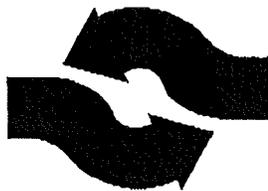


FOI # 14953



MANNA &amp; ASSOCIATES LLC

Po Box 1117

Kearny, NJ 07032

Phone 201-991-7111

Fax 201-991-7116

www.LiensAndCollections.com

FAX

To: Daniel Duffy	From: Sue
Company: NY/NJ Port Authority	Pages: 2 + cover
Phone: 212-435-3642	Date: 5-27-14
Fax: 212-435-7555	Re: FOI Ref # 14918

Comments:

Contract PN-654,537

It seems as though the document referred to in paragraph 3, "before you may commence performance of the work you must furnish whichever document mentioned in that clause are applicable", may have replaced the payment and performance bond.

Please let us know which "document" was furnished and supply document

Please also supply contract amount, change orders and payments to date.

Also please let us know why a bond wasn't required since the contract was of this size.

**THE PORT AUTHORITY OF NY & NJ**

*FOI Administrator*

May 21, 2014

Ms. Sue Meyers  
Manna & Associates LLC  
P.O. Box 1117  
Kearny, NJ 07032

Re: Freedom of Information Reference No. 14918

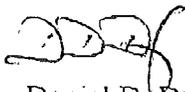
Dear Ms. Meyers:

This is a response to your May 13, 2014 request, which has been processed under the Port Authority's Freedom of Information Code, copy enclosed, for a copy of the "payment and performance bond for the Berth 3 in Port Newark at Corbin St. Contractor is J.H. Reid."

Please be advised that we have searched our files and found no documents responsive to the request.

Please refer to the above FOI reference number in any future correspondence relating to your request.

Sincerely,



Daniel D. Duffy  
FOI Administrator

Enclosure

225 Park Avenue South, 17th Floor  
New York, NY 10003  
T: 212 435 3642  
F: 212 435 7555

**THE PORT AUTHORITY OF NY & NJ**

Lillian D. Valenti  
*Director, Procurement*

February 14, 2013

**VIA FACSIMILE AND UPS NEXT DAY DELIVERY**

J. H. Reid General Contractor  
3230 Hamilton Blvd.  
South Plainfield, NJ 07081

**SUBJECT: PORT NEWARK - CORBIN STREET/BERTH 3 - WHARF RECONSTRUCTION  
CONTRACT PN-654.537 - PURCHASE ORDER UPN654537**

Gentlemen:

The Port Authority of New York and New Jersey hereby accepts your proposal on the above Contract.

The Port Authority elects not to require you to furnish a performance and payment bond.

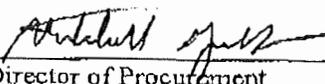
Your attention is directed to the clause of the Contract entitled "Time for Completion and Damages for Delay" and to the fact that before you may commence performance of the work you must furnish whichever of the documents mentioned in that clause are applicable.

Forwarded herewith for your use and compliance are "General Instructions Relating to the Direction and Processing of Correspondence and of Those Other Items Specified to be Submitted to the Port Authority Under the Terms of the Contract".

**In order to ensure that payments are processed properly, please include the above-referenced Purchase Order No. on all payment invoices and correspondence.**

Very truly yours,

THE PORT AUTHORITY OF NEW YORK  
AND NEW JERSEY

BY   
Director of Procurement

2 Montgomery Street, 3rd Floor  
Jersey City, NJ 07302  
T. 201 395 7477

**THE PORT AUTHORITY OF NY & NJ**

FOI Administrator

November 21, 2014

Ms. Sue Meyers  
Manna & Associates LLC  
P.O. Box 1117  
Kearny, NJ 07032

Re: Freedom of Information Reference No. 14953

Dear Ms. Meyers:

This is in response to your May 27, 2014 request, which has been processed under the Port Authority's Freedom of Information Code (the "Code", copy enclosed) for copies of documents related to Contract No. PN-654.537.

Material responsive to your request and available under the Code can be found on the Port Authority's website at <http://www.panynj.gov/corporate-information/foi/14953-O.pdf>. Paper copies of the available records are available upon request.

Please refer to the above FOI reference number in any future correspondence relating to your request.

Very truly yours,

  
Daniel D. Duffy  
FOI Administrator

Enclosure

# JH REID GENERAL CONTRACTOR

3230 Hamilton Boulevard - P.O. Box 324 - South Plainfield, N.J. 07080-0324 - Phone: (732) 752-4050  
FAX: (732) 752-7878

November 7, 2012

The Port Authority of NY & NJ  
Two Montgomery Street, 3rd Floor  
Jersey City, N.J. 07302

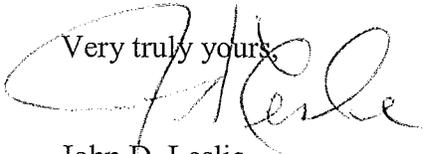
Re: Port Newark, Corbin Street/Berth 3 - Wharf Reconstruction  
Contract PN-654.537  
Financial Statement

To whom it may concern:

This letter is written to confirm that the current financial condition of J.H. Reid General Contractor is as good or better than is represented by the attached financial statement. dated November 30, 2011.

Should you have any questions regarding this matter, please do not hesitate to call this office.

Very truly yours,



John D. Leslie  
Exec. Vice President

Cc: File

J.H. BEID GENERAL CONTRACTOR

STATUS OF CONTRACTS SCHEDULE

AS OF 09/13/12

Accounts Receivable from Construction Contracts and Status of Contracts on Hand (Omit Cents)

NAME OF OWNER & COMPLETE ADDRESS STREET, TOWN STATE, ZIP CODE	NAME & LOCATION OF PROJECT-TYPE OF WORK PERFORMED BY YOUR ORGANIZATION (see pg. 7 for work desc.)	Prime or Sub Contr		(A) ADJUSTED CONTRACT AMOUNT	(B) AMOUNT EARNED & BILLED	(C) AMOUNT RECEIVED	(D)		(E) AMOUNT NOW DUE EXCLUDING RETAINAGE	(F) EARNED SINCE LAST ESTIMATE	(G) BALANCE TO BE COMPLETED	(H) ESTIMATED COMPLETION DATE
		Pr	Sub				DATE DUE	RETAINAGE AMOUNT				
Rainway Valley Sewage Authority Rainway, NJ	Cogeneration Facility Rainway, NJ	X		27,057,076	27,057,076	27,057,076	12/07	0	0	0	0	12/09
N.J.D.O.T. Trenton, NJ	RT 1-78, Sec 5CD Clifton, NJ	X		19,793,141	19,793,141	19,705,816	1/08	10,000	0	0	0	10/08
NJ Transit Newark, NJ	RT 23 Wayne Park & Ride Wayne, NJ	X		16,442,177	16,442,177	16,442,177	02/08	0	0	0	0	04/09
	Dover Yard Pedestal Track	X		7,243,557	7,243,557	7,243,557	02/08	0	0	0	0	04/09
N.J.D.O.T. Trenton, NJ	Stanhope Bridge #K-07 Stanhope, NJ	X		7,543,489	7,543,489	7,543,489	12/08	0	0	0	0	11/08
N.J.D.O.T. Trenton, NJ	Route 36 Bridge Atlantic Highlands, NJ	X		133,612,255	133,612,255	132,369,376	01/11	1,242,879	0	0	0	12/10
	Work Order #16/#17/#18											
Port Authority - NY/NJ New York, NY	WTC Site New York, NY	X		12,940,864	12,594,891	12,560,727	01/11	25,000	9,164	345,973	0	02/12
NYC Sanitation New York, NY	Hamilton Ave MTS JV - JHRGC Portion	X		62,298,900	46,893,343	43,464,541	06/13	2,327,739	1,101,063	1,602,451	13,803,106	12/12
County of Hudson Hoboken, NJ	14th Street Viaduct Hoboken, N.J.	X		47,565,000	16,506,274	14,908,444	10/14	327,830	1,270,000	2,101,635	28,957,091	10/13
Misc. Small Contracts/Closed Job		X		22,635,149	22,635,149	22,635,149		0	0	0	0	
TOTALS				357,131,608	310,321,352	303,930,352		3,933,448	2,380,227	4,050,059	42,760,197	

**CONSTRUCTION CONTRACT**

THE GREAT AMERICAN SOCIETY OF CONTRACTORS

Office of Business and Job Opportunity

NOTE: The Contractor is required to submit to the Engineering Dept. a McDougal's PLAN for any changes to the original plan. E.g. subcontractor, address, amount of work performed. If more than 1 page it must be complete with no last page.

Contract Number: PN-654-537

Contractor Name: J. H. REID GENERAL CONTRACTOR

Meeting Address: 3230 HAMILTON BLVD, SOUTH PLAINFIELD, NJ 07080

Telephone Number: 732-752-4050

Contract Description: PORT NEWMARK CORBIN STREET  
WARE RECONSTRUCTION

Contract Account: \$21,528,520.00

Contract Goals: 12% Combined MBE/WBE

PAGE 1 OF 1

Name, Address, Phone Number of PA Certified MBE/WBE/DBE subcontractor (including name of contact person)	Indicate MBE, WBE or DBE	Description of Work, Services to be provided. Where applicable, specify "supply" or "install" or both "supply" and "install."	Anticipated date work will start and finish	* Approximate \$ amount of MBE/WBE/DBE Subcontract	MBE/WBE/DBE % of Total Contract Amount
Bento Construction, Inc. 625 Leesville ave, Rahway, NJ 07065. Ph. No. (732) 396 0099. Contact Person: Don Wafish	MBE	Concrete Curb & Sidewalk	03/01/2013 - 10/01/2016	\$32,762.00	0.15%
National Fence Systems, Inc. 1033 Rt 1, Avanel, NJ 07034. Ph. No. (732) 636 5666. Contact: Steven Smykla	MBE	Chain Link Fence	10/01/2016	\$154,962.00	0.72%
Baseline Supply, LLC. 65 Turnberry Dr, Monroe Township, NJ 08831. Ph. No. (732) 835 2080. Contact: Tracey Meents	WBE	Supply of Steel Sheet Pile & Pipe Piles & Precast Beams & Planks	03/01/2013 - 10/01/2016	\$1,961,455.00	9.11%
Dbeck, Inc. 287 E. Highland Ave, Atlantic Highlands, NJ 07716. Ph. No. (732) 872 8596. Contact: Paul Zubeck	MBE/WBE	Supply of Rebar steel	03/01/2013 - 10/01/2016	\$480,000.00	2.23%
<b>TOTAL:</b>				\$2,629,169.00	12.21%

Signature of Contractor: *Kevin Brennan*  
 Print Name: KEVIN BRENNAN  
 Title: VICE PRESIDENT  
 Date: 11/20/2012

FOR OBDO USE ONLY

Contract Goals:  Approved  Rejected  Aspected

Reviewed by: \_\_\_\_\_ Date: \_\_\_\_\_

OBDO Business Development Representative: \_\_\_\_\_ Date: \_\_\_\_\_

Distribution: Original - OBDO; Copy 2 - Engineer of Construction; Copy 3 - Contractor; Copy 4 - Line Department  
 \*Please Note: supplies, equipment and material when are only credited 60% towards the MBE/WBE goal. Please adjust calculations accordingly.

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J.H. Reid General Contractor

Report on Financial Statements  
(With Supplementary Information)

Years Ended November 30, 2011 and 2010

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J.H. REID GENERAL CONTRACTOR

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J.H. REID GENERAL CONTRACTOR

BALANCE SHEETS  
NOVEMBER 30, 2011 AND 2010

<u>ASSETS</u>	<u>2011</u>	<u>2010</u>
Current assets:		
Cash and cash equivalents	\$ 317,862	\$ 6,932,474
Contracts receivable	5,189,890	9,215,510
Contracts receivable - joint venture	4,244,510	5,499,540
Contracts receivable - affiliate	329,737	116,613
Investments substituted for retainage	100,000	100,000
Costs and estimated earnings in excess of billings on uncompleted contracts	7,763,170	678,485
Due from related party	2,930,000	-
Prepaid expenses and other assets	132,059	164,978
Prepaid income taxes	116,988	153,228
Total current assets	<u>21,124,216</u>	<u>22,860,828</u>
Property, plant and equipment, net	<u>14,845,278</u>	<u>18,047,099</u>
Other assets:		
Deferred financing costs, net of amortization of 2011: \$180,466 and 2010: \$179,172	8,625	9,919
Due from related parties	442,610	483,013
Other assets	195,186	294,005
Total other assets	<u>646,421</u>	<u>786,937</u>
Totals	<u>\$36,615,915</u>	<u>\$41,694,864</u>

J.H. REID GENERAL CONTRACTOR

BALANCE SHEETS  
NOVEMBER 30, 2011 AND 2010

<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>	<u>2011</u>	<u>2010</u>
Current liabilities:		
Current portion of long-term debt	\$ 2,448,347	\$ 2,864,661
Note payable - bank	325,000	-
Accounts payable and accrued expenses	8,864,088	7,782,397
Retainage payable	780,432	838,404
Billings in excess of costs and estimated earnings on uncompleted contracts	15,852	1,335,137
Current portion of deferred gain on sale-leaseback	-	585,485
Total current liabilities	<u>12,433,719</u>	<u>13,406,084</u>
Note payable - bank	6,499,999	5,450,000
Long-term debt, net of current portion	6,115,755	8,254,971
Deferred income tax liability, net	1,804,491	2,996,083
Loans payable - related parties, subordinated	1,900,000	3,400,000
Deferred gain on sale-leaseback, net of current portion	-	48,790
Total liabilities	<u>28,753,964</u>	<u>33,555,928</u>
Commitments and contingencies		
Stockholders' equity:		
Class A voting: no par value, 1,000 shares authorized; 201 shares issued and outstanding	2,563	2,563
Class B nonvoting: no par value, 9,000 shares authorized; 1,800 shares issued and outstanding	18,764	18,764
Additional paid-in capital	1,665,451	165,451
Retained earnings	<u>6,175,173</u>	<u>7,952,158</u>
Total stockholders' equity	<u>7,861,951</u>	<u>8,138,936</u>
Totals	<u>\$ 36,615,915</u>	<u>\$ 41,694,864</u>

J.H. REID GENERAL CONTRACTOR  
 STATEMENTS OF OPERATIONS  
 YEARS ENDED NOVEMBER 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Contract revenue	\$ 42,875,766	\$ 55,819,946
Cost of revenue	<u>38,875,948</u>	<u>48,758,212</u>
Gross profit	3,999,818	7,061,734
General and administrative expenses	<u>5,870,008</u>	<u>5,677,858</u>
Operating income (loss)	<u>(1,870,190)</u>	<u>1,383,876</u>
Other income (expense):		
Interest income	3,048	2,557
Interest expense	(1,057,661)	(589,297)
Loss on sale of equipment	-	(48,913)
Miscellaneous income	-	4,000
Totals	<u>(1,054,613)</u>	<u>(631,653)</u>
Income (loss) before income taxes	<u>(2,924,803)</u>	<u>752,223</u>
Provision (benefit) for income taxes:		
Current	43,774	62,443
Deferred	<u>(1,191,592)</u>	<u>239,213</u>
Totals	<u>(1,147,818)</u>	<u>301,656</u>
Net income (loss)	(1,776,985)	450,567
Retained earnings, beginning of year	<u>7,952,158</u>	<u>7,501,591</u>
Retained earnings, end of year	<u>\$ 6,175,173</u>	<u>\$ 7,952,158</u>

J.H. REID GENERAL CONTRACTOR

STATEMENTS OF CASH FLOWS  
YEARS ENDED NOVEMBER 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Operating activities:		
Net income (loss)	\$(1,776,985)	\$ 450,567
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	3,169,079	3,488,712
Amortization of deferred gain on sale-leaseback transaction	(634,275)	(585,485)
Amortization of deferred financing costs	1,294	25,044
(Gain) loss on sale of property and equipment	(987,631)	48,913
Deferred income taxes	(1,191,592)	239,213
Changes in operating assets and liabilities:		
Contracts receivable	4,025,620	6,177,018
Contracts receivable - joint venture	1,255,030	(5,499,540)
Contracts receivable - affiliate	(213,124)	(33,454)
Costs and estimated earnings in excess of billings on uncompleted contracts	(7,084,685)	785,364
Deferred contract costs	-	91,410
Prepaid expenses and other assets	32,919	(92,351)
Prepaid income taxes	36,240	38,434
Other assets	98,819	8,414
Accounts payable and accrued expenses	1,609,578	(1,218,915)
Retainage payable	(57,972)	125,001
Billings in excess of costs and estimated earnings on uncompleted contracts	(1,319,285)	1,325,803
Fringe benefits and payroll taxes payable	(527,887)	(339,792)
Net cash provided by (used in) operating activities	<u>(3,564,857)</u>	<u>5,034,356</u>
Investing activities:		
Capital expenditures	(417,972)	(1,424,538)
Proceeds from sale of property and equipment	5,260,804	2,294,392
Loans and advances from related parties	40,403	336
Advance to related party	(2,930,000)	-
Net cash provided by investing activities	<u>1,953,235</u>	<u>870,190</u>

J.H. REID GENERAL CONTRACTOR

STATEMENTS OF CASH FLOWS  
YEARS ENDED NOVEMBER 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Financing activities:		
Proceeds (repayments) on note payable - bank	\$ 1,374,999	\$ (800,000)
Proceeds from long-term debt	1,017,143	-
Principal payments on long-term debt	(7,395,132)	(3,031,677)
Loan payable - officer	-	(17,285)
Net cash used in financing activities	<u>(5,002,990)</u>	<u>(3,848,962)</u>
Net increase (decrease) in cash and cash equivalents	(6,614,612)	2,055,584
Cash and cash equivalents, beginning of year	<u>6,932,474</u>	<u>4,876,890</u>
Cash and cash equivalents, end of year	<u>\$ 317,862</u>	<u>\$ 6,932,474</u>
Supplemental disclosure of cash flow information:		
Interest paid	<u>\$ 1,148,741</u>	<u>\$ 822,251</u>
Income taxes paid	<u>\$ 4,920</u>	<u>\$ -</u>
Supplemental disclosure of noncash investing and financing activities:		
Equipment purchases financed	<u>\$ 3,822,459</u>	<u>\$ 2,174,520</u>
Subordinated loan reclassified to additional paid-in capital	<u>\$ 1,500,000</u>	<u>\$ -</u>

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J.H. REID GENERAL CONTRACTOR

NOTES TO FINANCIAL STATEMENTS

**Note 1 - Nature of operations:**

J.H. Reid General Contractor (the "Company") was incorporated in the State of New Jersey in December 1963. The Company is a heavy construction general contractor primarily engaged in highway and transit construction in New York and New Jersey.

**Note 2 - Summary of significant accounting policies:**

**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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Operating cycle:**

The length of the Company's contracts varies, but is typically between one to three years. Assets and liabilities relating to long-term contracts are included in current assets and current liabilities in the accompanying balance sheets as they will be liquidated in the normal course of contract completion, although this may require more than one year.

**Revenue and cost recognition:**

Construction revenue is recognized on the "percentage-of-completion" method, measured by the percentage of total costs incurred to date to estimated total costs for each contract. This method is utilized because management considers the cost-to-cost method the best method available to measure progress on these contracts.

Contract costs include all direct material, labor and subcontractor costs and those indirect costs related to contract performance, such as indirect labor, supplies, tools, repairs and depreciation costs. General and administrative costs are charged to expense as incurred. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions and estimated profitability, including those arising from contract penalty provisions, and final contract settlements may result in revisions to costs and income and are recognized in the period in which the revisions are determined. Profit incentives are included in revenue when their realization is reasonably assured. An amount equal to contract costs attributable to claims is included in revenue when realization is probable and the amount can be reliably estimated.

The asset, "Costs and estimated earnings in excess of billings on uncompleted contracts," represents revenue recognized in excess of amounts billed. The liability, "Billings in excess of costs and estimated earnings on uncompleted contracts," represents billings in excess of revenue recognized.

---

J.H. REID GENERAL CONTRACTOR

NOTES TO FINANCIAL STATEMENTS

**Note 2 - Summary of significant accounting policies (continued):**

**Cash and cash equivalents:**

The Company considers all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

**Contracts receivable:**

Contracts receivable from performing general construction are based on contracted prices. Contracts receivable are due 30 days after the issuance of the invoice. Contract retentions are due 30 days after completion of the project and acceptance by the owner. Receivables past due more than 120 days are considered delinquent. Delinquent receivables are written-off based on individual credit evaluation and specific circumstances of the customer.

**Property, plant and equipment:**

Property, plant and equipment are stated at cost. Depreciation has been provided on the straight-line method over the estimated useful lives of the assets. Expenditures for maintenance and repairs are charged to operations in the period incurred.

**Impairment of long-lived assets:**

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In performing a review for impairment, the Company compares the carrying value of the assets with their estimated future undiscounted cash flows. If it is determined that an impairment has occurred, the loss would be recognized during that period. The impairment loss is calculated as the difference between the asset carrying values and the present value of estimated net cash flows or comparable market values, giving consideration to recent operating performance and pricing trends. The Company does not believe that any material impairment currently exists related to its long-lived assets.

**Income taxes:**

The Company accounts for income taxes pursuant to the asset and liability method which requires deferred tax assets and liabilities be computed annually for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets or liabilities.

J.H. REID GENERAL CONTRACTOR

NOTES TO FINANCIAL STATEMENTS

Note 2 - Summary of significant accounting policies (continued):

Income taxes (concluded):

Construction contracts are reported for tax purposes and financial statement purposes under the percentage-of-completion method. Accelerated depreciation is used for tax reporting, and the straight-line method is used for financial statement reporting.

The Company has no unrecognized tax benefits at November 30, 2011. The Company's Federal and state income tax returns prior to fiscal year 2008 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

The Company recognizes interest and penalties associated with tax matters as part of the income tax provision and includes accrued interest and penalties with the related tax liability in the balance sheets.

Advertising:

Advertising costs, which are included in general and administrative expenses, are expensed as incurred. Advertising costs charged to operations for the years ended November 30, 2011 and 2010 amounted to approximately \$1,485 and \$1,315, respectively.

Reclassifications:

Certain amounts in the 2010 financial statements have been reclassified to conform to the 2011 presentation.

Subsequent events:

The Company has evaluated subsequent events through \_\_\_\_\_, 2012, which is the date the financial statements were available to be issued.

Note 3 - Contracts receivable:

Contracts receivable consist of the following at November 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Billed:		
Completed contracts	\$ 86,492	\$ 216,803
Contracts in progress	3,264,548	5,931,727
Contracts in progress - joint venture	2,552,304	4,959,857
Retainage	1,838,850	3,066,980
Retainage - joint venture	<u>1,692,206</u>	<u>539,683</u>
Totals	<u>\$9,434,400</u>	<u>\$14,715,050</u>
Investments substituted for retainage	<u>\$ 100,000</u>	<u>\$ 100,000</u>

At November 30, 2011 and 2010, retainage receivable includes approximately \$1,770,000 and \$1,984,000, respectively, that is not expected to be collectible within one year.

J.H. REID GENERAL CONTRACTOR  
NOTES TO FINANCIAL STATEMENTS

Note 4 - Investments substituted for retainage:

At November 30, 2011 and 2010, municipal bonds, with an aggregate fair value of \$100,000, have been substituted in lieu of \$100,000 of retainage. At November 30, 2011 and 2010, the bonds are stated at amortized cost, which approximates fair value. The municipal bonds mature in July 2029. These bonds are held in trust at a bank, pending final approval and release on the specific contracts. The Company receives all investment income pertaining to these bonds.

Note 5 - Costs and estimated earnings on uncompleted contracts:

Costs and estimated earnings on uncompleted contracts consist of the following at November 30, 2011 and 2010:

	2011	2010
Costs incurred on uncompleted contracts	\$193,983,056	\$157,594,152
Estimated earnings	25,572,611	21,782,878
	219,555,667	179,377,030
Less billings to date	211,808,349	180,033,682
Totals	\$ 7,747,318	\$ (656,652)

The above amounts are included in the accompanying balance sheets under the following captions at November 30, 2011 and 2010:

	2011	2010
Costs and estimated earnings in excess of billings on uncompleted contracts	\$7,763,170	\$ 678,485
Billings in excess of costs and estimated earnings on uncompleted contracts	(15,852)	(1,335,137)
Totals	\$7,747,318	\$ (656,652)

Revisions in the estimated gross profits on contracts and contract amounts are made in the period in which the circumstances requiring the revisions become known. During the years ended November 30, 2011 and 2010, the effect of such revisions in estimated contract profits resulted in a decrease to gross profit of approximately \$340,000 and \$398,000, respectively, from that which would have been reported had the revised estimates been used as the basis of recognition of contract profits in prior periods.

Although management believes it has established adequate procedures for estimating costs to complete on open contracts, it is at least reasonably possible that additional significant costs could occur on contracts prior to completion.

**J.H. REID GENERAL CONTRACTOR**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 6 - Property, plant and equipment:**

Major classes of property, plant and equipment at November 30, 2011 and 2010 were as follows:

	2011	2010
Land	\$ 1,441,805	\$ 1,441,805
Building and improvements	5,570,579	5,515,172
Machinery and equipment	17,366,884	20,616,354
Transportation equipment	2,271,300	2,132,415
Office equipment	654,993	654,993
	27,305,561	30,360,739
Less accumulated depreciation	12,460,283	12,313,640
Totals	\$14,845,278	\$18,047,099

**Note 7 - Line of credit facility:**

The Company has a \$14,100,000 line of credit facility with North Jersey Community Bank. Borrowings accrue interest at the prime rate plus .5%, with a floor of 5.75% implemented throughout the term of the line (5.75% at November 30, 2011). The line is personally guaranteed by the stockholders and collateralized by certain assets owned by the stockholders. In addition, certain covenants and restrictions apply to this facility. The line of credit expires on March 1, 2013. At November 30, 2011, \$7,600,001 was available to borrow, subject to the terms and conditions of the facility.

In addition, the Company has an outstanding note payable to the bank for \$325,000 with the same interest rate (5.75% at November 30, 2011) and security as above, which principal is due and payable January 1, 2012.

**Note 8 - Retainage payable:**

Retainage payable as of November 30, 2011 and 2010 amounted to \$780,432 and \$838,404, respectively. At November 30, 2011, retainage payable includes approximately \$39,000 that is not expected to be paid within one year.

J.H. REID GENERAL CONTRACTOR  
NOTES TO FINANCIAL STATEMENTS

Note 9 - Long-term debt:

Long-term debt consists of the following:

	<u>2011</u>	<u>2010</u>
Equipment notes payable to several financial institutions, due in aggregate monthly installments of \$215,120 through 2017, including interest ranging from 0.90% to 9.19%, collateralized by equipment	\$7,462,908	\$10,155,681
Equipment note payable to a financial institution, due in aggregate monthly installments of \$6,615 through 2013, including interest of 5.61%, unsecured	155,724	-
Mortgage payable to a bank, due in monthly installments of \$6,871, including interest at 6.6% through October 1, 2018, collateralized by real property	<u>945,470</u>	<u>963,951</u>
	8,564,102	11,119,632
Less current portion	<u>2,448,347</u>	<u>2,864,661</u>
Long-term debt	<u>\$6,115,755</u>	<u>\$ 8,254,971</u>

Principal payment requirements due on the above obligations in each of the five years subsequent to November 30, 2011 and thereafter are as follows:

<u>Years Ending November 30,</u>	<u>Amount</u>
2012	\$2,448,347
2013	2,196,658
2014	1,714,407
2015	1,059,424
2016	259,284
Thereafter	<u>885,982</u>
Total	<u>\$8,564,102</u>

**J.H. REID GENERAL CONTRACTOR**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 10 - Related party transactions:**

**Contracts receivable - joint venture:**

During the year ended November 30, 2010, the Company entered into a joint venture with Prismatic Development Corporation. The Company has a 50% ownership interest in the joint venture. The joint venture was awarded a contract for the performance of demolition and site improvements for the City of New York, Department of Sanitation Hamilton Avenue Marine Transfer Station Contract #1G in the amount of \$142,700,000. Each of the joint venture participants have a subcontract agreement with the joint venture totaling the contract value of \$142,700,000. The Company's subcontract amount is \$62,298,900.

The total revenue for the years ended November 30, 2011 and 2010 was \$30,208,737 and \$10,678,031 with a gross profit of \$3,066,368 and \$1,085,953, respectively. The total outstanding contract receivable balance at November 30, 2011 and 2010 was \$4,244,510 and \$5,499,540, respectively.

Summary information for this joint venture at November 30, 2011 is as follows:

Financial position at 100%:

Cash	\$ 9,763
Contract receivable	<u>8,703,485</u>
Total assets	<u>8,713,248</u>
Accounts payable	6,306,814
Retainage payable	<u>2,396,671</u>
Total liabilities	<u>8,703,485</u>
Net assets at 100%	<u>\$ 9,763</u>
Equity in unconsolidated joint venture	<u>\$ 4,882</u>

**Contracts receivable - affiliate:**

The Company performs work and rents equipment to an entity in which an officer has an ownership interest. The total revenue for the years ended November 30, 2011 and 2010 was approximately \$190,000 and \$5,000, respectively. The total outstanding contracts receivable balance at November 30, 2011 and 2010 was \$329,737 and \$116,613, respectively.

**Due from related party:**

The Company has loans and advances due from an entity in which officers have an ownership interest. The total outstanding balance at November 30, 2011 and 2010 was \$2,930,000 and \$0, respectively. The advances are non-interest bearing and are expected to be repaid within one year. In addition, the Company rented equipment to this entity. The rental income for the years ended November 30, 2011 and 2010 was approximately \$969,000 and \$0, respectively.

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**J.H. REID GENERAL CONTRACTOR**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 10 - Related party transactions (concluded):**

**Due from related parties:**

The Company has loans and advances due from entities in which officers have ownership interests. The total outstanding balance at November 30, 2011 and 2010 was \$442,610 and \$483,013, respectively. The advances are non-interest bearing and have no set repayment terms.

**Loans payable - related parties, subordinated:**

At November 30, 2011, the Company has subordinated loans payable to the surety (see Note 14) which include loans payable to an officer for \$900,000 and a \$1,000,000 note payable to an entity owned by the officer. The note payable is interest only at a rate of 2.59% with the principal due in December 2014. At November 30, 2011 and 2010, \$25,900 and \$21,583 of interest was accrued, respectively. The subordinated loans payable to the officer had also included \$1,500,000 which was reclassified to additional paid-in capital during the year ended November 30, 2011. The \$1,000,000 note payable is subordinated to all borrowings from the bank (see Note 7).

**Subcontractors:**

For the years ended November 30, 2011 and 2010, the Company incurred approximately \$293,000 and \$190,000, respectively, in subcontracting expense to companies under common control.

**Note 11 - Retirement plans:**

**401(k) profit-sharing plan:**

The Company sponsors a 401(k) profit-sharing plan, which covers substantially all nonunion employees meeting the age and length of service requirements of the plan. Participants can defer between 1% and 25% of their annual compensation. Matching 401(k) and profit-sharing contributions by the Company are discretionary. All contributions are subject to the maximum allowable amount under Federal law. For the years ended November 30, 2011 and 2010, there were no matching contributions.

**Multi-employer benefit plans:**

The Company contributes to union-sponsored multi-employer retirement plans in accordance with negotiable labor contracts. The retirement plans cover all of the Company's union employees, which represent substantially all of the Company's employees. Contributions, which are based on varying rates for the hours worked by the employees, totaled approximately \$1,189,000 and \$1,168,000 for the years ended November 30, 2011 and 2010, respectively.

J.H. REID GENERAL CONTRACTOR  
NOTES TO FINANCIAL STATEMENTS

Note 11 - Retirement plans (concluded):

Multi-employer benefit plans (concluded):

Government regulations impose certain requirements relative to multi-employer plans. In the event of plan termination or employer withdrawal, an employer may be liable for a portion of the plans' unfunded vested benefits. The Company has not received information from the plans' administrators to determine its share of unfunded vested benefits. The Company does not anticipate withdrawal from the plans, nor is the Company aware of any expected plan terminations.

Note 12 - Income taxes:

The Company's total deferred tax assets and liabilities at November 30, 2011 and 2010 consist of the following:

	2011	2010
Total deferred tax assets	\$ 1,010,181	\$ 155,008
Total non-current deferred tax liability	<u>(2,814,672)</u>	<u>(3,151,091)</u>
Net deferred tax liability	<u><u>\$(1,804,491)</u></u>	<u><u>\$(2,996,083)</u></u>

The components of Federal and state income tax expense (benefit) for the years ended November 30, 2011 and 2010 are as follows:

	2011	2010
Current:		
Federal	\$ 25,943	\$ 25,772
State	<u>17,831</u>	<u>36,671</u>
Totals	<u><u>43,774</u></u>	<u><u>62,443</u></u>
Deferred:		
Federal	(763,184)	111,969
State	<u>(428,408)</u>	<u>127,244</u>
Totals	<u><u>(1,191,592)</u></u>	<u><u>239,213</u></u>
Totals	<u><u>\$(1,147,818)</u></u>	<u><u>\$301,656</u></u>

The amount of tax expense differs from the amount of expense that would result from applying the statutory rates to pre-tax income primarily due to certain nondeductible expenses.

Deferred tax liabilities result from the use of accelerated methods of depreciation for tax reporting purposes.

**J.H. REID GENERAL CONTRACTOR**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 13 - Backlog:**

The following represents backlog of signed contracts in existence at November 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Balance, December 1	\$ 55,985,048	\$ 43,474,393
New contracts and change orders during the year	<u>50,561,908</u>	<u>68,330,601</u>
	106,546,956	111,804,994
Less contract revenue earned during the year	<u>42,875,766</u>	<u>55,819,946</u>
Balance, November 30	<u>\$ 63,671,190</u>	<u>\$ 55,985,048</u>

**Note 14 - Commitments and contingencies:**

**Operating lease:**

On December 31, 2007, the Company entered into a sale-leaseback transaction to sell equipment with a cost of \$15,118,466 and a net book value of \$2,658,061 for a total sale price of \$5,000,000, resulting in a deferred gain of \$2,341,939. The Company simultaneously entered into an agreement to lease the same equipment for a term of 48 months. The deferred gain is amortized over the life of the lease. The Company was obligated under the operating lease agreement through January 2012. The Company negotiated the repurchase of this equipment during the year ended November 30, 2011. As a result of the refinancing, the lease was terminated at June 30, 2011. Additionally, the Company entered into an agreement to lease a piece of equipment under a noncancelable operating lease through November 2014. Equipment lease expense for the years ended November 30, 2011 and 2010 was approximately \$746,000 and \$1,279,000, and are included in the cost of revenue.

Future minimum lease payments in each of the years subsequent to November 30, 2011 are as follows:

<u>Years Ending</u> <u>November 30,</u>	<u>Amount</u>
2012	\$ 216,667
2013	216,667
2014	<u>198,611</u>
Total	<u>\$ 631,945</u>

**Performance bonds:**

The Company is contingently liable to a surety under a general indemnity agreement. The Company agrees to indemnify the surety for any payments made on contracts of suretyship, guaranty or indemnity. The Company believes that all contingent liabilities will be satisfied by its performance on the specific bonded contracts.

J.H. REID GENERAL CONTRACTOR

NOTES TO FINANCIAL STATEMENTS

Note 14 - Commitments and contingencies (continued):

**Litigation:**

The Company, from time to time, may be involved with lawsuits arising in the ordinary course of business. In the opinion of the Company's management, any liabilities resulting from such litigation would not be material in relation to the Company's financial position and results of operations.

**Claims - Rahway Sewage Treatment project:**

The Company is in arbitration to settle outstanding claims against Rahway Valley Sewerage Authority ("RVSA"), Caterpillar Inc. and their local dealer Foley Power Systems (collectively, "CAT/Foley"). The claim submitted against RVSA is seeking the unpaid contract balance plus previously unapproved change orders for an approximate claim value of \$1,000,000. The Company's claim against CAT/Foley is for the recovery of approximately \$400,000. The Company subcontracted CAT/Foley to supply four generators at the cogeneration plant. During the testing of the generators on April 30, 2007 and May 10, 2007, explosions occurred which damaged structures constructed and installed by the Company. Subsequent to the explosions, the Company was directed by RVSA to perform extensive repair work at the site. In response to the motions filed by the Company, RVSA and CAT/Foley have filed counterclaims against the Company. RVSA claims that the Company delayed completion of the project, entitling RVSA to assess liquidated damages of approximately \$1,000,000.

The RVSA also filed a motion claiming the Company owes RVSA approximately \$400,000 as reimbursement for explosion related costs. CAT/Foley's counterclaim includes the Company and RVSA as defendants. CAT/Foley's claim is for the reimbursement of costs incurred for providing temporary generators at the site. CAT/Foley claims they are owed approximately \$804,000 for the period of approximately 12 months that the temporary generators were provided to the site at approximately \$67,000 per month. Included in the accompanying financial statements at November 30, 2011 are contracts receivable of \$516,384, which includes \$482,802 of retainage. In addition, included in, "Costs and estimated earnings in excess of billings on uncompleted contracts," at November 30, 2011 is \$290,993 pertaining to this project. To the extent new facts become known or the final cost recovery included in the claim settlement varies from this estimate, the impact of the change will be reflected in the Company's financial statements at that time.

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J.H. REID GENERAL CONTRACTOR

NOTES TO FINANCIAL STATEMENTS

**Note 14 - Commitments and contingencies (concluded):**

**Silent joint venture:**

During the year ending November 30, 2011, the Company entered into a silent joint venture arrangement with an unrelated party whereby, the Company provided a payment and performance bond on a project for a third party. The contract value at November 30, 2011 was \$\_\_\_\_\_ and the contract is approximately \_\_\_% complete. For the year ended November 30, 2011, the Company earned a fee of \$100,000 for this agreement.

**Note 15 - Concentration risks:**

**Credit risk:**

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents and contracts receivable.

The Company maintains cash and cash equivalents with high-credit quality financial institutions. At times, such amounts may exceed Federally insured limits. At November 30, 2011, there were no uninsured bank balances.

Contracts and retainage receivable are due primarily from state and local government agencies in New Jersey and New York. The Company does not require collateral in most cases, but may file claims against the construction projects if a default in payment occurs.

**Customers:**

The Company obtains its contract work primarily through a competitive bid process. This may result in the Company earning a substantial portion of its revenue from relatively few customers in any given period. During the years ended November 30, 2011 and 2010, the Company earned approximately 80% and 89% of its revenue from two customers, respectively. At November 30, 2011 and 2010, the Company has approximately 94% of its contracts receivable balance due from three and two customers, respectively.

**Labor concentrations:**

The Company's direct labor is supplied primarily by unions, which have collective bargaining agreements expiring through April 2013. Although the Company's past experience was favorable with respect to resolving conflicting demands with these unions, it is always possible that a protracted conflict may occur which could impact the renewal of the collective bargaining agreements. At November 30, 2011, approximately 89% of the Company's labor force is subject to collective bargaining agreements.

J.H. REID GENERAL CONTRACTOR

COST OF REVENUE AND  
GENERAL AND ADMINISTRATIVE EXPENSES  
YEARS ENDED NOVEMBER 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Cost of revenue:		
Materials	\$ 6,767,573	\$ 9,710,119
Subcontractors	4,093,579	7,504,683
Direct labor	9,009,597	10,646,044
Fringe benefit costs	6,395,529	6,198,667
Equipment rentals	2,000,602	3,036,825
Repairs and maintenance	1,018,475	1,112,521
Depreciation	2,945,493	3,273,842
Other direct costs	<u>6,645,100</u>	<u>7,275,511</u>
Totals	<u>\$38,875,948</u>	<u>\$48,758,212</u>
General and administrative expenses:		
Officers' salaries	\$ 1,307,169	\$ 1,013,730
Office salaries	1,708,011	1,508,630
Fringe benefit costs	224,974	220,309
Employee health insurance	494,806	410,878
Officers' life insurance	370,703	463,308
Office expenses	232,905	456,397
Repairs and maintenance	58,803	91,250
Consulting fees	204,344	318,403
Telephone and utilities	155,265	167,603
Travel and entertainment	276,505	258,348
Computer expenses	12,754	11,263
Professional fees	378,878	337,611
Insurance	149,261	119,606
Real estate taxes	62,044	69,403
Contributions	10,000	16,249
Depreciation	<u>223,586</u>	<u>214,870</u>
Totals	<u>\$ 5,870,008</u>	<u>\$ 5,677,858</u>

J.H. REID GENERAL CONTRACTOR

CONTRACTS IN PROGRESS  
NOVEMBER 30, 2011

Job Name	Total Contract Price	Total Estimated Costs	Estimated Gross Profit	Billed to Date	Costs to Date	Percent Complete	Costs and Estimated Earnings in Excess of Billings	Billings in Excess of Costs and Estimated Earnings
Railway Sewer Treatment	\$ 27,428,342	\$ 26,652,091	\$ 776,251	\$ 27,063,292	\$ 26,579,632	99.73%	\$ 290,993	\$ -
Rt. 36, Atlantic Highlands	133,498,337	114,351,023	19,147,314	133,202,414	114,277,750	99.94%	215,824	-
WTC-WO#16 - Station Demo	9,445,317	8,515,050	930,267	9,153,930	8,361,790	98.20%	121,371	-
WTC-WO#18 - Fulton Cont. Ent.	2,990,961	2,799,045	191,916	2,990,961	2,784,082	99.47%	-	15,852
Hamilton Ave Marine Station	62,298,900	55,969,740	6,329,160	35,436,214	36,734,447	65.63%	5,450,554	-
Hoboken - 14th Street Viaduct	47,565,000	44,186,750	3,378,250	3,961,538	5,245,355	11.87%	1,684,428	-
<b>Totals</b>	<b>\$283,226,857</b>	<b>\$252,473,699</b>	<b>\$30,753,158</b>	<b>\$211,808,349</b>	<b>\$193,983,056</b>		<b>\$7,763,170</b>	<b>\$ 15,852</b>

J.H. REID GENERAL CONTRACTOR

EARNINGS FROM CONTRACTS  
YEAR ENDED NOVEMBER 30, 2011

Job Name	Contract Totals				Prior to December 1, 2010				Year Ended November 30, 2011			
	Revenue Earned	Cost of Revenue	Gross Profit (Loss)	Gross Profit Percent	Revenue Earned	Cost of Revenue	Gross Profit	Gross Profit Percent	Revenue Earned	Cost of Revenue	Gross Profit (Loss)	Gross Profit Percent
<b>Contracts in progress:</b>												
Rayway Sewer Treatment	\$ 27,354,285	\$ 26,579,632	\$ 774,653	2.83%	\$ 27,376,228	\$ 26,568,168	\$ 808,060	2.95%	\$ (21,943)	\$ 11,464	\$ (33,407)	
Rt. 36, Atlantic Highlands	133,418,238	114,277,750	19,140,488	14.35%	129,127,246	110,403,132	18,724,114	14.50%	4,280,992	3,874,618	416,374	
WTC-WO#16 - Station Demo	9,275,301	8,361,790	913,511	9.85%	9,267,060	8,254,636	1,012,424	10.93%	8,241	107,254	(99,013)	
WTC-WO#18 - Fulton Conf. EntL	2,975,109	2,764,082	191,027	6.42%	2,928,465	2,776,238	152,227	5.20%	46,644	7,844	38,800	
Hamilton Ave Marine Station	40,886,768	36,734,447	4,152,321	10.16%	10,678,031	9,592,078	1,085,953	10.17%	30,208,737	27,142,369	3,066,368	
Hoboken - 14th Street Viaduct	5,645,966	5,245,355	400,611	7.10%	-	-	-	-	5,645,966	5,245,355	400,611	
<b>Total contracts in progress</b>	<b>219,555,667</b>	<b>193,983,066</b>	<b>25,572,611</b>		<b>179,377,030</b>	<b>157,594,152</b>	<b>21,782,878</b>		<b>40,178,637</b>	<b>36,388,904</b>	<b>3,789,733</b>	
<b>Completed contracts:</b>												
Pine Island - Millenium	1,209,822	777,908	431,914	35.70%	-	-	-	-	1,209,822	777,908	431,914	
JHR Recycling	189,574	189,574	-	0.00%	-	-	-	-	189,574	189,574	-	
Miscellaneous completed contracts	1,297,733	1,519,562	(221,829)	Various	-	-	-	-	1,297,733	1,519,562	(221,829)	
<b>Total completed contracts</b>	<b>2,697,129</b>	<b>2,487,044</b>	<b>210,085</b>		<b>-</b>	<b>-</b>	<b>-</b>		<b>2,697,129</b>	<b>2,487,044</b>	<b>210,085</b>	
<b>Totals</b>	<b>\$222,252,796</b>	<b>\$196,470,100</b>	<b>\$25,782,696</b>		<b>\$179,377,030</b>	<b>\$157,594,152</b>	<b>\$21,782,878</b>		<b>\$42,875,766</b>	<b>\$38,875,948</b>	<b>\$3,999,818</b>	