equity value of the Company after satisfying all remaining obligations including paying the Trust the balance of the Allomatic note and the amount due from the Tax Benefits (see Note 8), the net equity value was estimated to be $14,760,000 at December 31, 2007. At December 31, 2008, payment of the additional note due to the Trust of $13,500,000 and payment of any accrued and unpaid interest resulted in a net equity value of zero. On April 21, 2010, the Raytech Holding Company, LLC was dissolved and as of this date, the Raytech Corporation is wholly owned by the Trust. At December 31, 2011 and 2010, the net equity value of the Raytech Corporation is estimated to be $1,500,000.

Note 6. Net Claimants Equity

On July 21, 2006, an agreement was entered into by the Trust and the Raymark Trustee in connection with the Plan of Reorganization filed on February 3, 2006 in the consolidated bankruptcy cases of Raymark Industries, Inc., Raymark Corporation and Universal Friction Composites, Inc. The Raymark Plan was confirmed by The Bankruptcy Court by an order entered on May 22, 2006 and the order was affirmed by the District Court for the District of Connecticut on May 23, 2006. The Trust agreed to serve as the Estate Representative under the Raymark Plan, The Trust in consideration of its receipt of their share of the estate, agrees to receive the distributions to be made under the Raymark Plan on account of Personal Injury Trust Claims and to make distributions to Personal Injury Trust Claims in accordance with the Personal Injury Trust Agreement and Distributions Procedures (see Note 7). In 2007 and 2006, The Trust received the following distributions from the Raymark Plan:

(a) Cash receipt of $27,911,446 - received in 2006
(b) Assignment of the Allomatic Products Company unsecured promissory note in the amount of $7,418,169 - received in 2006
(c) One-hundred percent ownership of the capital stock and voting shares of Raymark Industries, Inc., Raymark Corporation and Universal Friction Composites, Inc. At December 31, 2006 and 2007 these investments have no carrying value in the accompanying special-purpose financial statements,
(d) A reserve that was established under the Raymark Plan of Reorganization to pay the claims of the professional fees and their expenses and the trustee compensation. Any money remaining in this reserve after all payments have been made will be remitted to the Trust. In 2008, the Trust received two distributions from this reserve totaling $815,553.

Note 7. Asbestos Personal Injury Trust Distribution Procedures

The Asbestos Personal Injury Trust Distribution Procedures provide for satisfying all personal injury and death claims caused by exposure to asbestos-containing products as defined in the Trust agreement. On July 5, 2006, the Trust amended and restated the Trust Agreement to include Raymark's personal injury claimants. In November 2010, the Trust amended the Trust Distribution Procedures to require all claims with a disease diagnosis prior to October 1, 2006, to file with the Trust within the greater of one year of initial filing date or three years after diagnosis. These procedures have been designed to satisfy all such claims as fairly and equitably as possible within the limits of the total value of the assets available to pay such claims. According to the Procedures, the Trust will apply a Pro-rata percentage approach to the liquidated values of the present and future Schedule Trust Claims to ensure, to the extent possible, equivalent treatment to all claimants.

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Note 7. Asbestos Personal Injury Trust Distribution Procedures (continued)

On August 31, 2009, the Trust engaged Claims Processing Facility, Inc. ("CPF") for an initial term of three years to process personal injury related claims filed against the Trust. The Trust began processing these claims in 2010. During 2011 and 2010, $3,426,176 and $2,519,814 in claims were paid, respectively. As required by the agreement, the Trust will remit to CPF a minimum of $144,000 per year which will be paid in monthly installments of $12,000 each. At the end of each fiscal year ending March 31, there will be a reconciliation to see if the Trust will owe any money to CPF above the $144,000 floor based on the claims processed during that fiscal year. In 2011, the Trust paid $249,718 to process claims which included $53,447 for the reconciliation of the fiscal year ended March 31, 2011. In 2010, the Trust paid $125,839 to process claims, which included start up fees of $29,194, $12,000 per month for April through November 2010 and an additional service charge of $645.

The ultimate number of asbestos property damage and personal injury claims to be filed and the aggregate value for all such claims is not determinable at this time. Thus, no liability has been recorded in the accompanying special-purpose financial statements. Although the aggregate value of present and future claims is not determinable, the Trustees in accordance with the Trust Agreement periodically retain experts for the purpose of calculating a payment percentage. In 2011 and 2010, the Trust paid $139,923 and $107,164 respectively, for these consulting services. The initial payment percentage was estimated to be 2% and was changed to 0.84% in November 2011. Effective November 29, 2011, the Trust amended the Trust Distribution Procedures which affected the withdrawal or rejection of claims in regard to extending the period of time to remedy deficiencies.

Note 8. Contingent Rights and Claims

On June 8, 2000, an intercreditor agreement was entered into among the unsecured creditors committee, the Asbestos Personal Injury Claimants (API) and the Environmental Claimants agreeing on a 91.5 and 8.5 percent split between the Trust and Environmental Claimants respectively, of the combined distributions to the general unsecured creditors in the Raytech Bankruptcy. The agreement provided that if the Environmental Claimants recovered a portion of, or their full share of the 8.5% in cash from the Raymark Corporation's insurance proceeds, they would be required to remit to the Trust, stock of Raytech or stock and cash equal in value to the amounts paid to the Environmental Claimants. The Raymark Corporation was the predecessor owner of Raytech. The Environmental Claimants, the Trust, the Raytech Creditors Committee and the Legal Representative for Future Claimants entered into an agreement on October 21, 2001 settling between the personal injury creditors and the Environmental Claimants their respective claims against the Raymark Bankruptcy Estates. Under that agreement, the Environmental Creditors were obligated to transfer their shares of Raytech to the Trust upon their receipt of the first distribution of cash under a Raymark Plan of Reorganization.

On July 7, 2005, the Trust entered into a Supplemental Settlement Agreement to accelerate the consummation of the October 2001 agreement. On December 19, 2005, the Trust remitted to an escrow account held on behalf of the Environmental Claimants $9,457,776. The final payment to the Environmental Claimants from the escrow account was made January 4, 2006. The transaction was completed and the Trust received the following assets and consideration:

- the Environmental Claimants' agreement to divide insurance proceeds in the bankrupt Raytech Estates, 60% to asbestos personal injury creditors and 40% to Environmental Creditors. All insurance recoveries have been received and there is no expectation of any further recoveries;

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Note 8. Contingent Rights and Claims (continued)

- 3,228,888 shares of Raytech common stock owned by the Environmental Claimants;
- the Environmental Claimants' assignment to the Trust of their rights to benefits under an agreement to share tax benefits with the Trust including tax refunds and net operating losses from Raytech;
- the Environmental Claimants' interest in the other property of the Raymark Estates, including their 8.5% ownership interest in the shares of the Allomatic Products Company; and,
- the Environmental Claimants' interest in the recovery by the Raymark Estates of proceeds from insurance policies issued by the Federal Insurance Company to Raymark Corporation. This was recovered as part of the Trust's distribution from the Raymark estate.

The Environmental Claimants retained the proceeds of the Raymark Estate/Allstate Insurance Company litigation, and received these proceeds as part of their distribution from the Raymark estate.

In accordance with the Plan, the Trust was subject to a Tax Benefit Assignment and Assumption Agreement with Raytech. This agreement gives the Trust the benefit of federal and state income tax refunds to be received by Raytech on account of Raytech's net operating loss carrybacks and/or carryforwards and the deductible payments made by Raytech to the Trust. On June 14, 2008, the Trust and the Raytech Corporation executed an Amended and Restated Tax Benefits Assignment and Assumption Agreement. The agreement allows Raytech to continue to use the Raytech's net operating losses (NOL's) until $50,000,000 of these NOL's are fully utilized. If there are any NOL's available after the $50,000,000 the resulting benefit will be assigned to the Trust. Raytech is required to remit to the Trust within three business days following the receipt of any Tax Benefit. Raytech will continue to use their NOL's created from their operating losses and not from deductible payments made to the Trust. Any tax benefits received from their NOL's will be retained by Raytech and no payments to the Trust in respect of these Tax Benefits will be required. The agreement also states that the Trust will bear certain costs related to the obtaining and preserving the Tax Benefits. These costs will be used to offset any monies due to the Trust by Raytech from the receipt of any Tax Benefits.

In 2006, the Trust received federal tax refunds in the amount of $116,897, as a result of net operating loss carrybacks.

Note 9. Trust Termination

The Trust shall terminate on the date (the "Termination Date") that is 90 days after the first occurrence of any of the following:

i. The Trustees in their sole discretion decide to terminate the Trust because (a) they deem it unlikely that new asbestos-related claims or demands will be filed against the Trust and (b) all asbestos-related claims duly filed with the Trust have been liquidated and satisfied and twelve consecutive months have elapsed during which no new asbestos-related claim has been filed with the Trust;

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Note 9. Trust Termination (continued)

ii. The date on which the Bankruptcy Court order becomes final which has approved the irrevocable insurance policies the Trustees have procured and have in place and the arrangement the Trustees have made to establish 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 the trust agreement and procedures;

iii. If in the judgment of the Trustees, the continued administration of the Trust is uneconomic or inimical and the Trustees have obtained an order of the court that the termination of the trust will not expose or subject Raytech or any successor in interest to any increased or undue risk, or

iv. 21 years less 91 days after the death of the last survivor of all the descendants of Joseph P. Kennedy, Sr. of Massachusetts living on April 18, 2001.

Note 10. Insurance

The Trust has received and fully paid for a Directors and Officers Policy for the period April 18, 2011 through April 18, 2012. The cost of the policy was $62,054 and is being amortized using the straight-line method over the life of the policy. The cost of the policy for the previous period, April 18, 2010 through April 18, 2011, was $86,876.

Note 11. Related Party Transaction

One of the Trustees is a partner in a law firm, which received from the Trust rental income of $6,000 in 2011 and 2010; $14,550 in 2011 and $8,800 in 2010 for secretarial services and $9,854 in 2011 and $35,262 in 2010 for legal fees.

Note 12. Trustees and Trustees' Advisory Committee

The Trust Agreement indicates the Trustees shall be compensated for the services they render to the Trust. In addition, the Trust Agreement requires the Trustees to consult both with the Trustees' Advisory Committee (TAC) and with the Future Representative on certain matters described in the Trust agreement before the Trustees can implement actions on behalf of the Trust. The TAC members and the Future Representative are compensated for providing these consultative services. As such, the Trust has incurred the following expenses for the years ended December 31, 2011 and 2010:

	2011	2010
Trustees, TAC Members and Future Representative fees	$ 318,381	$ 309,698
Trustees, TAC Members and Future Representatvie expenses	21,349	25,585
	$ 339,730	$ 335,283

In 2011, the terms of one of the Trustees and one of the TAC members were renewed for five years until April 2016.

In 2010, the term of one of the Trustees was renewed for five years until May 2015 and one TAC member's term was extended to April 2014 and another's to April 2015.

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RAYTECH CORPORATION ASBESTOS PERSONAL INJURY SETTLEMENT TRUST
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

Note 13. Subsequent Events

The Trustees have evaluated subsequent events through April 13, 2012, the date on which the financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements as of December 31, 2011

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Other Financial Information

RSGN&C RAPHAEL SANDERS GOLDBERG NIKPOUR COHEN
CERTIFIED PUBLIC ACCOUNTANTS PLLC

Mark C. Goldberg CPA
Mark Raphael CPA
Gary Sanders CPA
Floria Samii-Nikpour CPA
Allan B. Cohen CPA

Anita C. Jacobsen CPA

Founding Partner:
Melvin Goldberg, CPA

Independent Auditors' Report
On Other Financial Information

The Board of Trustees
Raytech Corporation Asbestos Personal Injury Settlement Trust

Our audits were conducted for the purpose of forming an opinion on the special-purpose financial statements taken as a whole in accordance with the basis of accounting described in Note 2 to such statements. The supplemental schedules of legal and general and administrative expenses and investment income summary are presented for purposes of additional analysis and are not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in our audits of the special-purpose financial statements, and, in our opinion, is fairly stated in all material respects in relation to the special-purpose financial statements taken as a whole.

Raphael Sanders Goldberg Nikpour & Cohen CPAs PLLC

Woodbury, New York
April 13, 2012

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SCHEDULES OF LEGAL AND GENERAL AND ADMINISTRATIVE EXPENSES
YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011		2010	
Legal Expenses				
Keating, Muething & Klekamp, LLP	$ 117,169		$ 127,921	
Meltzer, Lippe, Goldstein & Breitstone LLP	9,854		35,262	
Total Legal Expenses		$ 127,023		$ 163,183
General and Administrative Expenses				
Trustees Fees				
Richard A. Lippe	$ 92,683		$ 73,714	
Archie R. Dykes	54,745		55,764	
Stephen C. Halpern	42,145		46,182	
Total		$ 189,573		$ 175,660
Trustee Expenses				
Richard A. Lippe	3,378		3,465	
Archie R. Dykes	7,121		9,000	
Stephen C. Halpern	4,356		5,422	
Total		14,855		17,887
Trust Advisory Committee Fees				
Robert Steinberg	24,336		32,412	
Robert Komitor	39,737		32,101	
Gene Locks	27,878		24,935	
Total		91,951		89,448
Trust Advisory Committee Expenses				
Robert Steinberg	3,601		3,989	
Gene Locks	2,010		2,788	
Total		5,611		6,777
Fees and Expenses paid to Representative of Future Claimants				
Robert F. Carter		37,740		45,511
Fees Paid for H.T. Capital Advisors				
Eric Lomas		3,000		21,600
Fees Paid for Consulting Services				
Levy, Phillips & Konigsberg		29,239		27,024

The accompanying notes are an integral part of these financial statements.

RAYTECH CORPORATION ASBESTOS PERSONAL INJURY SETTLEMENT TRUST
SCHEDULES OF LEGAL AND GENERAL AND ADMINISTRATIVE EXPENSES
YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011		2010	
General and Administrative Expenses (continued)				
Other				
Investment Advisory fees		$ 255,107		$ 240,223
Directors and Officers insurance		69,294		95,960
Consulting fees - claims processing		139,923		107,164
Administrative expenses				
Fees paid to Executive Director	$ 60,117		$ 53,983	
Expenses paid to Executive Director	2,976		673	
Reimbursement of Secretarial Services	20,450		11,900	
Rent	6,000		6,000	
Office supplies and other expenses	2,874		3,832	
Storage fees	232		99	
Total		92,649		76,487
Accounting fees and expenses		60,150		50,500
Total General And Administrative Expenses		$ 989,092		$ 954,241

The accompanying notes are an integral part of these financial statements.

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RAYTECH CORPORATION ASBESTOS PERSONAL INJURY SETTLEMENT TRUST

INVESTMENT INCOME SUMMARY

INCEPTION TO DECEMBER 31, 2011

	Interest and Dividends	Realized Gain	Realized Loss	Income (Loss) from Alt. Investment	Total
4/18-12/31/01	$ 36,287	$ 30,682	$ (5,529)	$ 0	$ 61,440
2002	930,634	1,254,811	(165,663)	0	2,019,782
2003	1,505,853	553,414	(39,195)	0	2,020,072
2004	1,681,749	175,535	(392,369)	0	1,464,915
2005	1,243,546	0	0	0	1,243,546
2006	1,615,426	659,212	(472,840)	0	1,801,798
2007	1,142,279	4,677,061	(586,859)	151,983	5,384,464
2008	2,426,747	736,241	(19,963,026)	15,343	(16,784,695)
2009	2,501,588	28,773	(445,749)	(298,069)	1,786,543
2010	1,116,868	551,066	(263,626)	(259,176)	1,145,132
2011	1,444,511	321,904	(1,016,966)	5,903	755,352
Totals	$ 15,645,488	$ 8,988,699	$ (23,351,822)	$ (384,016)	$ 898,349

The accompanying notes are an integral part of these financial statements.