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), 6057(b), 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

2011

This Form is Open to Public Inspection

Part I Annual Report Identification Information

For calendar plan year 2011 or fiscal plan year beginning 01/01/2011 and ending 12/31/2011

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, including room or suite number (Employer, if for single-employer plan)

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.	10/15/2012	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

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**	216
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**	160
b	Retired or separated participants receiving benefits	**6b**	6
c	Other retired or separated participants entitled to future benefits	**6c**	39
d	Subtotal. Add lines **6a**, **6b**, and **6c**	**6d**	205
e	Deceased participants whose beneficiaries are receiving or are entitled to receive benefits	**6e**	1
f	Total. Add lines **6d** and **6e**	**6f**	206
g	Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item)	**6g**	205
h	Number of participants that terminated employment during the plan year with accrued benefits that were less than 100% vested	**6h**	2
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.**	**2011** **This Form is Open to Public Inspection.**

For calendar plan year 2011 or fiscal plan year beginning 01/01/2011 and ending 12/31/2011

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 IN

1808 ASTON AVE STE 245
CARLSBAD, CA 92008

94-3468248

(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 ADVISOR	33068	Yes [ ] No [X]	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 [ ]

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)

(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

(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

2011

This Form is Open to Public Inspection

For calendar plan year 2011 or fiscal plan year beginning 01/01/2011 and ending 12/31/2011

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	697198	2065
b Receivables (less allowance for doubtful accounts):			
(1) Employer contributions	1b(1)	1208949	1338734
(2) Participant contributions	1b(2)		
(3) Other	1b(3)		37
c General investments:			
(1) Interest-bearing cash (include money market accounts & certificates of deposit)	1c(1)	262093	595243
(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)		
(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)	3379576	2139229
(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)	40400000	43000000
	(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	45947816	47075308
	Liabilities			
g	Benefit claims payable	1g		
h	Operating payables	1h		
i	Acquisition indebtedness	1i	357085	295520
j	Other liabilities	1j		101
k	Total liabilities (add all amounts in lines 1g through1j)	1k	357085	295621
	Net Assets			
l	Net assets (subtract line 1k from line 1f)	1l	45590731	46779687

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)	1338738	
	(B) Participants	2a(1)(B)		
	(C) Others (including rollovers)	2a(1)(C)		
	(2) Noncash contributions	2a(2)	29732	
	(3) Total contributions. Add lines **2a(1)(A), (B), (C),** and line **2a(2)**	2a(3)		1368470
b	**Earnings on investments:**			
	(1) Interest:			
	(A) Interest-bearing cash (including money market accounts and certificates of deposit)	2b(1)(A)	81839	
	(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)		81839
	(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)	2638876	
(C) Total unrealized appreciation of assets. Add lines 2b(5)(A) and (B)	2b(5)(C)		2638876
(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)		-215007
c Other income	2c		
d Total income. Add all **income** amounts in column (b) and enter total	2d		3874178
Expenses			
e Benefit payment and payments to provide benefits:			
(1) Directly to participants or beneficiaries, including direct rollovers	2e(1)	2626330	
(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)		2626330
f Corrective distributions (see instructions)	2f		
g Certain deemed distributions of participant loans (see instructions)	2g		
h Interest expense	2h		26206
i Administrative expenses: (1) Professional fees	2i(1)		
(2) Contract administrator fees	2i(2)		
(3) Investment advisory and management fees	2i(3)	32686	
(4) Other	2i(4)		
(5) Total administrative expenses. Add lines 2i(1) through (4)	2i(5)		32686
j Total expenses. Add all **expense** amounts in column (b) and enter total	2j		2685222
Net Income and Reconciliation			
k Net income (loss). Subtract line 2j from line 2d	2k		1188956
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: WRIGHT FORD YOUNG & CO. (2) EIN: 95-3288054

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

2011

This Form is Open to Public Inspection.

For calendar plan year 2011 or fiscal plan year beginning 01/01/2011 and ending 12/31/2011

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): 33-6134835 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 (include any prior year accumulated funding deficiency not waived) **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 or other authority 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. 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): _____

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

DECEMBER 31, 2011 AND 2010

PAVEMENT RECYCLING SYSTEMS, INC.

EMPLOYEE STOCK OWNERSHIP PLAN

INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULE

DECEMBER 31, 2011 AND 2010

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Wright Ford Young & Co.

Certified Public Accountants and Consultants, Inc.

INDEPENDENT AUDITORS' REPORT

October 12, 2012

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

We have audited the accompanying statement of net assets available for benefits of the Pavement Recycling Systems, Inc. Employee Stock Ownership Plan (the Plan) as of December 31, 2011, and the related statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Plan as of and for the year ended December 31, 2010 were audited by other auditors whose report dated October 7, 2011, expressed an unqualified opinion on those financial statements.

We conducted our audit 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. 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 audit provides a reasonable basis for our opinion.

In our 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, 2011, and the changes in net assets available for benefits for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedule of assets (held at end of year) as of December 31, 2011, is presented for the purpose of additional analysis and is not a required part of the financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. Such information is the responsibility of the Plan's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Wright Ford Young & Co.

WRIGHT FORD YOUNG & CO.

16140 Sand Canyon Avenue • Irvine, California 92618 • (949) 910-CPAS (2727) • Fax (949) 910-2728

PAVEMENT RECYCLING SYSTEMS, INC.
EMPLOYEE STOCK OWNERSHIP PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

DECEMBER 31, 2011 AND 2010

	2011			2010		
	Allocated	Unallocated	Total	Allocated	Unallocated	Total
ASSETS:						
Investments, at fair value:						
Pavement Recycling Systems, Inc. common stock	$ 42,443,052	$ 556,948	$ 43,000,000	$ 39,720,231	$ 679,769	$ 40,400,000
Registered investment companies	2,734,472	-	2,734,472	3,641,474	-	3,641,474
Total investments	45,177,524	556,948	45,734,472	43,361,705	679,769	44,041,474
Sponsor contribution receivable	1,256,351	82,383	1,338,734	1,121,178	87,771	1,208,949
Non-interest bearing cash	2,065	-	2,065	697,393	-	697,393
Total assets	46,435,940	639,331	47,075,271	45,180,276	767,540	45,947,816
LIABILITIES:						
Other payable	64	-	64	-	-	-
Loan payable	-	290,123	290,123	-	349,052	349,052
Accrued interest expense	-	5,397	5,397	-	8,033	8,033
Total liabilities	64	295,520	295,584	-	357,085	357,085
NET ASSETS AVAILABLE FOR BENEFITS	$ 46,435,876	$ 343,811	$ 46,779,687	$ 45,180,276	$ 410,455	$ 45,590,731

See independent auditors' report and notes to the 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, 2011

	Allocated	Unallocated	Total
ADDITIONS:			
Sponsor contributions	$ 1,286,086	$ 82,383	$ 1,368,469
Net unrealized appreciation in fair value of Pavement Recycling Systems, Inc. common stock	2,594,834	44,043	2,638,877
Net depreciation in fair value of registered investment companies	(215,007)	-	(215,007)
Interest income	81,839	-	81,839
Allocation of 2,440 shares of common stock of Pavement Recycling Systems, Inc. common stock	166,864	-	166,864
Total additions	3,914,616	126,426	4,041,042
DECREASE:			
Benefit payments	2,626,330	-	2,626,330
Interest expense	-	26,206	26,206
Administrative expenses	32,686	-	32,686
Allocation of 2,440 shares of common stock of Pavement Recycling Systems, Inc. common stock	-	166,864	166,864
Total deductions	2,659,016	193,070	2,852,086
NET INCREASE (DECREASE)	1,255,600	(66,644)	1,188,956
NET ASSETS AVAILABLE FOR BENEFITS, beginning of year	45,180,276	410,455	45,590,731
NET ASSETS AVAILABLE FOR BENEFITS, end of year	$ 46,435,876	$ 343,811	$ 46,779,687

See independent auditors' report and notes to the financial statements.

PAVEMENT RECYCLING SYSTEMS, INC.

EMPLOYEE STOCK OWNERSHIP PLAN

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

1. PLAN DESCRIPTION AND BASIS OF PRESENTATION

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 agreement for a more complete description of the Plan's provision.

General

Pavement Recycling Systems, Inc. (the Company or Sponsor) established the Plan in 1990. The Plan is an employee stock ownership plan (ESOP) and is designed to comply with Sections 401(a) and 4975(e)(7) and the regulations thereunder of the Internal Revenue Code of 1986, as amended (the IRC), subject to the applicable provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended.

The Plan has purchased shares of Pavement Recycling Systems, Inc. common stock using borrowed proceeds secured by the purchased shares, and holds the common stock 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 stock is allocated to eligible employees' accounts in accordance with applicable regulation under the IRC.

Borrowings are collateralized by the unallocated shares of the Pavement Recycling Systems, Inc. common stock. Lenders have no rights against the shares once they are allocated under the Plan. Accordingly, the financial statements of the Plan as of December 31, 2011 and 2010 and for the year ended December 31, 2011, present separately the assets and liabilities and changes therein pertaining to the accounts of participants with vested rights in allocated common stock shares (Allocated) and common stock shares not yet allocated to employees (Unallocated).

Eligibility

Employees who have attained at least 21 years of age, have completed 12 consecutive months of service, with at least 1,000 hours and are employed on the last day of the plan year will become a participant in the Plan as of the first day of the Plan year in which the eligibility requirements are satisfied. Prior to January 1, 2008, the service requirement was six months, defined as a minimum of 500 hours. For vesting purposes, participants do not have to complete the 12 consecutive months of service requirement.

Employer Contributions

The Company makes annual cash and common stock contributions to the Plan in an amount determined by the Company's Board of Directors on a discretionary basis. Company contributions must be in amounts sufficient to make the required payments on the loan payable (see Note 7).

1. PLAN DESCRIPTION AND BASIS OF PRESENTATION – (Continued)

Plan Administration

The Plan's assets, which consist of Pavement Recycling Systems, Inc., Inc. common stock, are held by the Company.

The trustees of the Plan are a group of designated officers of the Company. Company contributions are held and managed by the trustees, which invests cash received, interest, and dividend income and makes distributions to participants and scheduled loan repayments.

Certain administrative functions are performed by officers or employees of the Company. No such officer or employee receives compensation from the Plan. Administrative expenses for the Trustee's fees are paid directly by the Company.

Participant Accounts

Each participant's account is credited with allocations of (a) the Company's contributions, (b) forfeitures, (c) net appreciation of Company common stock, and (d) other investment earnings net of plan expenses.

The Company's contributions may consist of acquisition indebtedness contributions and cash or common stock contributions and are allocated to active participants based on the percentage that their eligible compensation is representative to total eligible compensation.

Forfeitures of terminated participant's nonvested account balances are allocated to active participants based on the percentage that their eligible compensation is representative to total eligible compensation.

Net appreciation of Company common stock, as determined by an independent appraiser, is allocated based on the number of shares held by the participants at year-end multiplied by the change in the per share value.

Other investment earnings, including interest and dividend income, net of plan expenses are allocated to participants based on the percentage that their other investment account balance as of the first day of the plan year adjusted for distributions made, is representative to the total other investment account balance.

1. PLAN DESCRIPTION AND BASIS OF PRESENTATION – (Continued)

Payment of Benefits

Distribution of Plan benefits due to termination for retirement, disability, death or other reasons will be made in shares of Company common stock (see Put Option below), lump sum or annual installments after a one to six year waiting period. Annual installments are paid over no more than five years. All vested account balances not exceeding $1,000 may be immediately distributed in a lump-sum payment. All vested account balances exceeding $1,000, but not exceeding $5,000, may be rolled into an Individual Retirement Account. As of December 31, 2011, 46 participants who terminated employment have 150,785 vested shares valued at $10,311,083. These amounts are scheduled to be paid commencing December 31, 2012 through December 31, 2021.

Vesting

Vesting in the Company's contributions is based on years of service as follows:

Years of Service	Vested Percentage
Less than 5	0%
5	100%

Voting Rights

Participants may direct the voting of shares of the Company common stock allocated to their accounts on any matter on which shareholders are allowed to vote. Such matters are limited to the approval or disapproval of any corporate merger or consolidation, recapitalization, reclassification, liquidation, dissolution, sale of substantially all assets of a trade or business, or other similar transactions. 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 Company common stock as directed by participants.

Right of First Refusal

The right of first refusal shall provide that prior to any subsequent transfer, the shares must first be offered for purchase in writing to the Company, then to the trustee, on behalf of the Plan, at the fair market value. The fair market value for these shares of Company common stock shall be the greater of the price offered to the participant by the prospective purchaser or the most recent preceding valuation date of the Plan. The Company and the trustee have 14 days to exercise this right of first refusal.

1. PLAN DESCRIPTION AND BASIS OF PRESENTATION – (Continued)

Put Option

Under federal income tax regulations, the Company common stock 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 stock held by the participant for which there is no market. The put price is representative of the fair market value of the common stock. 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

Prior to January 1, 2010, the Plan offered two types of diversification for participants so they may have the opportunity to move part of the value of their investments in the Company common stock into investments which are more diversified and liquid. Effective January 1, 2010, the Company amended the Plan to cease discretionary diversification provision and only allow statutory diversification.

Discretionary diversification was offered to participants who had completed 10 years of Plan participation. In general, participants could elect annually to diversify up to 10% of Company common stock allocated to his or her account subject 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 Company common stock allocated to his or her account. As of December 31, 2011, 32,389 shares of Company common stock were eligible for diversification.

Plan Termination

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

Use of 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 net assets available for benefits and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets available for benefits during the reporting period. Actual results could differ from those estimates.

Risks and Uncertainties

The Plan invests in common stock of the Sponsor that is generally exposed to various risks, such as interest rate risk, credit risk, and overall market volatility. Due to the level of risk associated with equity securities, it is reasonably possible that changes in the values of the common stock will occur in the near future and that such changes could materially affect the amounts reported in the statements of net assets available for benefits.

Investment Valuation and Income Recognition

Investments 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. See Note 3 for discussion of fair value measurements.

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

Subsequent Events

The Company has evaluated subsequent events through the date of the audit report, which is the date the accompanying financial statements were available to be issued.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

New Accounting Pronouncement

In January 2010, the Financial Accounting Standards Board (the FASB) issued guidance which expanded the required disclosures about fair value measurements. In particular, this guidance requires (i) separate disclosure of the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements along with the reasons for such transfers, (ii) information about purchases, sales, issuances and settlements to be presented separately in the reconciliation for Level 3 fair value measurements, (iii) fair value measurement disclosures for each class of assets and liabilities and (iv) disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements for fair value measurements that fall in either Level 2 or Level 3. This guidance is effective for annual reporting periods beginning after December 15, 2009 except for (ii) above which is effective for fiscal years beginning after December 15, 2010. The adoption of this guidance did not have a material effect on the Plan's net assets available for benefits, changes in net assets available for benefits or related disclosures.

3. FAIR VALUE MEASUREMENTS

FASB ASC 820 provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and 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 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 the asset or liability.

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

3. FAIR VALUE MEASUREMENTS – (Continued)

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, 2011 and 2010.

Pavement Recycling Systems, Inc. common stock: The fair value of the Company's common stock was determined by an independent valuation using the values derived through the Discounted Cash Flow and Comparable Acquisitions methods, weighted equally. This investment is classified within level 3 of the valuation hierarchy because the asset value is not based on an active market with quoted prices and was determined using observable and unobservable inputs.

Registered investment companies: These investments are public investment vehicles valued using the net asset value (NAV) provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The NAV is a quoted price in an active market and classified within level 1 of the valuation hierarchy.

Loan payable: The reported value of the loan payable as of December 31, 2011, approximates the fair market value, determined by using the interest rates currently available for issuance of debt with similar terms and maturity date and is classified within level 2 of the valuation hierarchy.

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.

3. FAIR VALUE MEASUREMENTS – (Continued)

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2011 and 2010:

Description	Total	Level 1	Level 2	Level 3
December 31, 2011				
ASSETS:				
Investment in Pavement Recycling Systems, Inc. common stock	$ 43,000,000	$ -	$ -	$ 43,000,000
Registered investment companies:				
Money market funds	595,244	595,244	-	-
Bond funds	859,541	859,541	-	-
Large growth funds	251,375	251,375	-	-
Large value funds	313,168	313,168	-	-
Mid-cap funds	237,945	237,945	-	-
Small growth funds	20,101	20,101	-	-
International funds	457,098	457,098	-	-
Total registered investment companies	2,734,472	2,734,472	-	-
Total assets	$ 45,734,472	$ 2,734,472	$ -	$ 43,000,000
LIABILITIES:				
Loan payable	$ 290,123	$ -	$ 290,123	$ -

3. FAIR VALUE MEASUREMENTS – (Continued)

Description	Total	Level 1	Level 2	Level 3
December 31, 2010				
ASSETS:				
Investment in Pavement Recycling Systems, Inc. common stock	$ 40,400,000	$ -	$ -	$ 40,400,000
Registered investment companies:				
Money market funds	261,898	261,898	-	-
Bond funds	1,526,188	1,526,188	-	-
Large Blend funds	462,124	462,124	-	-
Large growth funds	709,004	709,004	-	-
Large value funds	264,932	264,932	-	-
Medium, small and other funds	417,328	417,328	-	-
Total registered investment companies	3,641,474	3,641,474	-	-
Total assets	$ 44,041,474	$ 3,641,474	$ -	$ 40,400,000
LIABILITIES:				
Loan payable	$ 349,052	$ -	$ 349,052	$ -

There were no transfers between Levels 1, 2 and 3 during the year ended December 31, 2011.

The following table presents a summary of changes in the fair value of the Plan's level 3 assets for the year ended December 31, 2011:

	Investment in Pavement Recycling Systems, Inc. Common Stock
Balance, beginning of year	$ 40,400,000
Unrealized appreciation	2,638,877
Contributions	940,891
Distributions	(979,768)
Balance, end of year	$ 43,000,000

PAVEMENT RECYCLING SYSTEMS, INC.

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NOTES TO THE FINANCIAL STATEMENTS

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4. INVESTMENTS

The following presents investments that represent 5 percent or more of the plan's net assets at December 31, 2011 and 2010:

	2011		2010	
	Allocated	Unallocated	Allocated	Unallocated
Pavement Recycling Systems, Inc.				
Common stock shares:				
Number of shares	620,669	8,145	618,485	10,585
Cost	$ 37,031,325	$ 485,960	$ 35,824,286	$ 613,111
Market	$ 42,443,052	$ 556,948	$ 39,720,231	$ 679,769

Starting in 2009, the Company has issued annually new additional shares of Company common stock and has contributed these shares into the Plan in settlement for portion of employer contribution receivable that is recorded at each prior year end. Although the new issuances of shares create dilution impact on existing shares, it also provides new additional shares to eligible participants. The net impact from this transaction is allowing newer employees to participate in receiving shares of Company common stock through ownership dilution of existing shares. During the Plan years 2009 through 2011, the Company has contributed a total of 63,300 shares of Company common stock to satisfy employer contributions. The contribution of these shares has resulted in share dilution of $1.50, $2.54 and $2.55 for the Plan years 2011, 2010 and 2009, respectively.

5. TAX STATUS

The Company received a favorable opinion letter from the Internal Revenue Service (IRS), on May 23, 2012, which stated that the Plan, as then designed, was in compliance with the applicable requirements of the IRC. The plan administrator believes the Plan is currently designed and being operated in compliance with the applicable requirements of the IRC. Therefore, no provision for income taxes has been included in the Plan's financial statements.

Accounting principles generally accepted in the United States of America require plan management to evaluate tax positions taken by the Plan and recognize a tax liability if the Plan has taken an uncertain tax position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The plan administrator has analyzed the tax positions taken by the Plan, and has concluded that as of December 31, 2011, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The plan administrator believes it is no longer subject to income tax examinations for years prior to 2008.

PAVEMENT RECYCLING SYSTEMS, INC.

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6. PARTY-IN-INTEREST TRANSACTIONS

The Plan allows for transactions with certain parties who may perform services or have fiduciary responsibilities to the Plan. Plan investments consist of common stock of Pavement Recycling Systems, Inc. held by the Company, registered investment companies and interest bearing cash held by Charles Schwab & Co., Inc. (Schwab) and non-interest bearing cash held by Wells Fargo Bank (Wells Fargo). The Plan paid $32,686 in investment management fees to Schwab during the year ended December 31, 2011. The Company paid certain administrative expenses, including recordkeeping and audit fees of the Plan. The Plan also entered into a term loan agreement with Pavement Recycling Systems, Inc., Inc. For the year ended December 31, 2011, the Plan made interest and principal payments of approximately $85,000, to Pavement Recycling Systems, Inc. These transactions qualify as party in interest transactions for which a statutory exemption exists.

7. LOAN PAYABLE

During January 2000, as a result of the Company's merger with another entity, the Plan entered into a $1,200,060 loan agreement with the Company relating to the purchase of additional Company common stock issued during the merger transaction. Unallocated shares are collateral for the loan. As of December 31, 2011, the loan requires 5 remaining annual principal repayments of approximately $60,000 plus interest at 8.00% per annum.

8. NON-PARTICIPANT DIRECTED INVESTMENTS

Information about the net assets and the significant components of the changes in net assets relating to the non-participant directed investments are as follows:

	December 31, 2011	December 31, 2010
Net Assets:		
Pavement Recycling Systems, Inc. common stock	$ 43,000,000	$ 40,400,000
Registered investment companies	1,436,586	1,599,004
Sponsor receivable	1,338,734	1,208,949
Non-interest bearing cash	2,065	697,393
Other payable	(63)	-
Loan payable	(290,123)	(349,052)
Accrued interest expense	(5,397)	(8,033)
	$ 45,481,802	$ 43,548,261

8. NON-PARTICIPANT DIRECTED INVESTMENTS – (Continued)

	Year Ended December 31, 2011
Changes in Net Assets:	
Sponsor contributions	$ 1,368,469
Net unrealized appreciation in fair value of Pavement Recycling Systems, Inc. common stock	2,638,877
Net depreciation in fair value of registered investment companies	(88,253)
Interest income	39,135
Benefits payments	(1,980,864)
Interest expense	(26,206)
Administrative expenses	(17,617)
	$ 1,933,541

PARTY IN INTEREST -
IDENTITY - Cash
DESCRIPTION - Cash
COST - 1491
CURRENT VALUE - 1491

PARTY IN INTEREST - X
IDENTITY - Pavement Recycling S
DESCRIPTION - Common Stock
COST - 37517285
CURRENT VALUE - 43000000

PARTY IN INTEREST -
IDENTITY - Schwab Money Market
DESCRIPTION - Money Market
COST - 595244
CURRENT VALUE - 595244

PARTY IN INTEREST -
IDENTITY - WF Advantage Money M
DESCRIPTION - Money Market
COST - 574
CURRENT VALUE - 574

PARTY IN INTEREST -
IDENTITY - Sunamerica Focused
DESCRIPTION - Mutual Fund
COST - 126148
CURRENT VALUE - 136830

PARTY IN INTEREST -
IDENTITY - Fidelity Adv New
DESCRIPTION - Mutual Fund
COST - 113477
CURRENT VALUE - 119758

PARTY IN INTEREST -
IDENTITY - Goldman Sachs Strat
DESCRIPTION - Mutual Fund
COST - 330480
CURRENT VALUE - 310131

PARTY IN INTEREST -
IDENTITY - Lord Abbett Developi
DESCRIPTION - Mutual Fund
COST - 17944
CURRENT VALUE - 15485

PARTY IN INTEREST -
IDENTITY - Ivy Asset Strategy F
DESCRIPTION - Mutual Fund
COST - 221862
CURRENT VALUE - 230243

PARTY IN INTEREST -
IDENTITY - Blackrock Global All
DESCRIPTION - Mutual Fund
COST - 92356
CURRENT VALUE - 85610

PARTY IN INTEREST -
IDENTITY - Sextant Intl Fund
DESCRIPTION - Mutual Fund
COST - 130646
CURRENT VALUE - 141245

PARTY IN INTEREST -
IDENTITY - Touchstone Emrg Mkts
DESCRIPTION - Mutual Fund
COST - 65202
CURRENT VALUE - 57998

PARTY IN INTEREST -
IDENTITY - Sunamerica Senior
DESCRIPTION - Mutual Fund
COST - 23714
CURRENT VALUE - 22791

PARTY IN INTEREST -
IDENTITY - Lord Abbett Short
DESCRIPTION - Mutual Fund
COST - 235054
CURRENT VALUE - 232937

PARTY IN INTEREST -
IDENTITY - Touchstone Sands Cap
DESCRIPTION - Mutual Fund
COST - 134484
CURRENT VALUE - 131617

PARTY IN INTEREST -
IDENTITY - Vanguard Bond Index
DESCRIPTION - Mutual Fund
COST - 164398
CURRENT VALUE - 167999

PARTY IN INTEREST -
IDENTITY - Lord Abbett Alpha
DESCRIPTION - Mutual Fund
COST - 4177
CURRENT VALUE - 4616

PARTY IN INTEREST -
IDENTITY - Lord Abbett Value Op
DESCRIPTION - Mutual Fund
COST - 131539
CURRENT VALUE - 121398

PARTY IN INTEREST -
IDENTITY - Mainstay High Yield
DESCRIPTION - Mutual Fund
COST - 138764
CURRENT VALUE - 125683

PARTY IN INTEREST -
IDENTITY - Principal Diversifie
DESCRIPTION - Mutual Fund
COST - 123683
CURRENT VALUE - 116547

PARTY IN INTEREST -
IDENTITY - Wasatch Large Cap Va
DESCRIPTION - Mutual Fund
COST - 118660
CURRENT VALUE - 118340