Form 5500

Department of the Treasury
Internal Revenue Service

Department of Labor
Employee Benefits Security Administration

Pension Benefit Guaranty Corporation

Annual Return/Report of Employee Benefit Plan

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

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

OMB Nos. 1210-0110
1210-0089

2009

This Form is Open to Public Inspection

Part I Annual Report Identification Information

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

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

B This return/report is:
- [X] 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
ZACHRY HOSPITALITY 401(K) PLAN

1b Three-digit plan number (PN) ▶ 001

1c Effective date of plan 01/01/2009

2a Plan sponsor's name and address (employer, if for a single-employer plan)
(Address should include room or suite no.)
ZACHRY HOSPITALITY CORPORATION

200 S. ALAMO
SAN ANTONIO, TX 78205

200 S. ALAMO
SAN ANTONIO, TX 78205

2b Employer Identification Number (EIN)
74-2621037

2c Sponsor's telephone number
210-588-6411

2d Business code (see instructions)
721110

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.	10/15/2010	DWIGHT HAASE
	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")
ZACHRY HOSPITALITY CORPORATION

200 S. ALAMO
SAN ANTONIO, TX 78205

3b Administrator's EIN
74-2621037

3c Administrator's telephone number
210-588-6411

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**	533
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**	533
b	Retired or separated participants receiving benefits	**6b**	0
c	Other retired or separated participants entitled to future benefits	**6c**	0
d	Subtotal. Add lines **6a**, **6b**, and **6c**	**6d**	533
e	Deceased participants whose beneficiaries are receiving or are entitled to receive benefits	**6e**	0
f	Total. Add lines **6d** and **6e**	**6f**	533
g	Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item)	**6g**	0
h	Number of participants that terminated employment during the plan year with accrued benefits that were less than 100% vested	**6h**	0
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:
2E 2F 2G 2J 2K 2T 3D 3H

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

9a Plan funding arrangement (check all that apply)

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

9b Plan benefit arrangement (check all that apply)

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

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

a Pension Schedules

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

b General Schedules

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

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

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

A Name of plan
ZACHRY HOSPITALITY 401(K) PLAN

B Three-digit plan number (PN) ▶ 001

C Plan sponsor's name as shown on line 2a of Form 5500
ZACHRY HOSPITALITY CORPORATION

D Employer Identification Number (EIN)
74-2621037

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).. . . . . [X] 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

FID.INV.INST.OPS.CO.

04-2647786

(b) Enter name and EIN or address of person who provided you disclosure 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)

FIDELITY INVESTMENTS INSTITUTIONAL

04-2647786

(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?
64 65 37 60	RECORDKEEPER	1900	Yes [X] No [ ]	Yes [X] No [ ]	0	Yes [X] No [ ]

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

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

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

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

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

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

(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
FIDELITY INVESTMENTS INSTITUTIONAL	60	0

(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.
ALLNZ NFJ DIV VAL AD - BOSTON FINAN 04-2526037	0.35%

(a) Enter service provider name as it appears on line 2	**(b)** Service Codes (see instructions)	**(c)** Enter amount of indirect compensation
FIDELITY INVESTMENTS INSTITUTIONAL	60	0

(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.
ALLNZ NFJ SMCPVAL AD - BOSTON FINAN 04-2526037	0.35%

(a) Enter service provider name as it appears on line 2	**(b)** Service Codes (see instructions)	**(c)** Enter amount of indirect compensation
FIDELITY INVESTMENTS INSTITUTIONAL	60	0

(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.
MSIF MID CAP GRTH P - JPMORGAN INVE 22-2382028	0.35%

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
FIDELITY INVESTMENTS INSTITUTIONAL	60	0

(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.
PIMCO TOT RETURN ADM - BOSTON FINAN 04-2526037	0.25%

(a) Enter service provider name as it appears on line 2	**(b)** Service Codes (see instructions)	**(c)** Enter amount of indirect compensation
FIDELITY INVESTMENTS INSTITUTIONAL	60	0

(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.
RAINIER LARGE CAP EQ - US BANCORP F 39-0281260	0.40%

(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

(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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(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

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

(complete as many entries as needed)

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

Explanation:

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

Explanation:

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

Explanation:

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

Explanation:

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

Explanation:

SCHEDULE H (Form 5500)

Department of the Treasury
Internal Revenue Service

Department of Labor
Employee Benefits Security Administration

Pension Benefit Guaranty Corporation

Financial Information

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

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

OMB No. 1210-0110

2009

This Form is Open to Public Inspection

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

A Name of plan
ZACHRY HOSPITALITY 401(K) PLAN

B Three-digit plan number (PN) ▶ 001

C Plan sponsor's name as shown on line 2a of Form 5500
ZACHRY HOSPITALITY CORPORATION

D Employer Identification Number (EIN)
74-2621037

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		
b Receivables (less allowance for doubtful accounts):			
(1) Employer contributions	1b(1)		
(2) Participant contributions	1b(2)		
(3) Other	1b(3)		
c General investments:			
(1) Interest-bearing cash (include money market accounts & certificates of deposit)	1c(1)	0	1137381
(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)	0	32995
(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)	0	663773
(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)		
	(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	0	1834149
	Liabilities			
g	Benefit claims payable	1g		
h	Operating payables	1h		
i	Acquisition indebtedness	1i		
j	Other liabilities	1j		
k	Total liabilities (add all amounts in lines 1g through1j)	1k	0	0
	Net Assets			
l	Net assets (subtract line 1k from line 1f)	1l	0	1834149

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)	131674	
	(B) Participants	2a(1)(B)	321828	
	(C) Others (including rollovers)	2a(1)(C)	1445006	
	(2) Noncash contributions	2a(2)		
	(3) Total contributions. Add lines **2a(1)(A), (B), (C),** and line **2a(2)**	2a(3)		1898508
b	**Earnings on investments:**			
	(1) Interest:			
	(A) Interest-bearing cash (including money market accounts and certificates of deposit)	2b(1)(A)	3779	
	(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)	460	
	(F) Other	2b(1)(F)		
	(G) Total interest. Add lines **2b(1)(A)** through **(F)**	2b(1)(G)		4239
	(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)	27275	
	(D) Total dividends. Add lines **2b(2)(A)**, **(B)**, and **(C)**	2b(2)(D)		27275
	(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)		
	(C) Total unrealized appreciation of assets. Add lines 2b(5)(A) and (B)	2b(5)(C)		
	(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)		13593
c	Other income	2c		
d	Total income. Add all **income** amounts in column (b) and enter total	2d		1943615
	Expenses			
e	Benefit payment and payments to provide benefits:			
	(1) Directly to participants or beneficiaries, including direct rollovers	2e(1)	71529	
	(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)		71529
f	Corrective distributions (see instructions)	2f		36037
g	Certain deemed distributions of participant loans (see instructions)	2g		
h	Interest expense	2h		
i	Administrative expenses: (1) Professional fees	2i(1)		
	(2) Contract administrator fees	2i(2)		
	(3) Investment advisory and management fees	2i(3)		
	(4) Other	2i(4)	1900	
	(5) Total administrative expenses. Add lines 2i(1) through (4)	2i(5)		1900
j	Total expenses. Add all **expense** amounts in column (b) and enter total	2j		109466
	Net Income and Reconciliation			
k	Net income (loss). Subtract line 2j from line 2d	2k		1834149
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) [ ] Unqualified **(2)** [ ] Qualified **(3)** [X] Disclaimer **(4)** [ ] Adverse

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

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

(1) Name: PADGETT, STRATEMANN & CO., L.L.P. **(2)** EIN: 74-1650885

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	
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		X	

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

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

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

SCHEDULE R (Form 5500)

Department of the Treasury
Internal Revenue Service

Department of Labor
Employee Benefits Security Administration

Pension Benefit Guaranty Corporation

Retirement Plan Information

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

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

OMB No. 1210-0110

2009

This Form is Open to Public Inspection.

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

A Name of plan
ZACHRY HOSPITALITY 401(K) PLAN

B Three-digit plan number (PN) ▶ 001

C Plan sponsor's name as shown on line 2a of Form 5500
ZACHRY HOSPITALITY CORPORATION

D Employer Identification Number (EIN)
74-2621037

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** 0

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): 04-6568107

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

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

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

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

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

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

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

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

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

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

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

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

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

Part III Amendments

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

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

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

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

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

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

Part V Additional Information for Multiemployer Defined Benefit Pension Plans

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

a Name of contributing employer

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

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

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

---

a Name of contributing employer

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

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

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

---

a Name of contributing employer

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

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

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

---

a Name of contributing employer

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

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

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

---

a Name of contributing employer

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

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

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

---

a Name of contributing employer

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

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

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

---

a Name of contributing employer

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Zachry Hospitality 401(k) Plan

Financial Statements
and Supplemental Schedule

December 31, 2009

Zachry Hospitality 401(k) Plan

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PS&Co.

Padgett Stratemann & Co. LLP

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

Independent Auditors' Report

To the Trustees
Zachry Hospitality 401(k) Plan
San Antonio, Texas

We were engaged to audit the financial statements and supplemental schedule of Zachry Hospitality 401(k) Plan as of December 31, 2009, and for the year then ended, as listed in the accompanying table of contents. These financial statements and supplemental schedule are the responsibility of the Plan's management.

As permitted by 29 CFR 2520.103-8 of the United States Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the Plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in note 3, which was certified by Fidelity Management Trust Company, the trustee of the Plan, except for comparing the information with the related information included in the financial statements and supplemental schedule. We have been informed by the Plan administrator that the trustee holds the Plan's investment assets and executes investment transactions. The Plan administrator has obtained a certification from the trustee as of December 31, 2009, and for the year then ended, that the information provided to the Plan administrator by the trustee is complete and accurate.

Because of the significance of the information that we did not audit, we are unable to, and do not, express an opinion on the accompanying financial statements and supplemental schedule taken as a whole. The form and content of the information included in the financial statements and supplemental schedule, other than that derived from the information certified by the trustee, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the United States Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

Padgett, Stratemann & Co.

Certified Public Accountants
October 11, 2010

Zachry Hospitality 401(k) Plan

Statement of Net Assets Available for Benefits

December 31, 2009

Assets	
Investments	$ 1,834,149
Receivables:	
Employee contributions	10,216
Employer contributions	4,230
Total receivables	14,446
Total assets	1,848,595
Liabilities	
Excess contributions payable	25,946
Net assets available for benefits	$ 1,822,649

Notes to financial statements form an integral part of this statement.

Zachry Hospitality 401(k) Plan

Statement of Changes in Net Assets Available for Benefits

Year Ended December 31, 2009

Additions to net assets attributed to:	
Contributions:	
Employee	$ 332,044
Employer	135,904
Rollovers	1,445,006
Total contributions	1,912,954
Investment income:	
Net appreciation in fair value of investments	13,312
Interest and dividends	31,795
Total investment income	45,107
Total additions	1,958,061
Deductions from net assets attributed to:	
Benefits paid to participants	(133,512)
Administrative expenses	(1,900)
Total deductions	(135,412)
Net increase	1,822,649
Net assets available for benefits at beginning of year	-
Net assets available for benefits at end of year	$ 1,822,649

Notes to financial statements form an integral part of this statement.

1. Description of Plan

The following description of Zachry Hospitality 401(k) Plan (the "Plan") provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

General

The Plan is a defined contribution plan which substantially covers all employees of Zachry Hospitality Corporation (the "Company"). It is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA"). The Plan's date of inception is January 1, 2009.

Contributions

Each year participants may elect to contribute up to 25% of eligible compensation, as defined in the Plan. Participants who have attained age 50 before the end of the Plan year are eligible to make catch-up contributions. Participants may also contribute amounts representing distributions from other qualified defined benefit or defined contribution plans. Participants direct the investment of their contributions into various investment options offered by the Plan. In 2009, the Company contributed 100% of the first 3%, and then 50% of the next 2% of compensation that participants contributed to the Plan; these contributions are discretionary and not required by the Plan and may change from year to year. Additional profit sharing amounts may be contributed at the option of the Company's Board of Directors. Contributions are subject to certain limitations.

Participant Accounts

Each participant's account is credited with the participant's contribution and allocations of the Company's contributions and Plan earnings, and charged with an allocation of administrative expenses. Allocations are based on participant earnings or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

Vesting

Participants are vested immediately in their contributions and actual earnings thereon. Vesting in the Company's contribution portion of their accounts is based on years of continuous service. A participant is 100% vested after five years of credited service.

1. Description of Plan (continued)

Participant Loans

Participants may borrow from their fund accounts a minimum of $1,000 up to a maximum equal to the lesser of $50,000 or 50% of their vested account balance. The loans are secured by the balance in the participant's account and bear interest at rates that are determined on an annual basis by the Plan committee. Principal and interest are paid through payroll deductions.

Payment of Benefits

On termination of service, a participant may elect to receive a lump-sum distribution equal to the value of the participant's vested interest in his or her account. Any balance under $1,000 is automatically paid out as soon as administratively possible. Hardship withdrawals are also available subject to certain limitations.

Forfeited Accounts

At December 31, 2009, forfeited nonvested accounts totaled $2,388. No forfeitures were used during 2009.

Expenses of the Plan

The Plan's administrative expenses are paid by either the Plan or the Plan's sponsor, as provided by the Plan document.

2. Summary of Significant Accounting Policies

Estimates

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

Basis of Accounting

The financial statements of the Plan are prepared under the accrual method of accounting.

2. Summary of Significant Accounting Policies (continued)

Investment Valuation and Income Recognition

Shares of registered investment companies (mutual funds) are reported at fair value based on the quoted market price of the fund which represents the net asset value of the shares held by the fund at year-end. Participant loans are valued at their outstanding balances, which approximate fair value.

Purchases and sales of securities are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date.

Payment of Benefits

Benefits are recorded when paid.

Subsequent Events

The Plan has evaluated subsequent events that occurred after December 31, 2009 through the date of this report on October 11, 2010. Any material subsequent events that occurred during this time have been properly recognized or disclosed in the financial statements.

3. Information Certified By Fidelity Management Trust Company ("Fidelity")

The Plan administrator has elected the method of compliance as permitted by 29 CFR 2520.103-8 of the United States Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA. Accordingly, as permitted under such election, the Plan administrator instructed the Plan's independent auditors not to perform any auditing procedures with respect to the following information certified by Fidelity, except for comparing such information certified by the trustee to information included in the Plan's financial statements and supplemental schedule.

The following table presents the fair value of participant-directed investments in this Plan that was certified by Fidelity. Single investments that represent 5% or more of the Plan's net assets as of December 31, 2009 are separately identified.

Fidelity Retirement Money Market Fund	$ 1,137,381
Fidelity Government Income Fund	414,680

3. Information Certified By Fidelity Management Trust Company ("Fidelity") (continued)

Fidelity also certified the completeness and accuracy of the net appreciation in fair value of investments of $13,312 and the interest and dividends of $31,795 for the year ended December 31, 2009.

4. Fair Value Measurements

The requirements of *Fair Value Measurements and Disclosures* of the ASC apply to all financial instruments (as of December 31, 2009) and all nonfinancial assets and nonfinancial liabilities (as of December 31, 2009) that are being measured and reported on a fair value basis. Fair value is defined as 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. *Fair Value Measurements and Disclosures* also establishes a fair value hierarchy that prioritizes the inputs used in valuation methodologies into the following three levels:

- Level 1 Inputs – Unadjusted quoted prices in active markets for identical assets or liabilities.

- Level 2 Inputs – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, or other inputs that can be corroborated by observable market data for substantially the full term of the assets or liabilities.

- Level 3 Inputs – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or other valuation techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

4. Fair Value Measurements (continued)

The Plan's investments, measured at fair value by the three levels described above, at December 31, 2009 are as follows:

	Total Fair Value Measurement at December 31, 2009	Level 1	Level 2	Level 3
Assets:				
Mutual funds	$ 1,801,154	$ 1,801,154	$ -	$ -
Participant loans	32,995	-	-	32,995
Total assets	$ 1,834,149	$ 1,801,154	$ -	$ 32,995

Level 3 Investments

The following is a summary of the activity of investments classified as Level 3 for the year ended December 31, 2009:

	Participant Loans
Balance at beginning of year	$ -
Principal repayments	(7,124)
Loan withdrawals	43,119
Deemed distributions	(3,000)
Balance at end of year	$ 32,995

5. Related Party Transactions

Certain Plan investments are shares of mutual funds managed by Fidelity. Fidelity is the trustee, as defined by the Plan and, therefore, these investments qualify as party-in-interest transactions. Fees paid by the Plan for participants' transactions and other services amounted to $1,900 for the year ended December 31, 2009.

6. Plan Termination

Although it has not expressed an intent to do so, the Company has the right under the Plan to discontinue its contribution at any time and to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, participants would become 100% vested in their employer contributions.

7. Tax Status

The Plan adopted a standardized form of a prototype plan sponsored by Fidelity. The prototype plan has received an opinion letter from the Internal Revenue Service as to the prototype plan's qualified status. The prototype plan opinion letter has been relied upon by this Plan. The Plan administrator believes the Plan is designed and is being operated in compliance with the applicable provisions of the Internal Revenue Code.

8. Risks and Uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statement of net assets available for benefits.

9. Reconciliation of Financial Statements to Form 5500

The following is a reconciliation of net assets available for benefits per the financial statements for the year ended December 31, 2009 to Form 5500:

Net assets available for benefits per the financial statements	$ 1,822,649
Less contributions receivable	(14,446)
Add excess contributions payable	25,946
Net assets available for benefits per Form 5500	$ 1,834,149

9. Reconciliation of Financial Statements to Form 5500 (continued)

The following is a reconciliation of the net increase in net assets available for benefits per the financial statements for the year ended December 31, 2009 to Form 5500:

Net increase in net assets available for benefits per the financial statements	$ 1,822,649
Less current year contributions receivable	(14,446)
Add current year excess contributions payable	25,946
Net income per Form 5500	$ 1,834,149

Supplemental Schedule

Zachry Hospitality 401(k) Plan

EIN: 74-2621037

Schedule H, Part IV(i) – Schedule of Assets Held for Investment Purposes

Plan No.: 001

December 31, 2009

(a)	(b)	(c)	(d)
	Identity of Issuer, Borrower, Lessor, or Similar Party	Description of Investment, Including Maturity Date, Rate of Interest, Par, or Maturity Value	Current Value
	Fidelity Management Trust Company*	Retirement Money Market Fund (1,137,381 units)	$ 1,137,381
	Fidelity Management Trust Company*	Government Income Fund (39,911 units)	414,680
	Fidelity Management Trust Company*	Freedom 2045 Fund (4,685 units)	39,687
	Fidelity Management Trust Company*	Freedom 2030 Fund (2,437 units)	30,188
	Fidelity Management Trust Company*	Freedom 2025 Fund (2,269 units)	23,576
	Allianz NFJ	Small Cap Value Fund (982 units)	22,733
	PIMCO	Total Return Admin. Fund (1,755 units)	18,952
	Fidelity Management Trust Company*	Fidelity Fund (434 units)	12,292
	Fidelity Management Trust Company*	Freedom 2040 Fund (1,421 units)	10,171
	Fidelity Management Trust Company*	Value Fund (155 units)	8,813

*Party-in-interest

Zachry Hospitality 401(k) Plan

EIN: 74-2621037

Schedule H, Part IV(i) – Schedule of Assets Held for Investment Purposes

Plan No.: 001

December 31, 2009

(Continued)

(a)	(b)	(c)	(d)
	Identity of Issuer, Borrower, Lessor, or Similar Party	Description of Investment, Including Maturity Date, Rate of Interest, Par, or Maturity Value	Current Value
	Fidelity Management Trust Company*	Freedom 2020 Fund (644 units)	$ 8,078
	Fidelity Management Trust Company*	Growth Discovery Fund (728 units)	8,077
	Fidelity Management Trust Company*	International Discovery (262 units)	7,966
	Fidelity Management Trust Company*	Freedom 2015 Fund (685 units)	7,139
	Fidelity Management Trust Company*	Freedom 2050 (716 units)	5,979
	Fidelity Management Trust Company*	Balanced Fund (363 units)	5,937
	Allianz NFJ	Dividend Value Fund (471 units)	4,927
	Fidelity Management Trust Company*	Small Cap Growth Fund (393 units)	4,879
	Fidelity Management Trust Company*	Emerging Markets Fund (202 units)	4,562
	Spartan	500 Index Fund – Investor Class (110 units)	4,327

*Party-in-interest

Zachry Hospitality 401(k) Plan

EIN: 74-2621037

Schedule H, Part IV(i) – Schedule of Assets Held for Investment Purposes

Plan No.: 001

December 31, 2009

(Continued)

(a)	(b)	(c)	(d)
	Identity of Issuer, Borrower, Lessor, or Similar Party	Description of Investment, Including Maturity Date, Rate of Interest, Par, or Maturity Value	Current Value
	Fidelity Management Trust Company*	Disciplined Equity Fund (192 units)	$ 4,029
	Fidelity Management Trust Company*	Capital and Income Fund (382 units)	3,291
	Fidelity Management Trust Company*	Freedom 2010 Fund (208 units)	2,596
	Spartan	Extended Market Index Fund (75 units)	2,288
	Spartan	International Index Fund (67 units)	2,232
	Rainier	Large Cap Equity Fund (59 units)	1,287
	Morgan Stanley Institutional Funds	Mid Cap Growth Fund (46 units)	1,262
	Fidelity Management Trust Company*	Freedom 2000 Fund (101 units)	1,150
	Fidelity Management Trust Company*	Freedom 2035 Fund (105 units)	1,080
	Fidelity Management Trust Company*	Large Cap Value Fund (61 units)	596

*Party-in-interest

Zachry Hospitality 401(k) Plan

EIN: 74-2621037

Schedule H, Part IV(i) – Schedule of Assets Held for Investment Purposes

Plan No.: 001

December 31, 2009

(Continued)

(a)	(b)	(c)	(d)
	Identity of Issuer, Borrower, Lessor, or Similar Party	Description of Investment, Including Maturity Date, Rate of Interest, Par, or Maturity Value	Current Value
	Fidelity Management Trust Company*	Freedom 2005 Fund (55 units)	$ 553
	Fidelity Management Trust Company*	Freedom Income Fund (38 units)	408
	Fidelity Management Trust Company*	Leveraged Company Stock Fund (1 unit)	38
	-	Participant loans (interest rate of 4.25%, maturing through 2014)	32,995
			$ 1,834,149

*Party-in-interest

PS&Co.

Padgett Stratemann & Co. LLP

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

October 11, 2010

To the Plan Committee
Zachry Hospitality 401(k) Plan
200 South Alamo Street
San Antonio, Texas 78205

Dear Members of the Plan Committee:

We have audited the financial statements of Zachry Hospitality 401(k) Plan (the "Plan") as of and for the year ended December 31, 2009, and have issued our report thereon dated October 11, 2010. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America

As communicated in our arrangement letter dated January 21, 2010, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements 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 entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Plan solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Qualitative Aspects of the Plan's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Plan is included in note 2 to the financial statements. During 2009, the Plan adopted Financial Accounting Standards Board Accounting Standards Codification, *Fair Value Measurements and Disclosures*, for financial assets and financial liabilities; *Accounting for Uncertainty in Income Taxes*; and *Subsequent Events*. Information on these standards can be found in note 2 to the financial statements. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimate affecting the financial statements is the fair value of investments.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the Plan's financial statements relates to the fair value of investments.

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those we believe are trivial, and communicate them to the appropriate level of management. There were no material misstatements that we identified as a result of our audit procedures.

Disagreements With Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Plan's financial statements or the auditors' report. No such disagreements arose during the course of the audit.

Representations Requested From Management

We have requested certain written representations from management, which are included in the attached letter dated October 11, 2010.

Management's Consultations With Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Findings or Issues

In the normal course of our professional association with the Plan, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Plan, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Plan's auditors.

RECOMMENDATIONS REGARDING THE INTERNAL CONTROL STRUCTURE

This letter includes comments and recommendations with respect to matters that came to our attention while planning and performing our audit of the financial statements of the Plan for the year ended December 31, 2009, except for performing any of the normal auditing procedures on assets certified by the trustee as provided under Section 2520.103-8 of the United States Department of Labor's ("DOL") Rules and Regulations. These items are offered as constructive recommendations to be considered as part of the ongoing process of modifying and improving the Plan's practices and procedures.

In planning and performing our audit of the financial statements of the Plan as of and for the year ended December 31, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered the Plan's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A deficiency in design exists when a control necessary to meet the control objective is missing, or when an existing control is not properly designed so that even if the control operates as designed, the control objective is not always met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or qualifications to perform the control effectively.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America, such that there is more than a remote likelihood that a misstatement of the Plan's financial statements that is more than inconsequential will not be prevented or detected.

We noted the following control deficiencies that we consider to be significant deficiencies.

Census Errors

Observation

During our review of the 2009 census, certain errors were noted that caused the report to be incorrect.

Recommendation

We recommend employee information be agreed to supporting payroll reports during the preparation of the census.

Late Corrective Distributions

Observation

During our testing of the corrective distributions, required as a result of failed compliance tests, we noted the corrective distributions were due by March 15, 2010, but were not paid until March 19, 2010.

Recommendation

We recommend Zachry Hospitality Corporation (the "Company") obtain and review compliance test results in a timely manner in order to pay any required corrective distributions on or before March 15 of the following year.

Benefit Waiver Forms

Observation

We noted benefit waiver forms signed by employees who do not elect to participate in the Plan are not maintained by the Plan.

Recommendation

We recommend eligible employees who elect not to participate in the Plan be required to complete a Company enrollment form and choose a deferral percentage of zero. All such forms, signed by the employee who elects not to defer any earnings and showing a deferral percentage of zero, should be placed in the respective employee's file.

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Observation

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Recommendation

We noted during 2010, the Plan decided to use forfeitures of nonvested employer contributions to pay for the Plan's administrative expenses, but we further recommend the Plan develop a formal policy regarding how forfeitures of nonvested employer contributions will be handled on an ongoing basis.

Fidelity Bond Coverage

Observation

As of December 31, 2009, the Plan did not have adequate fidelity bond coverage. The Employee Retirement Income Security Act of 1974 ("ERISA") regulations require the Plan to carry fidelity bond coverage in an amount equal to at least 10% of the assets in each plan as of the beginning of the plan year and need not be more than $500,000 of coverage.

Beginning Plan assets totaled $0; however, the coverage required for the 2010 Plan year will be $184,860, since 2009 ending Plan assets were $1,848,595.

Recommendation

We recommend the Plan's fidelity bond coverage be increased to at least $184,860 as soon as possible in order to comply with ERISA.

Following are descriptions of other matters (best practices) which we believe to be of potential benefit to the Plan, such as recommendations for operational or administrative efficiency.

Remittance of Participant Withholdings

DOL continues to focus on the timeliness of remittance of participant contributions in contributory employee benefit plans. Participant contributions are required to be deposited into the Plan as soon as they can reasonably be segregated from an employer's general assets. DOL regulations require all employers who sponsor retirement plans to remit employee contributions as soon as practicable, but in no event more than fifteen business days after the month in which the participant contributions were withheld or received by the employer. DOL is frequently holding employers to a standard of less than the maximum of fifteen business days. Significant penalties may result from failure to meet the "as soon as practicable" standard.

Failure to remit or untimely remittance of participant contributions may constitute a prohibited transaction (either a use of plan assets for the benefit of the employer or a prohibited extension of credit) and, in certain circumstances, may constitute embezzlement of plan assets. As a Plan sponsor, you are required to disclose on Form 5500 whether you deposited the participant contributions on time. In addition, you may be required to pay an excise tax to the Internal Revenue Service for failing to remit these contributions on time. Therefore, it is very important that you establish procedures to ensure participant contributions are remitted to the Plan as soon as possible.

During our testing, we did not note any participant contributions which were excessively delayed in being remitted to the Plan.

Investment Policy

Observation

The Plan did not have written investment policy guidelines or seem to maintain adequate records of the basis for investment decisions.

Recommendation

We recommend the Plan develop written investment policy guidelines to establish investment mix, risk, safety, liquidity, and targeted investment returns.

Plan Minutes

Observation

There are no formal minutes maintained for actions taken by the trustees. With the significant number of investment failures within benefit plans, the complexity of investment alternatives, and the complexity of the tax laws covering the qualifications of the Plan and fiduciary responsibilities of the trustees, it is important the trustees adequately document the due diligence they exercise over operations of the Plan, including selection of an investment policy and investment alternatives to offer participants who defer their earnings into the Plan's investments, and monitoring investment performance against the Plan's objectives.

Recommendation

The trustees should meet at least annually to review investment returns and the soundness of investments, select investment managers, determine investment strategies, approve benefit payments, monitor tax and qualification compliance, and approve Plan amendments.

This report is intended solely for the information and use of the trustees, management, and others within Zachry Hospitality 401(k) Plan and is not intended to be, and should not be, used by anyone other than these specified parties.

We thank you and your staff for the courteous assistance provided to us during the engagement and look forward to working with you in the future. Please do not hesitate to contact us if you have any questions or comments.

Sincerely,

Padgett, Stratemann & Co.
Certified Public Accountants

Attachment

Hilton
Palacio del Rio

October 11, 2010

Padgett, Stratemann & Co., L.L.P
100 N.E Loop 410, Suite 1100
San Antonio, Texas 78216

In connection with your audit of the statement of net assets available for benefits of Zachry Hospitality 401(k) Plan (the Plan) as of December 31, 2009 and the related statement of changes in net assets available for benefits for the year then ended, we confirm that we are responsible for the fair presentation in the financial statements of net assets and change in net assets in conformity with accounting principles generally accepted in the United States of America applied on a consistent basis and with the reporting requirements of the Employee Retirement Income Security Act of 1974 (ERISA) and whether the supplemental schedule of assets held for investment purposes as of December 31, 2009 is are fairly stated in all material respects in relation to the basic financial statements.

We confirm, to the best of our knowledge and belief, as of October 11, 2010, the following representations made to you during your audit.

1. The financial statements and supplemental schedule referenced to above are fairly presented in conformity with accounting principles generally accepted in the United States of America and with the reporting requirements of ERISA.
2. We have answered your questions about the Plan's tax compliance to the best of our knowledge and belief.
3. We have determined that the plan's current custodian, Fidelity Management Trust Company, qualifies to issue a certification of the Plan's investment activity under section 2520.103-8 of the United States Department of Labor's Rules and Regulations.
4. We have made available to you:
   a. The currently effective version of the Plan document, including prototype plan document and adoption agreement, the trust agreement or insurance contracts and all related amendments. The Plan was most recently amended July 27, 2009.
   b. All correspondence, filings, reports, and determinations with the Internal Revenue Service (IRS) and the Department of Labor (DOL) relating to the Plan's compliance with ERISA and the maintenance of its tax-exempt status.
   c. All Plan financial records and related data. In that regard, the payroll information we provided you covered all employees that were eligible to participate in the Plan.
5. We have no knowledge of fraud or suspected fraud affecting the Plan involving:
   a. Management or employees who have significant roles in the internal control.
   b. Others where the fraud could have a material effect on the financial statements.
6. We acknowledge our responsibility for the design and implementation of programs and controls to provide reasonable assurance that fraud is prevented and detected.

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7. We have no knowledge of any allegations of fraud or suspected fraud affecting the Plan received in communications from employees, former employees, participants, regulators, beneficiaries, service providers, third-party administrators, or others.

8. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the Plan's ability to record, process, summarize, and report financial data.

9. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

10. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

11. The following have been properly recorded and/or disclosed in the financial statements or supplemental schedules, as appropriate:

    a. Related-party transactions, including transactions with parties-in-interest, as defined in ERISA section 3(14) and regulations thereunder, including sales, purchases, loans, transfers, leasing arrangements and guarantees, and amounts receivable from or payable to related parties.

    b. All significant estimates and material concentrations known to management that are to be disclosed in accordance with the Risk and Uncertainties Topic of the FASB Accounting Standards Codification. Significant estimates are estimates at the statement of net assets date that could change materially within the next year. Concentrations refer to nature and type of investments held by the Plan, or markets in which events could occur that would significantly disrupt normal finances within the next year.

    c. A description of the Plan.

    d. Assets held for investment.

    e. Amendments to the plan instrument.

12. We are responsible for making the accounting estimates included in the financial statements. Those estimates reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take.

13. There are no:

    a. Material transactions that have not been properly recorded in the accounting records underlying the financial statements.

    b. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

    c. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by the Contingencies Topic of the FASB Accounting Standards Codification.

    d. Nonexempt (prohibited) party in interest transactions. In that regard, the Plan has complied with the Department of Labor (DOL)'s regulations concerning the timely remittance of participants contributions to trusts containing assets for the Plan.

    e. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and lines of credit or similar arrangements.

    f. Agreements to repurchase assets previously sold.

    g. Assets pledged or encumbered.

    h. Amounts of contractual obligations, liens, or encumbrances on assets or security agreements in effect under the Uniform Commercial Code not included in the liabilities recorded on the books.

i. Liabilities that are subordinated to any other actual or possible liabilities of the Plan.

j. Lease obligations by the Plan.

k. Concentrations of credit risk.

l. Financial instruments with off-balance-sheet market or credit risk.

m. Derivative financial instruments

n. Correspondence, filings, or reports with the Department of Labor (DOL) relating to the Plan's compliance with ERISA.

o. Minutes of the meetings of the Plan's trustees, or summaries of actions of recent meetings for which minutes have not yet been prepared.

p. Guarantees, whether written or oral, under which the Plan is contingently liable to a bank or other lending institution.

q. Reportable transactions.

r. Participant loans or other receivables in default or considered to be uncollectible.

s. Exempt party in interest transactions.

14. We are not aware of any pending or threatened litigation, claims, or assessments that are required to be accrued or disclosed in the financial statements in accordance with Contingencies Topic of the FASB Accounting Standards Codification, and neither we, nor the Plan sponsor, or others acting on behalf of the Plan, have consulted a lawyer concerning litigation, claims, or assessments affecting the Plan.

15. The Plan has satisfactory title to all owned assets.

16. We have complied with *(a)* all aspects of contractual agreements, including provisions of the Plan, that would have a material effect on the financial statements in the event of noncompliance, and *(b)* all participant eligibility and coverage requirements of the Plan, ERISA, and the Internal Revenue Code.

17. The Internal Revenue Service has determined and informed the sponsor that the Plan's prototype document is qualified and the trust established under the Plan is tax exempt under the appropriate sections of the Code. The Plan has been amended since receiving the determination letter.

18. There is no present intention to terminate the Plan.

19. We have reviewed the user control considerations of the Independent Auditors Review of Control Policies and Procedures for Fidelity Investments Institutional Operations Company, Inc., for the year ended October 31, 2009, and we believe all applicable controls are in place.

20. We are responsible for determining that significant events or transactions that have occurred since the statement of net assets available for benefits date and through October 11, 2010, have been recognized or disclosed in the financial statements. No events or transactions have occurred subsequent to the statement of net assets available for benefits date and through October 11, 2010, that would require adjustment to, or disclosure in, the financial statements. We further represent that as of October 11, 2010, the financial statements were complete in a form and format that complied with accounting principles generally accepted in the United States of America and with the reporting requirements of ERISA and that all approvals necessary for issuance of the financial statements have been obtained.

21. During the course of your audit(s), you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

22. Employer contributions to the plan totaled $135,904 for the year ended December 31, 2009. Employer contributions receivable totaled $4,230 as of December 31, 2009.

23. We have not complied with the fidelity bonding requirements of ERISA.

24. We have not complied with the filing requirements of appropriate agencies due to the late payment of corrective distributions.

Zachry Hospitality 401(k) Plan

Charles Ebrom
Plan Administrator

Dwight Haase
Director of Finance

PS&Co.

Padgett Stratemann & Co. LLP

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

October 11, 2010

To the Plan Committee
Zachry Hospitality 401(k) Plan
200 South Alamo Street
San Antonio, Texas 78205

Dear Members of the Plan Committee:

We have audited the financial statements of Zachry Hospitality 401(k) Plan (the "Plan") as of and for the year ended December 31, 2009, and have issued our report thereon dated October 11, 2010. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America

As communicated in our arrangement letter dated January 21, 2010, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

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Recommendation

The trustees should meet at least annually to review investment returns and the soundness of investments, select investment managers, determine investment strategies, approve benefit payments, monitor tax and qualification compliance, and approve Plan amendments.

This report is intended solely for the information and use of the trustees, management, and others within Zachry Hospitality 401(k) Plan and is not intended to be, and should not be, used by anyone other than these specified parties.

We thank you and your staff for the courteous assistance provided to us during the engagement and look forward to working with you in the future. Please do not hesitate to contact us if you have any questions or comments.

Sincerely,

Padgett, Stratemann & Co.
Certified Public Accountants

Attachment

Hilton
Palacio del Rio

October 11, 2010

Padgett, Stratemann & Co., L.L.P
100 N.E Loop 410, Suite 1100
San Antonio, Texas 78216

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We confirm, to the best of our knowledge and belief, as of October 11, 2010, the following representations made to you during your audit.

1. The financial statements and supplemental schedule referenced to above are fairly presented in conformity with accounting principles generally accepted in the United States of America and with the reporting requirements of ERISA.
2. We have answered your questions about the Plan's tax compliance to the best of our knowledge and belief.
3. We have determined that the plan's current custodian, Fidelity Management Trust Company, qualifies to issue a certification of the Plan's investment activity under section 2520.103-8 of the United States Department of Labor's Rules and Regulations.
4. We have made available to you:
   a. The currently effective version of the Plan document, including prototype plan document and adoption agreement, the trust agreement or insurance contracts and all related amendments. The Plan was most recently amended July 27, 2009.
   b. All correspondence, filings, reports, and determinations with the Internal Revenue Service (IRS) and the Department of Labor (DOL) relating to the Plan's compliance with ERISA and the maintenance of its tax-exempt status.
   c. All Plan financial records and related data. In that regard, the payroll information we provided you covered all employees that were eligible to participate in the Plan.
5. We have no knowledge of fraud or suspected fraud affecting the Plan involving:
   a. Management or employees who have significant roles in the internal control.
   b. Others where the fraud could have a material effect on the financial statements.
6. We acknowledge our responsibility for the design and implementation of programs and controls to provide reasonable assurance that fraud is prevented and detected.

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7. We have no knowledge of any allegations of fraud or suspected fraud affecting the Plan received in communications from employees, former employees, participants, regulators, beneficiaries, service providers, third-party administrators, or others.

8. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the Plan's ability to record, process, summarize, and report financial data.

9. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

10. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

11. The following have been properly recorded and/or disclosed in the financial statements or supplemental schedules, as appropriate:

    a. Related-party transactions, including transactions with parties-in-interest, as defined in ERISA section 3(14) and regulations thereunder, including sales, purchases, loans, transfers, leasing arrangements and guarantees, and amounts receivable from or payable to related parties.

    b. All significant estimates and material concentrations known to management that are to be disclosed in accordance with the Risk and Uncertainties Topic of the FASB Accounting Standards Codification. Significant estimates are estimates at the statement of net assets date that could change materially within the next year. Concentrations refer to nature and type of investments held by the Plan, or markets in which events could occur that would significantly disrupt normal finances within the next year.

    c. A description of the Plan.

    d. Assets held for investment.

    e. Amendments to the plan instrument.

12. We are responsible for making the accounting estimates included in the financial statements. Those estimates reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take.

13. There are no:

    a. Material transactions that have not been properly recorded in the accounting records underlying the financial statements.

    b. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

    c. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by the Contingencies Topic of the FASB Accounting Standards Codification.

    d. Nonexempt (prohibited) party in interest transactions. In that regard, the Plan has complied with the Department of Labor (DOL)'s regulations concerning the timely remittance of participants contributions to trusts containing assets for the Plan.

    e. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and lines of credit or similar arrangements.

    f. Agreements to repurchase assets previously sold.

    g. Assets pledged or encumbered.

    h. Amounts of contractual obligations, liens, or encumbrances on assets or security agreements in effect under the Uniform Commercial Code not included in the liabilities recorded on the books.

i. Liabilities that are subordinated to any other actual or possible liabilities of the Plan.

j. Lease obligations by the Plan.

k. Concentrations of credit risk.

l. Financial instruments with off-balance-sheet market or credit risk.

m. Derivative financial instruments

n. Correspondence, filings, or reports with the Department of Labor (DOL) relating to the Plan's compliance with ERISA.

o. Minutes of the meetings of the Plan's trustees, or summaries of actions of recent meetings for which minutes have not yet been prepared.

p. Guarantees, whether written or oral, under which the Plan is contingently liable to a bank or other lending institution.

q. Reportable transactions.

r. Participant loans or other receivables in default or considered to be uncollectible.

s. Exempt party in interest transactions.

14. We are not aware of any pending or threatened litigation, claims, or assessments that are required to be accrued or disclosed in the financial statements in accordance with Contingencies Topic of the FASB Accounting Standards Codification, and neither we, nor the Plan sponsor, or others acting on behalf of the Plan, have consulted a lawyer concerning litigation, claims, or assessments affecting the Plan.

15. The Plan has satisfactory title to all owned assets.

16. We have complied with *(a)* all aspects of contractual agreements, including provisions of the Plan, that would have a material effect on the financial statements in the event of noncompliance, and *(b)* all participant eligibility and coverage requirements of the Plan, ERISA, and the Internal Revenue Code.

17. The Internal Revenue Service has determined and informed the sponsor that the Plan's prototype document is qualified and the trust established under the Plan is tax exempt under the appropriate sections of the Code. The Plan has been amended since receiving the determination letter.

18. There is no present intention to terminate the Plan.

19. We have reviewed the user control considerations of the Independent Auditors Review of Control Policies and Procedures for Fidelity Investments Institutional Operations Company, Inc., for the year ended October 31, 2009, and we believe all applicable controls are in place.

20. We are responsible for determining that significant events or transactions that have occurred since the statement of net assets available for benefits date and through October 11, 2010, have been recognized or disclosed in the financial statements. No events or transactions have occurred subsequent to the statement of net assets available for benefits date and through October 11, 2010, that would require adjustment to, or disclosure in, the financial statements. We further represent that as of October 11, 2010, the financial statements were complete in a form and format that complied with accounting principles generally accepted in the United States of America and with the reporting requirements of ERISA and that all approvals necessary for issuance of the financial statements have been obtained.

21. During the course of your audit(s), you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

22. Employer contributions to the plan totaled $135,904 for the year ended December 31, 2009. Employer contributions receivable totaled $4,230 as of December 31, 2009.

23. We have not complied with the fidelity bonding requirements of ERISA.

24. We have not complied with the filing requirements of appropriate agencies due to the late payment of corrective distributions.

Zachry Hospitality 401(k) Plan

Charles Ebrom
Plan Administrator

Dwight Haase
Director of Finance