Form 5500

Department of the Treasury
Internal Revenue Service

Department of Labor
Employee Benefits Security Administration

Pension Benefit Guaranty Corporation

Annual Return/Report of Employee Benefit Plan

This form is required to be filed for employee benefit plans under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6047(e), and 6058(a) of the Internal Revenue Code (the Code).

▶ **Complete all entries in accordance with the instructions to the Form 5500.**

OMB Nos. 1210-0110
1210-0089

2009

This Form is Open to Public Inspection

Part I Annual Report Identification Information

For calendar plan year 2009 or fiscal plan year beginning 01/01/2009 and ending 12/31/2009

A This return/report is for:
- [ ] a multiemployer plan;
- [ ] a multiple-employer plan; or
- [X] a single-employer plan;
- [ ] a DFE (specify) ____

B This return/report is:
- [ ] the first return/report;
- [ ] the final return/report;
- [ ] an amended return/report;
- [ ] a short plan year return/report (less than 12 months).

C If the plan is a collectively-bargained plan, check here. . . . . ▶ [ ]

D Check box if filing under:
- [X] Form 5558;
- [ ] automatic extension;
- [ ] the DFVC program;
- [ ] special extension (enter description)

Part II Basic Plan Information—enter all requested information

1a Name of plan
PAVEMENT RECYCLING SYSTEMS INC EMPLOYEE STOCK OWNERSHIP PLAN

1b Three-digit plan number (PN) ▶ 001

1c Effective date of plan 01/01/1990

2a Plan sponsor's name and address (employer, if for a single-employer plan)
(Address should include room or suite no.)
PAVEMENT RECYCLING SYSTEMS INC

10240 SAN SEVAINE WAY
MIRA LOMA, CA 91752-1100

2b Employer Identification Number (EIN)
33-0353433

2c Sponsor's telephone number
951-682-1091

2d Business code (see instructions)
237310

Caution: A penalty for the late or incomplete filing of this return/report will be assessed unless reasonable cause is established.

Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return/report, including accompanying schedules, statements and attachments, as well as the electronic version of this return/report, and to the best of my knowledge and belief, it is true, correct, and complete.

SIGN HERE	Filed with authorized/valid electronic signature.	10/11/2010	BERNARD HALE
	Signature of plan administrator	Date	Enter name of individual signing as plan administrator
SIGN HERE			
	Signature of employer/plan sponsor	Date	Enter name of individual signing as employer or plan sponsor
SIGN HERE			
	Signature of DFE	Date	Enter name of individual signing as DFE

3a Plan administrator's name and address (if same as plan sponsor, enter "Same")
PAVEMENT RECYCLING SYSTEMS INC

10240 SAN SEVAINE WAY
MIRA LOMA, CA 91752-1100

3b Administrator's EIN
33-0353433

3c Administrator's telephone number
951-682-1091

4 If the name and/or EIN of the plan sponsor has changed since the last return/report filed for this plan, enter the name, EIN and the plan number from the last return/report:

a Sponsor's name

4b EIN

4c PN

5	Total number of participants at the beginning of the plan year	**5**	208
6	Number of participants as of the end of the plan year (welfare plans complete only lines **6a, 6b, 6c,** and **6d**).		
a	Active participants	**6a**	142
b	Retired or separated participants receiving benefits	**6b**	16
c	Other retired or separated participants entitled to future benefits	**6c**	35
d	Subtotal. Add lines **6a**, **6b**, and **6c**	**6d**	193
e	Deceased participants whose beneficiaries are receiving or are entitled to receive benefits	**6e**	1
f	Total. Add lines **6d** and **6e**	**6f**	194
g	Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item)	**6g**	201
h	Number of participants that terminated employment during the plan year with accrued benefits that were less than 100% vested	**6h**	9
7	Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item)	**7**	

8a If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristic Codes in the instructions:
2I 2P 2Q

b If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristic Codes in the instructions:

9a Plan funding arrangement (check all that apply)

(1)		Insurance
(2)		Code section 412(e)(3) insurance contracts
(3)	X	Trust
(4)		General assets of the sponsor

9b Plan benefit arrangement (check all that apply)

(1)		Insurance
(2)		Code section 412(e)(3) insurance contracts
(3)	X	Trust
(4)		General assets of the sponsor

10 Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions)

a Pension Schedules

(1)	X	**R** (Retirement Plan Information)
(2)		**MB** (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary
(3)		**SB** (Single-Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary

b General Schedules

(1)	X		**H** (Financial Information)
(2)			**I** (Financial Information – Small Plan)
(3)		___	**A** (Insurance Information)
(4)	X		**C** (Service Provider Information)
(5)			**D** (DFE/Participating Plan Information)
(6)			**G** (Financial Transaction Schedules)

SCHEDULE C (Form 5500)	Service Provider Information	OMB No. 1210-0110
Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA). ▶ **File as an attachment to Form 5500.**	**2009** **This Form is Open to Public Inspection.**

For calendar plan year 2009 or fiscal plan year beginning 01/01/2009 and ending 12/31/2009

A Name of plan
PAVEMENT RECYCLING SYSTEMS INC EMPLOYEE STOCK OWNERSHIP PLAN

B Three-digit plan number (PN) ▶ 001

C Plan sponsor's name as shown on line 2a of Form 5500
PAVEMENT RECYCLING SYSTEMS INC

D Employer Identification Number (EIN)
33-0353433

Part I Service Provider Information (see instructions)

You must complete this Part, in accordance with the instructions, to report the information required for **each person** who received, directly or indirectly, $5,000 or more in total compensation (i.e., money or anything else of monetary value) in connection with services rendered to the plan or the person's position with the plan during the plan year. If a person received **only** eligible indirect compensation for which the plan received the required disclosures, you are required to answer line 1 but are not required to include that person when completing the remainder of this Part.

1 Information on Persons Receiving Only Eligible Indirect Compensation

a Check "Yes" or "No" to indicate whether you are excluding a person from the remainder of this Part because they received only eligible indirect compensation for which the plan received the required disclosures (see instructions for definitions and conditions).. . . . . ☐ Yes ☒ No

b If you answered line 1a "Yes," enter the name and EIN or address of each person providing the required disclosures for the service providers who received only eligible indirect compensation. Complete as many entries as needed (see instructions).

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

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2. Information on Other Service Providers Receiving Direct or Indirect Compensation. Except for those persons for whom you answered "yes" to line 1a above, complete as many entries as needed to list each person receiving, directly or indirectly, $5,000 or more in total compensation (i.e., money or anything else of value) in connection with services rendered to the plan or their position with the plan during the plan year. (See instructions).

(a) Enter name and EIN or address (see instructions)

STERLING WEALTH MANAGEMENT GROUP

1808 ASTON AVE SUITE 245
CARLSBAD, CA 92008

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
28	INVESTMENT MANAGER	32675	Yes [ ] No [X]	Yes [ ] No [X]		Yes [ ] No [X]

(a) Enter name and EIN or address (see instructions)

I FINANCIAL

5995 BROCKTON AVE SUITE B
RIVERSIDE, CA 92506

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
28	INVESTMENT MANAGER	8049	Yes [ ] No [X]	Yes [ ] No [X]		Yes [ ] No [X]

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes [ ] No [ ]	Yes [ ] No [ ]		Yes [ ] No [ ]

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	**(c)** Relationship to employer, employee organization, or person known to be a party-in-interest	**(d)** Enter direct compensation paid by the plan. If none, enter -0-.	**(e)** Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	**(f)** Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	**(g)** Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	**(h)** Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	**(c)** Relationship to employer, employee organization, or person known to be a party-in-interest	**(d)** Enter direct compensation paid by the plan. If none, enter -0-.	**(e)** Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	**(f)** Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	**(g)** Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	**(h)** Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	**(c)** Relationship to employer, employee organization, or person known to be a party-in-interest	**(d)** Enter direct compensation paid by the plan. If none, enter -0-.	**(e)** Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	**(f)** Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	**(g)** Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	**(h)** Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

Part I Service Provider Information (continued)

3 If you reported on line 2 receipt of indirect compensation, other than eligible indirect compensation, by a service provider, and the service provider is a fiduciary or provides contract administrator, consulting, custodial, investment advisory, investment management, broker, or recordkeeping services, answer the following questions for (a) each source from whom the service provider received $1,000 or more in indirect compensation and (b) each source for whom the service provider gave you a formula used to determine the indirect compensation instead of an amount or estimated amount of the indirect compensation. Complete as many entries as needed to report the required information for each source.

(a) Enter service provider name as it appears on line 2	**(b)** Service Codes (see instructions)	**(c)** Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation	**(e)** Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	

(a) Enter service provider name as it appears on line 2	**(b)** Service Codes (see instructions)	**(c)** Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation	**(e)** Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	

(a) Enter service provider name as it appears on line 2	**(b)** Service Codes (see instructions)	**(c)** Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation	**(e)** Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	

Part II Service Providers Who Fail or Refuse to Provide Information

4 Provide, to the extent possible, the following information for each service provider who failed or refused to provide the information necessary to complete this Schedule.

(a) Enter name and EIN or address of service provider (see instructions)	**(b)** Nature of Service Code(s)	**(c)** Describe the information that the service provider failed or refused to provide

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Part III Termination Information on Accountants and Enrolled Actuaries (see instructions)

(complete as many entries as needed)

a Name:	**b** EIN:
c Position:	
d Address:	**e** Telephone:

Explanation:

a Name:	**b** EIN:
c Position:	
d Address:	**e** Telephone:

Explanation:

a Name:	**b** EIN:
c Position:	
d Address:	**e** Telephone:

Explanation:

a Name:	**b** EIN;
c Position:	
d Address:	**e** Telephone:

Explanation:

a Name:	**b** EIN;
c Position:	
d Address:	**e** Telephone:

Explanation:

SCHEDULE H (Form 5500)

Department of the Treasury
Internal Revenue Service

Department of Labor
Employee Benefits Security Administration

Pension Benefit Guaranty Corporation

Financial Information

This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA), and section 6058(a) of the Internal Revenue Code (the Code).

▶ **File as an attachment to Form 5500.**

OMB No. 1210-0110

2009

This Form is Open to Public Inspection

For calendar plan year 2009 or fiscal plan year beginning 01/01/2009 and ending 12/31/2009

A Name of plan
PAVEMENT RECYCLING SYSTEMS INC EMPLOYEE STOCK OWNERSHIP PLAN

B Three-digit plan number (PN) ▶ 001

C Plan sponsor's name as shown on line 2a of Form 5500
PAVEMENT RECYCLING SYSTEMS INC

D Employer Identification Number (EIN)
33-0353433

Part I Asset and Liability Statement

1 Current value of plan assets and liabilities at the beginning and end of the plan year. Combine the value of plan assets held in more than one trust. Report the value of the plan's interest in a commingled fund containing the assets of more than one plan on a line-by-line basis unless the value is reportable on lines 1c(9) through 1c(14). Do not enter the value of that portion of an insurance contract which guarantees, during this plan year, to pay a specific dollar benefit at a future date. **Round off amounts to the nearest dollar.** MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 1b(1), 1b(2), 1c(8), 1g, 1h, and 1i. CCTs, PSAs, and 103-12 IEs also do not complete lines 1d and 1e. See instructions.

Assets		(a) Beginning of Year	(b) End of Year
a Total noninterest-bearing cash	1a	40058	213971
b Receivables (less allowance for doubtful accounts):			
(1) Employer contributions	1b(1)	1983800	1635767
(2) Participant contributions	1b(2)		
(3) Other	1b(3)		11761
c General investments:			
(1) Interest-bearing cash (include money market accounts & certificates of deposit)	1c(1)	3520442	2138224
(2) U.S. Government securities	1c(2)		
(3) Corporate debt instruments (other than employer securities):			
(A) Preferred	1c(3)(A)		
(B) All other	1c(3)(B)		
(4) Corporate stocks (other than employer securities):			
(A) Preferred	1c(4)(A)		
(B) Common	1c(4)(B)	14963	
(5) Partnership/joint venture interests	1c(5)		
(6) Real estate (other than employer real property)	1c(6)		
(7) Loans (other than to participants)	1c(7)		
(8) Participant loans	1c(8)		
(9) Value of interest in common/collective trusts	1c(9)		
(10) Value of interest in pooled separate accounts	1c(10)		
(11) Value of interest in master trust investment accounts	1c(11)		
(12) Value of interest in 103-12 investment entities	1c(12)		
(13) Value of interest in registered investment companies (e.g., mutual funds)	1c(13)	2085196	2427792
(14) Value of funds held in insurance company general account (unallocated contracts)	1c(14)		
(15) Other	1c(15)		

			(a) Beginning of Year	(b) End of Year
1d	Employer-related investments:			
	(1) Employer securities	1d(1)	38075000	38975000
	(2) Employer real property	1d(2)		
e	Buildings and other property used in plan operation	1e		
f	Total assets (add all amounts in lines 1a through 1e)	1f	45719459	45402515
	Liabilities			
g	Benefit claims payable	1g		
h	Operating payables	1h		
i	Acquisition indebtedness	1i	472016	411651
j	Other liabilities	1j	82948	
k	Total liabilities (add all amounts in lines 1g through1j)	1k	554964	411651
	Net Assets			
l	Net assets (subtract line 1k from line 1f)	1l	45164495	44990864

Part II Income and Expense Statement

2 Plan income, expenses, and changes in net assets for the year. Include all income and expenses of the plan, including any trust(s) or separately maintained fund(s) and any payments/receipts to/from insurance carriers. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 2a, 2b(1)(E), 2e, 2f, and 2g.

	Income		(a) Amount	(b) Total
a	**Contributions:**			
	(1) Received or receivable in cash from: **(A)** Employers	2a(1)(A)	1635767	
	(B) Participants	2a(1)(B)		
	(C) Others (including rollovers)	2a(1)(C)	11761	
	(2) Noncash contributions	2a(2)		
	(3) Total contributions. Add lines **2a(1)(A), (B), (C),** and line **2a(2)**	2a(3)		1647528
b	**Earnings on investments:**			
	(1) Interest:			
	(A) Interest-bearing cash (including money market accounts and certificates of deposit)	2b(1)(A)	82702	
	(B) U.S. Government securities	2b(1)(B)		
	(C) Corporate debt instruments	2b(1)(C)		
	(D) Loans (other than to participants)	2b(1)(D)		
	(E) Participant loans	2b(1)(E)		
	(F) Other	2b(1)(F)		
	(G) Total interest. Add lines **2b(1)(A)** through **(F)**	2b(1)(G)		82702
	(2) Dividends: **(A)** Preferred stock	2b(2)(A)		
	(B) Common stock	2b(2)(B)		
	(C) Registered investment company shares (e.g. mutual funds)	2b(2)(C)		
	(D) Total dividends. Add lines **2b(2)(A)**, **(B)**, and **(C)**	2b(2)(D)		
	(3) Rents	2b(3)		
	(4) Net gain (loss) on sale of assets: **(A)** Aggregate proceeds	2b(4)(A)		
	(B) Aggregate carrying amount (see instructions)	2b(4)(B)		
	(C) Subtract line **2b(4)(B)** from line **2b(4)(A)** and enter result	2b(4)(C)		

		(a) Amount	(b) Total
2b (5) Unrealized appreciation (depreciation) of assets: (A) Real estate	2b(5)(A)		
(B) Other	2b(5)(B)	-580735	
(C) Total unrealized appreciation of assets. Add lines 2b(5)(A) and (B)	2b(5)(C)		-580735
(6) Net investment gain (loss) from common/collective trusts	2b(6)		
(7) Net investment gain (loss) from pooled separate accounts	2b(7)		
(8) Net investment gain (loss) from master trust investment accounts	2b(8)		
(9) Net investment gain (loss) from 103-12 investment entities	2b(9)		
(10) Net investment gain (loss) from registered investment companies (e.g., mutual funds)	2b(10)		664435
c Other income	2c		
d Total income. Add all **income** amounts in column (b) and enter total	2d		1813930
Expenses			
e Benefit payment and payments to provide benefits:			
(1) Directly to participants or beneficiaries, including direct rollovers	2e(1)	1909866	
(2) To insurance carriers for the provision of benefits	2e(2)		
(3) Other	2e(3)		
(4) Total benefit payments. Add lines 2e(1) through (3)	2e(4)		1909866
f Corrective distributions (see instructions)	2f		
g Certain deemed distributions of participant loans (see instructions)	2g		
h Interest expense	2h		36921
i Administrative expenses: (1) Professional fees	2i(1)		
(2) Contract administrator fees	2i(2)		
(3) Investment advisory and management fees	2i(3)	40724	
(4) Other	2i(4)	50	
(5) Total administrative expenses. Add lines 2i(1) through (4)	2i(5)		40774
j Total expenses. Add all **expense** amounts in column (b) and enter total	2j		1987561
Net Income and Reconciliation			
k Net income (loss). Subtract line 2j from line 2d	2k		-173631
l Transfers of assets:			
(1) To this plan	2l(1)		
(2) From this plan	2l(2)		

Part III Accountant's Opinion

3 Complete lines 3a through 3c if the opinion of an independent qualified public accountant is attached to this Form 5500. Complete line 3d if an opinion is not attached.

a The attached opinion of an independent qualified public accountant for this plan is (see instructions):

(1) [X] Unqualified (2) [ ] Qualified (3) [ ] Disclaimer (4) [ ] Adverse

b Did the accountant perform a limited scope audit pursuant to 29 CFR 2520.103-8 and/or 103-12(d)? [ ] Yes [X] No

c Enter the name and EIN of the accountant (or accounting firm) below:

(1) Name: LENNY YEH INC (2) EIN: 20-8848624

d The opinion of an independent qualified public accountant is **not attached** because:

(1) [ ] This form is filed for a CCT, PSA, or MTIA. (2) [ ] It will be attached to the next Form 5500 pursuant to 29 CFR 2520.104-50.

Part IV Compliance Questions

4 CCTs and PSAs do not complete Part IV. MTIAs, 103-12 IEs, and GIAs do not complete 4a, 4e, 4f, 4g, 4h, 4k, 4m, 4n, or 5. 103-12 IEs also do not complete 4j and 4l. MTIAs also do not complete 4l.

During the plan year:

		Yes	No	Amount
a	Was there a failure to transmit to the plan any participant contributions within the time period described in 29 CFR 2510.3-102? Continue to answer "Yes" for any prior year failures until fully corrected. (See instructions and DOL's Voluntary Fiduciary Correction Program.)	4a		X	
b	Were any loans by the plan or fixed income obligations due the plan in default as of the close of the plan year or classified during the year as uncollectible? Disregard participant loans secured by participant's account balance. (Attach Schedule G (Form 5500) Part I if "Yes" is checked.)	4b		X	
c	Were any leases to which the plan was a party in default or classified during the year as uncollectible? (Attach Schedule G (Form 5500) Part II if "Yes" is checked.)	4c		X	
d	Were there any nonexempt transactions with any party-in-interest? (Do not include transactions reported on line 4a. Attach Schedule G (Form 5500) Part III if "Yes" is checked.)	4d		X	
e	Was this plan covered by a fidelity bond?	4e	X		1000000
f	Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty?	4f		X	
g	Did the plan hold any assets whose current value was neither readily determinable on an established market nor set by an independent third party appraiser?	4g		X	
h	Did the plan receive any noncash contributions whose value was neither readily determinable on an established market nor set by an independent third party appraiser?	4h		X	
i	Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.)	4i	X		
j	Were any plan transactions or series of transactions in excess of 5% of the current value of plan assets? (Attach schedule of transactions if "Yes" is checked, and see instructions for format requirements.)	4j		X	
k	Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC?	4k		X	
l	Has the plan failed to provide any benefit when due under the plan?	4l		X	
m	If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.)	4m		X	
n	If 4m was answered "Yes," check the "Yes" box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3.	4n			

5a Has a resolution to terminate the plan been adopted during the plan year or any prior plan year? If yes, enter the amount of any plan assets that reverted to the employer this year ☐ **Yes** ☒ **No** **Amount:**

5b If, during this plan year, any assets or liabilities were transferred from this plan to another plan(s), identify the plan(s) to which assets or liabilities were transferred. (See instructions.)

5b(1) Name of plan(s)	**5b(2)** EIN(s)	**5b(3)** PN(s)

SCHEDULE R (Form 5500)

Department of the Treasury
Internal Revenue Service

Department of Labor
Employee Benefits Security Administration

Pension Benefit Guaranty Corporation

Retirement Plan Information

This schedule is required to be filed under section 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6058(a) of the Internal Revenue Code (the Code).

▶ **File as an attachment to Form 5500.**

OMB No. 1210-0110

2009

This Form is Open to Public Inspection.

For calendar plan year 2009 or fiscal plan year beginning 01/01/2009 and ending 12/31/2009

A Name of plan
PAVEMENT RECYCLING SYSTEMS INC EMPLOYEE STOCK OWNERSHIP PLAN

B Three-digit plan number (PN) ▶ 001

C Plan sponsor's name as shown on line 2a of Form 5500
PAVEMENT RECYCLING SYSTEMS INC

D Employer Identification Number (EIN)
33-0353433

Part I Distributions

All references to distributions relate only to payments of benefits during the plan year.

1 Total value of distributions paid in property other than in cash or the forms of property specified in the instructions **1**

2 Enter the EIN(s) of payor(s) who paid benefits on behalf of the plan to participants or beneficiaries during the year (if more than two, enter EINs of the two payors who paid the greatest dollar amounts of benefits):

EIN(s): 20-2082757

Profit-sharing plans, ESOPs, and stock bonus plans, skip line 3.

3 Number of participants (living or deceased) whose benefits were distributed in a single sum, during the plan year. **3**

Part II Funding Information (If the plan is not subject to the minimum funding requirements of section of 412 of the Internal Revenue Code or ERISA section 302, skip this Part)

4 Is the plan administrator making an election under Code section 412(d)(2) or ERISA section 302(d)(2)? ..... ☐ **Yes** ☐ **No** ☐ **N/A**

If the plan is a defined benefit plan, go to line 8.

5 If a waiver of the minimum funding standard for a prior year is being amortized in this plan year, see instructions and enter the date of the ruling letter granting the waiver. **Date:** Month _____ Day _____ Year _____

If you completed line 5, complete lines 3, 9, and 10 of Schedule MB and do not complete the remainder of this schedule.

6 **a** Enter the minimum required contribution for this plan year **6a**

b Enter the amount contributed by the employer to the plan for this plan year **6b**

c Subtract the amount in line 6b from the amount in line 6a. Enter the result (enter a minus sign to the left of a negative amount) **6c**

If you completed line 6c, skip lines 8 and 9.

7 Will the minimum funding amount reported on line 6c be met by the funding deadline? ..... ☐ **Yes** ☐ **No** ☐ **N/A**

8 If a change in actuarial cost method was made for this plan year pursuant to a revenue procedure providing automatic approval for the change or a class ruling letter, does the plan sponsor or plan administrator agree with the change? ..... ☐ **Yes** ☐ **No** ☐ **N/A**

Part III Amendments

9 If this is a defined benefit pension plan, were any amendments adopted during this plan year that increased or decreased the value of benefits? If yes, check the appropriate box(es). If no, check the "No" box. ..... ☐ **Increase** ☐ **Decrease** ☐ **Both** ☐ **No**

Part IV ESOPs (see instructions). If this is not a plan described under Section 409(a) or 4975(e)(7) of the Internal Revenue Code, skip this Part.

10 Were unallocated employer securities or proceeds from the sale of unallocated securities used to repay any exempt loan? ..... ☐ **Yes** ☒ **No**

11 **a** Does the ESOP hold any preferred stock? ..... ☐ **Yes** ☒ **No**

b If the ESOP has an outstanding exempt loan with the employer as lender, is such loan part of a "back-to-back" loan? (See instructions for definition of "back-to-back" loan.) ..... ☐ **Yes** ☒ **No**

12 Does the ESOP hold any stock that is not readily tradable on an established securities market? ..... ☒ **Yes** ☐ **No**

Part V Additional Information for Multiemployer Defined Benefit Pension Plans

13 Enter the following information for each employer that contributed more than 5% of total contributions to the plan during the plan year (measured in dollars). See instructions. *Complete as many entries as needed to report all applicable employers.*

a Name of contributing employer

b EIN **c** Dollar amount contributed by employer

d Date collective bargaining agreement expires *(If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.)* Month _____ Day _____ Year _____

e Contribution rate information *(If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

---

a Name of contributing employer

b EIN **c** Dollar amount contributed by employer

d Date collective bargaining agreement expires *(If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.)* Month _____ Day _____ Year _____

e Contribution rate information *(If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

---

a Name of contributing employer

b EIN **c** Dollar amount contributed by employer

d Date collective bargaining agreement expires *(If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.)* Month _____ Day _____ Year _____

e Contribution rate information *(If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

---

a Name of contributing employer

b EIN **c** Dollar amount contributed by employer

d Date collective bargaining agreement expires *(If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.)* Month _____ Day _____ Year _____

e Contribution rate information *(If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

---

a Name of contributing employer

b EIN **c** Dollar amount contributed by employer

d Date collective bargaining agreement expires *(If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.)* Month _____ Day _____ Year _____

e Contribution rate information *(If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

---

a Name of contributing employer

b EIN **c** Dollar amount contributed by employer

d Date collective bargaining agreement expires *(If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.)* Month _____ Day _____ Year _____

e Contribution rate information *(If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

---

a Name of contributing employer

b EIN **c** Dollar amount contributed by employer

d Date collective bargaining agreement expires *(If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.)* Month _____ Day _____ Year _____

e Contribution rate information *(If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

14 Enter the number of participants on whose behalf no contributions were made by an employer as an employer of the participant for:

a The current year	**14a**	
b The plan year immediately preceding the current plan year	**14b**	
c The second preceding plan year	**14c**	

15 Enter the ratio of the number of participants under the plan on whose behalf no employer had an obligation to make an employer contribution during the current plan year to:

a The corresponding number for the plan year immediately preceding the current plan year	**15a**	
b The corresponding number for the second preceding plan year	**15b**	

16 Information with respect to any employers who withdrew from the plan during the preceding plan year:

a Enter the number of employers who withdrew during the preceding plan year	**16a**	
b If item 16a is greater than 0, enter the aggregate amount of withdrawal liability assessed or estimated to be assessed against such withdrawn employers	**16b**	

17 If assets and liabilities from another plan have been transferred to or merged with this plan during the plan year, check box and see instructions regarding supplemental information to be included as an attachment. ☐

Part VI Additional Information for Single-Employer and Multiemployer Defined Benefit Pension Plans

18 If any liabilities to participants or their beneficiaries under the plan as of the end of the plan year consist (in whole or in part) of liabilities to such participants and beneficiaries under two or more pension plans as of immediately before such plan year, check box and see instructions regarding supplemental information to be included as an attachment ☐

19 If the total number of participants is 1,000 or more, complete items (a) through (c)

a Enter the percentage of plan assets held as:
Stock: _____% Investment-Grade Debt: _____% High-Yield Debt: _____% Real Estate: _____% Other: _____%

b Provide the average duration of the combined investment-grade and high-yield debt:
☐ 0-3 years ☐ 3-6 years ☐ 6-9 years ☐ 9-12 years ☐ 12-15 years ☐ 15-18 years ☐ 18-21 years ☐ 21 years or more

c What duration measure was used to calculate item 19(b)?
☐ Effective duration ☐ Macaulay duration ☐ Modified duration ☐ Other (specify):

Pavement Recycling Systems, Inc.
Employee Stock Ownership Plan

Financial Statements and Supplemental Schedule

December 31, 2009 and 2008

(*With Independent Auditor's Report Thereon)*

PAVEMENT RECYCLING SYSTEMS, INC.
EMPLOYEE STOCK OWNERSHIP PLAN

Financial Statements and Supplemental Schedule
December 31, 2009 and 2008

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LENNY YEH, INC.
An Accountancy Corporation

INDEPENDENT AUDITOR'S REPORT

To the Participants and
Plan Administrator of the
Pavement Recycling Systems, Inc.
Employee Stock Ownership Plan

I have audited the financial statements of the Pavement Recycling Systems, Inc. Employee Stock Ownership Plan (the Plan) as of December 31, 2009 and 2008, and for the year ended December 31, 2009, as listed in the accompanying table of contents. These financial statements are the responsibility of the Plan's management. My responsibility is to express an opinion on these financial statements based on my audits.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2009 and 2008, and the changes in net assets available for benefits for the year ended December 31, 2009, in conformity with accounting principles generally accepted in the United States of America.

My audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule, as listed in the accompanying table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the United States of America Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Lenny Yeh Inc

Certified Public Accountant

Tustin, California
October 6, 2010



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Ste 150
Tustin, CA 92780

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Fax (714) 455-0751
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PAVEMENT RECYCLING SYSTEMS, INC.
EMPLOYEE STOCK OWNERSHIP PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS AS OF DECEMBER 31,

	2009			2008		
	Allocated	Unallocated	Total	Allocated	Unallocated	Total
Assets:						
Investments at fair value:						
Pavement Recycling Systems, Inc. common stocks	$ 38,124,326	$ 850,674	$ 38,975,000	$ 37,032,921	$ 1,042,079	$ 38,075,000
Mutual funds	2,427,792	-	2,427,792	2,085,196	-	2,085,196
Money market funds	2,119,967	-	2,119,967	2,686,026	-	2,686,026
Publicly traded common stock	-	-	-	14,963	-	14,963
Certificate of deposits	-	-	-	830,450	-	830,450
Cash	232,228	-	232,228	44,024	-	44,024
Assets held for investment purposes	42,904,313	850,674	43,754,987	42,693,580	1,042,079	43,735,659
Employer's contribution receivable	1,561,629	85,899	1,647,528	1,891,804	91,996	1,983,800
Total assets	44,465,942	936,573	45,402,515	44,585,384	1,134,075	45,719,459
Liabilities:						
Due to Money Purchase Plan	-	-	-	82,948	-	82,948
Loan payable - related party	-	408,873	408,873	-	466,394	466,394
Accrued interest - related party	-	2,778	2,778	-	5,622	5,622
Total liabilities	-	411,651	411,651	82,948	472,016	554,964
Net assets available for benefits, at fair value	$ 44,465,942	$ 524,922	$ 44,990,864	$ 44,502,436	$ 662,059	$ 45,164,495

See notes to financial statements.

PAVEMENT RECYCLING SYSTEMS, INC.
EMPLOYEE STOCK OWNERSHIP PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS FOR THE YEAR ENDED DECEMBER 31, 2009

	Allocated	Unallocated	Total
Additions to net assets attributed to:			
Net realized and unrealized depreciation in the fair value of Pavement Recycling Systems, Inc. common stocks	$ (564,049)	$ (16,686)	$ (580,735)
Net realized and unrealized appreciation in fair value of mutual funds and common stock	664,435		664,435
Interest and dividend income	82,702	-	82,702
Employer contribution	1,561,629	85,899	1,647,528
Loan repayments by using participants' allocated investment account balances	-	5,290	5,290
Allocations of 2,706 shares of Pavement Recycling Systems, Inc. common stocks, at fair value.	174,719	-	174,719
Total additions	1,919,436	74,503	1,993,939
Deductions from net assets attributed to:			
Withdrawals and distributions	1,909,866	-	1,909,866
Interest expense	-	36,921	36,921
Bank and investment management fees	40,774	-	40,774
Loan repayments by using participants' allocated investment account balances	5,290	-	5,290
Allocations of 2,706 shares of Pavement Recycling Systems, Inc. common stocks, at fair value.	-	174,719	174,719
Total deductions	1,955,930	211,640	2,167,570
Net decrease in net assets	(36,494)	(137,137)	(173,631)
Net assets available for benefits:			
Beginning of year	44,502,436	662,059	45,164,495
End of year	$ 44,465,942	$ 524,922	$ 44,990,864

See notes to financial statements.

PAVEMENT RECYCLING SYSTEMS, INC.
EMPLOYEE STOCK OWNERSHIP PLAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

NOTE 1 - THE PLAN AND ITS SIGNIFICANT ACCOUNTING POLICIES

General **-** The following description of the Pavement Recycling Systems, Inc. Employee Stock Ownership Plan (the Plan) provides only general information. Participants should refer to the Plan document for a more complete description of the Plan's provisions. The Plan is intended to qualify as an Employee Stock Ownership Plan as defined in Section 4975(e)(7) of the Internal Revenue Code (the Code).

The Plan is a defined contribution plan that was established in 1990 by Pavement Recycling Systems, Inc. (the Company) to provide benefits through the automatic accumulation of a proprietary interest in the Pavement Recycling Systems, Inc. common stocks to eligible employees, as defined in the Plan document. Effective January 1, 2007, the Plan has been amended and restated in its entirety, in order to bring the Plan into compliance with Section 401(a) of the Code, as amended by the Economic Growth and Tax Relief Reconciliation Act of 2001, and other applicable statutory and regulatory changes. The Plan administrator believes that the Plan is currently designed and operated in compliance with the applicable requirements of the Code and the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended.

Since the Plan's inception, the Plan purchased 580,770 shares (100% of total outstanding shares) of the Pavement Recycling Systems, Inc. common stocks, using borrowed proceeds secured by the purchased shares, and holds the common stocks in a trust established under the Plan. As the Plan makes each payment of principal and interest, an appropriate percentage of the Pavement Recycling Systems, Inc. common stocks are allocated to eligible employees' accounts in accordance with applicable regulation under the Code.

Borrowings are collateralized by the unallocated shares of the Pavement Recycling Systems, Inc. common stocks. Lenders have no rights against shares once they are allocated under the Plan. Accordingly, the financial statements of the Plan as of December 31, 2009 and 2008 and for the year ended December 31, 2009, present separately the assets and liabilities and changes therein pertaining to the accounts of employees with vested rights in allocated common stocks (Allocated) and common stocks not yet allocated to employees (Unallocated).

During September 2009, the Company has issued new additional 23,500 shares of Pavement Recycling Systems, Inc. common stocks and has contributed these shares into the Plan in settlement for $1,480,735 employer's contribution receivable that is recorded at December 31, 2008 by the Plan. These additional share issuances are valued at $63.01 per share which is derived from the Company's total appraised value of $38,075,000 at December 31, 2008 divided by the total shares outstanding at December 31, 2008 including these 2009 new issued shares.

During September 2010, the Company has issued new additional 24,800 shares of Pavement Recycling Systems, Inc. common stocks and has contributed these shares into the Plan in settlement for $1,536,522 employer's contribution receivable that is recorded at December 31, 2009 by the Plan. These additional share issuances are valued at $61.96 per share which is derived from the Company's total appraised value of $38,975,000 at December 31, 2009 divided by the total shares outstanding at December 31, 2009 including these 2010 new issued shares.

At December 31, 2009 and 2008, the Plan holds 604,270 and 580,770 shares of the Pavement Recycling Systems, Inc. common stocks which represent 100% and 100%, respectively, of the Company's total outstanding shares of 604,270 and 580,770 at each respective year end.

Administration **-** Under the terms of the Plan, a group of designated officers of the Company act as the trustee. The Company has appointed an Administrative Committee (the Committee) to manage the operation and administration of the Plan. The Company has contracted with a third-party administrator to process and maintain the records of participant data. The trustee has contracted with Charles Schwab & Co., Inc. (Schwab) as the Plan's investment manager who manages portfolios of high quality and highly liquid marketable investment securities under the trustee's general investment objectives and guidelines. Substantially all expenses incurred for administering the Plan are paid by the Company, except for investment management fees.

Estimates **-** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Basis of accounting **-** The financial statements of the Plan are prepared on the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America.

New accounting pronouncements **-** During 2009, the Plan adopted the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) and the Hierarchy of Generally Accepted Accounting Principles which only affected the specific references to GAAP literature in the notes to the financial statements.

In April 2009, the FASB issued FASB Staff Position 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*. (FSP 157-4). FSP 157-4 amended FASB Statement No. 157 (codified as ASC 820) to provide additional guidance on estimating fair value when the volume and level of activity for an asset or liability have significantly decreased in relation to its normal market activity. FSP 157-4 also provided additional guidance on circumstances that may indicate that a transaction is not orderly and on defining major categories of debt and equity securities to comply with the disclosure requirements of ASC 820. The Plan adopted the guidance in FSP 157-4 for the reporting period ended December 31, 2009. Adoption of FSP 157-4 did not have a significant effect on the Plan's net assets available for benefits or its changes in net assets available for benefits.

In May 2009, the FASB issued FASB Statement No. 165, *Subsequent Events,* which was codified into ASC 855, *Subsequent Events*, to provide general standards of accounting for and disclosure of events that occur after the balance sheet date, but before financial statements are issued or are available to be issued. ASC 855 was amended in February 2010. The Plan has adopted ASC 855, as amended.

In September 2009, the FASB issued Accounting Standards Update 2009-12, *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)* (ASU 2009-12). ASU 2009-12 amended ASC 820 to allow entities to use net asset value (NAV) per share (or its equivalent), as a practical expedient, to measure fair value when the investment does not have a readily determinable fair value and the net asset value is calculated in a manner consistent with investment company accounting. The Plan adopted the guidance in ASU 2009-12 for the reporting period ended December 31, 2009. Adoption of ASU 2009-12 did not have a significant effect on the Plan's net assets available for benefits or its changes in net assets available for benefits.

In January 2010, the FASB issued Accounting Standards Update 2010-06, *Improving Disclosures about Fair Value Measurements* (ASU 2010-06). ASU 2010-06 amended ASC 820 to clarify certain existing fair value disclosures and require a number of additional disclosures. The guidance in ASU 2010-06 clarified that disclosures should be presented separately for each "class" of assets and liabilities measured at fair value and provided guidance on how to determine the appropriate classes of assets and liabilities to be presented. ASU 2010-06 also clarified the requirement for entities to disclose information about both the valuation techniques and inputs used in estimating Level 2 and Level 3 fair value measurements. In addition, ASU 2010-06 introduced new requirements to disclose the amounts (on a gross basis) and reasons for any significant transfers between Levels 1, 2, and 3 of the fair value hierarchy and present information regarding the purchases, sales, issuances, and settlements of Level 3 assets and liabilities on a gross basis. The guidance in ASU 2010-06 becomes effective for reporting periods beginning after December 15, 2009. Plan management is currently evaluating the effect that the provisions of ASU 2010-06 will have on the Plan's financial statements.

Forfeited accounts – Forfeited nonvested accounts are used to restore rehired participants' account balances and to reallocate to eligible participants based on their eligible compensation in accordance with the Plan document.

Investment valuation and income recognition – The Plan's assets and the Company contributions are held and managed by the trustee, who invests cash and investment income received and make distributions to participants.

Pavement Recycling Systems, Inc. common stock is valued at estimated fair value. See further discussion under fair value measurement below.

The Plan's investments in mutual funds, money market funds and publicly traded company common stocks are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation (depreciation) includes the Plan's gains and losses on investments bought and sold as well as held during the year.

Fair value measurement - Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) *820, Fair Value Measurements and* Disclosures, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measured fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2: Inputs to the valuation methodology include

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2009 and 2008.

- Pavement Recycling Systems, Inc. common stock is valued at estimated fair value based upon an independent appraisal. This appraisal was based upon a combination of the market and income valuation techniques consistent with prior years. The appraiser took into account historical and projected cash flow and net income, return on assets, return on equity, market comparables and estimated fair value of company assets and liabilities.

- Mutual funds are valued at the net asset value of shares held by the plan at year end.

- Publicly traded common stocks are valued at the closing price reported on the active market on which the individual securities are traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2009 and 2008:

	Assets at Fair Value as of December 31, 2009			
	Level 1	Level 2	Level 3	Total
Assets:				
Pavement Recycling Systems, Inc. common stocks	$ -	$ -	$ 38,975,000	$ 38,975,000
Mutual funds	2,427,792	-	-	2,427,792
Money market funds	2,119,967	-	-	2,119,967
Cash	232,228	-	-	232,228
Total assets at fair value	$ 4,779,987	$ -	$ 38,975,000	$ 43,754,987

	Assets at Fair Value as of December 31, 2008			
	Level 1	Level 2	Level 3	Total
Assets:				
Pavement Recycling Systems, Inc. common stocks	$ -	$ -	$ 38,075,000	$ 38,075,000
Mutual funds	2,085,196	-	-	2,085,196
Money market funds	2,686,026	-	-	2,686,026
Publicly traded common stock	14,963			14,963
Certificate of deposits	830,450			830,450
Cash	44,024	-	-	44,024
Total assets at fair value	$ 5,660,659	$ -	$ 38,075,000	$43,735,659

The following table presents the changes in Level 3 instruments measured on a recurring basis for the year ended December 31, 2009:

	Investment in Pavement Recycling Systems, Inc. Common Stock
Balance, beginning of year	$ 38,075,000
Realized gains/(losses)	-
Unrealized gains/(losses) relating to assets still held at the reporting date	(580,735)
Purchases, sales, issuances and settlements (net)	1,480,735
Balance, end of year	$ 38,975,000

The amount of total gains or (losses) for the period included in changes in net assets attributable to the change in unrealized gains or (losses) relating to assets still held at the reporting date is ($580,735).

Cash and cash equivalents **-** All highly liquid investments purchased with an original maturity of three months or less are considered to be cash equivalents. These investments are usually held for a short period of time, pending long-term investment.

Income taxes **-** The Company has applied for a favorable determination letter for the Plan, and is currently waiting for an approval from the Internal Revenue Service. The Company believes that the Plan is operated in accordance with, and is qualified under the applicable requirements of the Code and related state statutes and that the trust, which forms a part of the Plan, is exempt from federal income and state franchise taxes.

Reclassifications **-** Certain reclassifications were made in the 2008 financial statements to conform with the 2009 presentation.

Risks and uncertainties **-** The Plan invests its funds primarily in the Pavement Recycling Systems, Inc. common stocks, mutual funds, stocks, bonds, fixed income securities and various other investment securities. The Company is privately held, its common stocks are not widely traded and do not have readily market determinable valuation. In the event of the Company's failure, the Plan will be subjected to losses to the extent of amounts invested in the Pavement Recycling Systems, Inc. common stocks. Mutual funds, stocks, bonds, fixed income securities and various other investment securities are exposed to various risks, such as interest rate, market fluctuations and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect participants' account balances and the amounts reported in the statements of net assets available for benefits and the statements of changes in net assets available for benefits.

NOTE 2 - RELATED PARTY TRANSACTIONS

During January 2000, as a result of the Company's merger with another company, in essence, the Plan entered into a $1,200,060 loan agreement with the Company relating to the purchase of additional Pavement Recycling Systems, Inc. common stocks issued during the merger transaction. Unallocated shares are collateral for the loan. As of December 31, 2009, the loan requires seven remaining annual principal repayments of approximately $60,000 plus interest at 8.00% per annum. The note payable is stated at cost which approximates to its fair value. The fair value of the note payable as of December 31, 2009 and 2008 was approximately $409,000 and $466,000, respectively. Such a lending transaction, while considered a party-in-interest transaction under ERISA regulations, is permitted under the provisions of the Plan and is specifically exempt from the prohibition of party-in-interest transactions under ERISA.

The Plan has $82,948 liability due to the Company's Money Purchase Plan (MPP) as of December 31, 2008. The Company deposited the related MPP's contributions into the Plan during 2007 because the Company was originally intending to combine the two plans into one plan. However, as the Company was finalizing the restated plan document, the Company decided to keep the two plans separate. The Plan has returned the remaining amount back to the MPP during 2009.

NOTE 3 - PARTICIPATION AND BENEFITS

Participant contributions - Participants may not contribute to the Plan.

Employer contributions **–** The Company makes annual cash contributions to the Plan in an amount determined by the Company's Board of Directors on a discretionary basis.

Vesting – In general, participants are fully vested in their allocated accounts after 5 years of credited service or upon reaching age 65, incurring a disability while employed by the Company or dies while employed by the Company, whichever is sooner.

Participant accounts – The Plan is a defined contribution plan under which a separate individual account is established for each participant. Each participant's account is credited with an allocation of shares of the Company's common stock released by the Plan trustee from the unallocated account, the Company's contributions, Plan earnings or losses, forfeitures of terminated participants' nonvested accounts, and reallocation of the Company's common stocks repurchased from terminated participants. Allocations are based on the participant's eligible compensation or account balances, as defined in the Plan.

Payment of benefits – In general, upon termination, the participant or beneficiary may receive their total benefits in a lump sum amount equal to the value of the participant's vested interest in their allocated accounts, or receive their benefits in periodic installments over a 5 year period depending on their account balances. Benefit distributions are recorded by the Plan when paid.

Voting rights – In accordance with instructions from the Plan document, the trustee is entitled to voting rights on the Pavement Recycling Systems, Inc. common stocks held by the trust. Each participant is entitled to provide confidential voting instructions to the trustee and will be provided with the proxy statement and other materials provided to the Company shareholders in connection with each shareholder meeting, together with a form upon which voting instructions may be given to an independent third party who will tabulate votes and provide instructions to the trustee as to the voting of the Pavement Recycling Systems, Inc. common stocks as directed by participants.

Put Option – Under federal income tax regulations, the employer securities that are held by the Plan and its participants, and that are not readily tradable on an established market, or that are subject to trading limitations, include a put option (liquidity put). The liquidity put is a right to demand that the Company buy shares of its common stocks held by the participant for which there is no market. The put price is representative of the fair market value of the common stocks. The Company may pay for the purchase with interest not exceeding a period of five years. The purpose of the liquidity put is to ensure that the participant has the ability to ultimately obtain cash. In addition, if the Company elects to pay the purchase price of the common stock option under the installment method then the Company shall give the participant who is exercising the put option the Company's promissory note for the full unpaid balance of the purchase price.

Diversification – The Plan offers two types of diversifications for participants so they may have the opportunity to move part of the value of their investments in the Pavement Recycling Systems, Inc. common stock into investments which are more diversified and liquid.

Discretionary diversification is offered to participants who have completed 10 years of Plan participation. In general, participants may elect annually to diversify up to 10% of the Pavement Recycling Systems, Inc. common stock allocated to his or her account subjected to certain limitations.

Statutory diversification is offered to participants who have completed 10 years of Plan participation and who have attained age 55. Participants may elect annually over a six-year period to diversify up to 25% of the Pavement Recycling Systems, Inc. common stock allocated to his or her account.

As of December 31, 2009, approximately $3,400,000 of Pavement Recycling Systems, Inc. common stocks is eligible for diversification.

Loans to participants – Currently, participant loans are not available for the participants to borrow against their account balances.

NOTE 4 - PLAN OBLIGATIONS

Included in net assets available for benefits at December 31, 2009 and 2008 are benefits due to withdrawing participants for benefits to be paid over the next 5 years in accordance with the Plan document, of approximately $13,000,000 and $10,000,000, respectively.

NOTE 5 - INVESTMENTS

The following presents investments that represent 5 percent or more of the plan's net assets at December 31, 2009 and 2008:

	December 31, 2009		
	Allocated	Unallocated	Total
Pavement Recycling Systems, Inc. common stock:			
Number of shares	591,081	13,189	604,270
Cost	$ 5,096,329	$ 271,625	$ 5,367,954
Fair value	$ 38,124,326	$ 850,674	$ 38,975,000

	December 31, 2008		
	Allocated	Unallocated	Total
Pavement Recycling Systems, Inc. common stock:			
Number of shares	564,875	15,895	580,770
Cost	$ 3,559,864	$ 327,355	$ 3,887,219
Fair value	$ 37,032,921	$ 1,042,079	$ 38,075,000

The Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated (depreciated) in value as follows for the year ended December 31, 2009:

Pavement Recycling Systems, Inc.	
Common Stocks	$ (580,735)
Mutual funds and common stock	664,435
	$ 83,700

NOTE 6 - PLAN TERMINATION AND/OR MODIFICATION

The Company intends to continue the Plan indefinitely for the benefit of its participants; however, it reserves the right to terminate and/or modify the Plan at any time by resolution of its Board of Directors and subject to the provisions of ERISA. In the event the Plan is terminated in the future, participants would become fully vested in their accounts.

NOTE 7 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through the date of the independent accounting firm’s report.

SUPPLEMENTAL SCHEDULE

PAVEMENT RECYCLING SYSTEMS, INC.
EMPLOYEE STOCK OWNERSHIP PLAN

EIN: 33-0353433
PLAN #001

SCHEDULE H, LINE 4i - SCHEDULE OF ASSETS (HELD AT END OF YEAR)
AS OF DECEMBER 31, 2009

	Identity of issue, borrower, lessor or similar party	Description of investment including maturity date, rate of interest, collateral, par or maturity value	(if applicable) Cost	Current value
(a)	(b)	(c)	(d)	(e)
*	Pavement Recycling Systems, Inc.	604,270 Shares of Pavement Recycling Systems, Inc. Common Stocks	$ 5,367,954	$ 38,975,000
	Charles Schwab & Co., Inc:			
	Cash	Schwab cash	18,257	18,257
	Money Market Funds	Schwab money fund	622,022	622,022
	Lord Abbett Bond Debenture Fund Class A	Mutual fund	171,255	188,177
	Lord Abbett Short Duration Income I Fund	Mutual fund	251,876	250,381
	Mainstay Floating Rate Fund Class A	Mutual fund	64,123	68,451
	Mainstay Indexed Bond Fund I Share	Mutual fund	77,319	79,034
	Oppenheimer International Bond Fund Class A	Mutual fund	129,762	146,144
	Principal High Yield A Fund	Mutual fund	109,059	134,716
	Vanguard GNMA Fund Investor Share	Mutual fund	64,763	65,082
	Vanguard Short Term Bond Index Fund Investor Share	Mutual fund	76,217	77,057
	American Fund Growth Fund of America F1	Mutual fund	43,144	59,289
	BlackRock Equity Dividend Fund Class A	Mutual fund	153,782	198,993
	Fidelity Advisor New Insights Fund Class A	Mutual fund	147,372	124,538
	First Eagle Fund of America Class A	Mutual fund	59,738	75,054
	Goldman Sachs Small Mid Cap Growth Fund Class A	Mutual fund	100,808	107,114
	Henderson International Opportunity Fund Class A	Mutual fund	105,251	150,473
	Ivy Asset Strategy Fund Class I	Mutual fund	274,728	339,773
	Oppenheimer Developing Markets Fund Class A	Mutual fund	45,253	84,899
	Sextant International Fund	Mutual fund	119,329	153,637
	Sunamerica Alternative Strategies Fund Class A	Mutual fund	120,980	124,980
	Sterling Wealth	Money Market Fund	1,497,945	1,497,945
	City National Bank	Cash	213,971	213,971
		Total	$ 9,834,908	$ 43,754,987

* Party-in-interest

PARTY IN INTEREST - X
IDENTITY - Pavement Recycling S
DESCRIPTION - Common Stock
COST - 0
CURRENT VALUE - 38975000

PARTY IN INTEREST -
IDENTITY - Charles Schwab
DESCRIPTION - Mutual Funds
COST - 0
CURRENT VALUE - 2427792

PARTY IN INTEREST -
IDENTITY - Charles Schwab
DESCRIPTION - Monty Market
COST - 640279
CURRENT VALUE - 640279

PARTY IN INTEREST -
IDENTITY - Diversification
DESCRIPTION - Cash or Cash Equival
COST - 1497945
CURRENT VALUE - 1497945