Form 5500

Department of the Treasury
Internal Revenue Service

Department of Labor
Employee Benefits Security Administration

Pension Benefit Guaranty Corporation

Annual Return/Report of Employee Benefit Plan

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

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

OMB Nos. 1210-0110
1210-0089

2009

This Form is Open to Public Inspection

Part I Annual Report Identification Information

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

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

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

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

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

Part II Basic Plan Information—enter all requested information

1a Name of plan
HIGHLAND RESOURCES, INC EMPLOYEE MEDICAL PLAN

1b Three-digit plan number (PN) ▶ 501

1c Effective date of plan 10/01/1976

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

4700 FIRST CITY TOWER / 1001 FANNIN
HOUSTON, TX 77002-6706

4700 FIRST CITY TOWER / 1001 FANNIN
HOUSTON, TX 77002-6706

2b Employer Identification Number (EIN)
76-0081739

2c Sponsor's telephone number
713-652-4901

2d Business code (see instructions)
531390

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.	10/18/2010	JOHN H. LOTT
	Signature of plan administrator	Date	Enter name of individual signing as plan administrator
SIGN HERE	Filed with authorized/valid electronic signature.	10/18/2010	CHARLES W. WOLCOTT
	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")
HRI-TRUSTEES FOR HRI RESOURCES, INC EMPLOYEE BENEFIT PLAN

4700 FIRST CITY TOWER / 1001 FANNIN
HOUSTON, TX 77002-6706

3b Administrator's EIN
31-6191447

3c Administrator's telephone number
713-652-4901

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**	190
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**	159
b	Retired or separated participants receiving benefits	**6b**	27
c	Other retired or separated participants entitled to future benefits	**6c**	3
d	Subtotal. Add lines **6a**, **6b**, and **6c**	**6d**	189
e	Deceased participants whose beneficiaries are receiving or are entitled to receive benefits	**6e**	
f	Total. Add lines **6d** and **6e**	**6f**	
g	Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item)	**6g**	
h	Number of participants that terminated employment during the plan year with accrued benefits that were less than 100% vested	**6h**	
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:

b If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristic Codes in the instructions:
4A

9a Plan funding arrangement (check all that apply)

(1)	X	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)	X	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)		**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)	X	1	**A** (Insurance Information)
(4)	X		**C** (Service Provider Information)
(5)			**D** (DFE/Participating Plan Information)
(6)			**G** (Financial Transaction Schedules)

SCHEDULE A (Form 5500)

Department of the Treasury
Internal Revenue Service

Department of Labor
Employee Benefits Security Administration

Pension Benefit Guaranty Corporation

Insurance Information

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.**

▶ Insurance companies are required to provide the information pursuant to ERISA section 103(a)(2).

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
HIGHLAND RESOURCES, INC EMPLOYEE MEDICAL PLAN

B Three-digit plan number (PN) ▶ 501

C Plan sponsor's name as shown on line 2a of Form 5500.
HIGHLAND RESOURCES, INC.

D Employer Identification Number (EIN)
76-0081739

Part I **Information Concerning Insurance Contract Coverage, Fees, and Commissions** Provide information for each contract on a separate Schedule A. Individual contracts grouped as a unit in Parts II and III can be reported on a single Schedule A.

1 Coverage Information:

(a) Name of insurance carrier
BLUE CROSS BLUE SHIELD OF TEXAS

(b) EIN	(c) NAIC code	(d) Contract or identification number	(e) Approximate number of persons covered at end of policy or contract year	Policy or contract year	
				(f) From	(g) To
36-1236610	70670	92054	261	11/01/2008	10/31/2009

2 Insurance fee and commission information. Enter the total fees and total commissions paid. List in item 3 the agents, brokers, and other persons in descending order of the amount paid.

(a) Total amount of commissions paid	(b) Total amount of fees paid
42379	2208

3 Persons receiving commissions and fees. (Complete as many entries as needed to report all persons).

(a) Name and address of the agent, broker, or other person to whom commissions or fees were paid
PLUMHOFF & ASSOCIATES
1220 AUGUSTA, SUITE 450
HOUSTON, TX 77057

(b) Amount of sales and base commissions paid	Fees and other commissions paid		
	(c) Amount	(d) Purpose	(e) Organization code
42379			3

(a) Name and address of the agent, broker, or other person to whom commissions or fees were paid
PLUMHOFF & ASSOCIATES
1220 SUGUSTA, SUITE 450
HOUSTON, TX 77057

(b) Amount of sales and base commissions paid	Fees and other commissions paid		
	(c) Amount	(d) Purpose	(e) Organization code
	2208	SPECIAL PROGRAMS	3

(a) Name and address of the agent, broker, or other person to whom commissions or fees were paid

(b) Amount of sales and base commissions paid	Fees and other commissions paid		**(e)** Organization code
	(c) Amount	**(d)** Purpose	

(a) Name and address of the agent, broker, or other person to whom commissions or fees were paid

(b) Amount of sales and base commissions paid	Fees and other commissions paid		**(e)** Organization code
	(c) Amount	**(d)** Purpose	

(a) Name and address of the agent, broker, or other person to whom commissions or fees were paid

(b) Amount of sales and base commissions paid	Fees and other commissions paid		**(e)** Organization code
	(c) Amount	**(d)** Purpose	

(a) Name and address of the agent, broker, or other person to whom commissions or fees were paid

(b) Amount of sales and base commissions paid	Fees and other commissions paid		**(e)** Organization code
	(c) Amount	**(d)** Purpose	

(a) Name and address of the agent, broker, or other person to whom commissions or fees were paid

(b) Amount of sales and base commissions paid	Fees and other commissions paid		**(e)** Organization code
	(c) Amount	**(d)** Purpose	

Part II Investment and Annuity Contract Information

Where individual contracts are provided, the entire group of such individual contracts with each carrier may be treated as a unit for purposes of this report.

4	Current value of plan's interest under this contract in the general account at year end	**4**	
5	Current value of plan's interest under this contract in separate accounts at year end	**5**	

6 Contracts With Allocated Funds:

a State the basis of premium rates ▶

b	Premiums paid to carrier	**6b**	
c	Premiums due but unpaid at the end of the year	**6c**	
d	If the carrier, service, or other organization incurred any specific costs in connection with the acquisition or retention of the contract or policy, enter amount.	**6d**	

Specify nature of costs ▶

e Type of contract: (1) ☐ individual policies (2) ☐ group deferred annuity

(3) ☐ other (specify) ▶

f If contract purchased, in whole or in part, to distribute benefits from a terminating plan check here ▶ ☐

7 Contracts With Unallocated Funds (Do not include portions of these contracts maintained in separate accounts)

a Type of contract: (1) ☐ deposit administration (2) ☐ immediate participation guarantee

(3) ☐ guaranteed investment (4) ☐ other ▶

b	Balance at the end of the previous year			**7b**	
c	Additions: (1) Contributions deposited during the year	**7c(1)**			
	(2) Dividends and credits	**7c(2)**			
	(3) Interest credited during the year	**7c(3)**			
	(4) Transferred from separate account	**7c(4)**			
	(5) Other (specify below)	**7c(5)**			
	▶				
	(6) Total additions			**7c(6)**	
d	Total of balance and additions (add **b** and **c(6)**)			**7d**	
e	Deductions:				
	(1) Disbursed from fund to pay benefits or purchase annuities during year	**7e(1)**			
	(2) Administration charge made by carrier	**7e(2)**			
	(3) Transferred to separate account	**7e(3)**			
	(4) Other (specify below)	**7e(4)**			
	▶				
	(5) Total deductions			**7e(5)**	
f	Balance at the end of the current year (subtract **e(5)** from **d**)			**7f**	

Part III Welfare Benefit Contract Information

If more than one contract covers the same group of employees of the same employer(s) or members of the same employee organization(s), the information may be combined for reporting purposes if such contracts are experience-rated as a unit. Where contracts cover individual employees, the entire group of such individual contracts with each carrier may be treated as a unit for purposes of this report.

8 Benefit and contract type (check all applicable boxes)

- **a** [X] Health (other than dental or vision)
- **b** [ ] Dental
- **c** [ ] Vision
- **d** [ ] Life insurance
- **e** [ ] Temporary disability (accident and sickness)
- **f** [ ] Long-term disability
- **g** [ ] Supplemental unemployment
- **h** [X] Prescription drug
- **i** [X] Stop loss (large deductible)
- **j** [ ] HMO contract
- **k** [X] PPO contract
- **l** [ ] Indemnity contract
- **m** [ ] Other (specify) ▶

9 Experience-rated contracts:				
a Premiums: (1) Amount received	**9a(1)**	1054366		
(2) Increase (decrease) in amount due but unpaid	**9a(2)**			
(3) Increase (decrease) in unearned premium reserve	**9a(3)**			
(4) Earned (**(1)** + **(2)** - **(3)**)			**9a(4)**	1054366
b Benefit charges (1) Claims paid	**9b(1)**	930808		
(2) Increase (decrease) in claim reserves	**9b(2)**			
(3) Incurred claims (add **(1)** and **(2)**)			**9b(3)**	930808
(4) Claims charged			**9b(4)**	
c Remainder of premium: (1) Retention charges (on an accrual basis) --				
(A) Commissions	**9c(1)(A)**	42379		
(B) Administrative service or other fees	**9c(1)(B)**	81180		
(C) Other specific acquisition costs	**9c(1)(C)**			
(D) Other expenses	**9c(1)(D)**			
(E) Taxes	**9c(1)(E)**			
(F) Charges for risks or other contingencies	**9c(1)(F)**			
(G) Other retention charges	**9c(1)(G)**			
(H) Total retention			**9c(1)(H)**	123559
(2) Dividends or retroactive rate refunds. (These amounts were [ ] paid in cash, or [ ] credited.)			**9c(2)**	
d Status of policyholder reserves at end of year: (1) Amount held to provide benefits after retirement			**9d(1)**	
(2) Claim reserves			**9d(2)**	
(3) Other reserves			**9d(3)**	
e Dividends or retroactive rate refunds due. (Do not include amount entered in **c(2)**.)			**9e**	
10 Nonexperience-rated contracts:				
a Total premiums or subscription charges paid to carrier			**10a**	125249
b If the carrier, service, or other organization incurred any specific costs in connection with the acquisition or retention of the contract or policy, other than reported in Part I, item 2 above, report amount.			**10b**	

Specify nature of costs ▶

Part IV Provision of Information

11 Did the insurance company fail to provide any information necessary to complete Schedule A? [ ] Yes [X] No

12 If the answer to line 11 is "Yes," specify the information not provided. ▶

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
HIGHLAND RESOURCES, INC EMPLOYEE MEDICAL PLAN

B Three-digit plan number (PN) ▶ 501

C Plan sponsor's name as shown on line 2a of Form 5500
HIGHLAND RESOURCES, INC.

D Employer Identification Number (EIN)
76-0081739

Part I Service Provider Information (see instructions)

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

1 Information on Persons Receiving Only Eligible Indirect Compensation

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

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

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

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

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

MFR, P.C.

76-0236814

(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?
10	CONTRACTOR	13000	Yes [ ] No [X]	Yes [ ] No [ ]		Yes [ ] No [ ]

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

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

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

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

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

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

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

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

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

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

Part I Service Provider Information (continued)

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

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

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

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

Part II Service Providers Who Fail or Refuse to Provide Information

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

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

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

(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

(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
HIGHLAND RESOURCES, INC EMPLOYEE MEDICAL PLAN

B Three-digit plan number (PN) ▶ 501

C Plan sponsor's name as shown on line 2a of Form 5500
HIGHLAND RESOURCES, INC.

D Employer Identification Number (EIN)
76-0081739

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	89838	86310
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)	661018	603069
(2) U.S. Government securities	1c(2)		
(3) Corporate debt instruments (other than employer securities):			
(A) Preferred	1c(3)(A)		
(B) All other	1c(3)(B)		
(4) Corporate stocks (other than employer securities):			
(A) Preferred	1c(4)(A)		
(B) Common	1c(4)(B)		
(5) Partnership/joint venture interests	1c(5)		
(6) Real estate (other than employer real property)	1c(6)		
(7) Loans (other than to participants)	1c(7)		
(8) Participant loans	1c(8)		
(9) Value of interest in common/collective trusts	1c(9)		
(10) Value of interest in pooled separate accounts	1c(10)		
(11) Value of interest in master trust investment accounts	1c(11)		
(12) Value of interest in 103-12 investment entities	1c(12)		
(13) Value of interest in registered investment companies (e.g., mutual funds)	1c(13)		
(14) Value of funds held in insurance company general account (unallocated contracts)	1c(14)	0	0
(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	750856	689379
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	750856	689379

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)	889884	
(B) Participants	2a(1)(B)	246266	
(C) Others (including rollovers)	2a(1)(C)		
(2) Noncash contributions	2a(2)		
(3) Total contributions. Add lines **2a(1)(A), (B), (C),** and line **2a(2)**	2a(3)		1136150
b Earnings on investments:			
(1) Interest:			
(A) Interest-bearing cash (including money market accounts and certificates of deposit)	2b(1)(A)	2050	
(B) U.S. Government securities	2b(1)(B)		
(C) Corporate debt instruments	2b(1)(C)		
(D) Loans (other than to participants)	2b(1)(D)		
(E) Participant loans	2b(1)(E)		
(F) Other	2b(1)(F)		
(G) Total interest. Add lines **2b(1)(A)** through **(F)**	2b(1)(G)		2050
(2) Dividends: **(A)** Preferred stock	2b(2)(A)		
(B) Common stock	2b(2)(B)		
(C) Registered investment company shares (e.g. mutual funds)	2b(2)(C)		
(D) Total dividends. Add lines **2b(2)(A)**, **(B)**, and **(C)**	2b(2)(D)		0
(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)		0

		(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)		0
(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)		
c Other income	2c		
d Total income. Add all **income** amounts in column (b) and enter total	2d		1138200
Expenses			
e Benefit payment and payments to provide benefits:			
(1) Directly to participants or beneficiaries, including direct rollovers	2e(1)		
(2) To insurance carriers for the provision of benefits	2e(2)	1184983	
(3) Other	2e(3)		
(4) Total benefit payments. Add lines 2e(1) through (3)	2e(4)		1184983
f Corrective distributions (see instructions)	2f		
g Certain deemed distributions of participant loans (see instructions)	2g		
h Interest expense	2h		
i Administrative expenses: (1) Professional fees	2i(1)	13000	
(2) Contract administrator fees	2i(2)		
(3) Investment advisory and management fees	2i(3)		
(4) Other	2i(4)	1694	
(5) Total administrative expenses. Add lines 2i(1) through (4)	2i(5)		14694
j Total expenses. Add all **expense** amounts in column (b) and enter total	2j		1199677
Net Income and Reconciliation			
k Net income (loss). Subtract line 2j from line 2d	2k		-61477
l Transfers of assets:			
(1) To this plan	2l(1)		
(2) From this plan	2l(2)		

Part III Accountant's Opinion

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

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

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

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

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

(1) Name: MFR, P.C. (2) EIN: 76-0236814

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		500000
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)

HIGHLAND RESOURCES, INC.
EMPLOYEE MEDICAL PLAN

Financial Statements and
Supplemental Schedules

December 31, 2009 and 2008
(With Independent Auditors' Report Thereon)

HIGHLAND RESOURCES, INC.
EMPLOYEE MEDICAL PLAN

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The following schedules required by the Department of Labor's Rules and Regulations are omitted because of the absence of conditions under which they are required:

Schedule G, Part I - Schedule of Loans or Fixed Income Obligations in Default or Classified as Uncollectible

Schedule G, Part II - Schedule of Leases in Default or Classified as Uncollectible

Schedule G, Part III - Nonexempt Transactions

Schedule H, Line 4(a) - Delinquent Participant Contributions and Loan Repayments

Schedule H, Line 4(i) - Schedule of Assets (Acquired and Disposed of Within the Plan Year)

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One Riverway, Suite 1900
Houston, TX 77056 USA

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INDEPENDENT AUDITORS' REPORT

Trustees of the
Highland Resources, Inc.
Employee Medical Plan:

We have audited the statements of net assets available for benefits - cash basis of the Highland Resources, Inc. Employee Medical Plan (the Plan) as of December 31, 2009 and 2008, and the related statements of changes in net assets available for benefits - cash basis for the years then ended. These financial statements and supplemental schedules are the responsibility of the Plan's Trustees. Our responsibility is to express an opinion on these financial statements and supplemental schedules based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and supplemental schedules are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and supplemental schedules. An audit also includes assessing the accounting principles used and significant estimates made by the Trustees, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 2, these financial statements and supplemental schedules were prepared on the cash basis of accounting and are not intended to be presented in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits - cash basis of Highland Resources, Inc. Employee Medical Plan as of December 31, 2009 and 2008, and its changes in net assets available for benefits - cash basis for the years then ended, on the basis of accounting described in Note 2.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental schedules of Schedule H, Line 4 (i) - Schedule of assets (held at end of year) - cash basis as of December 31, 2009 and Schedule H, Line 4(j) - Schedule of reportable transactions - cash basis for the year ended December 31, 2009 are presented for the purpose of additional analysis and are not a required part of the basic financial statements, but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. These supplemental schedules are the responsibility of the Plan's Trustees. The supplemental schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

October 11, 2010

MFR, P.C.

Member of the American Institute of Certified Public Accountants

HIGHLAND RESOURCES, INC.
EMPLOYEE MEDICAL PLAN

Statements of Net Assets Available for Benefits - Cash Basis
December 31, 2009 and 2008

	2009	2008
Assets		
Cash	$ 86,310	89,838
Temporary cash investments	603,069	661,018
Net assets available for benefits	$ 689,379	750,856

See accompanying notes to financial statements.

HIGHLAND RESOURCES, INC.
EMPLOYEE MEDICAL PLAN

Statements of Changes in Net Assets
Available for Benefits - Cash Basis
Years Ended December 31, 2009 and 2008

	2009	2008
Additions to net assets:		
Employers' contributions	$ 889,884	813,459
Participants' contributions	246,266	213,631
Dividend income	2,050	20,508
Total additions to net assets	1,138,200	1,047,598
Deduction from net assets:		
Medical claims	935,454	804,499
Insurance premiums and fees	249,529	227,994
Administrative expenses	14,694	19,432
Total deductions from net assets	1,199,677	1,051,925
Net decrease in net assets available for benefits	(61,477)	(4,327)
Net assets available for plan benefits:		
Beginning of year	750,856	755,183
End of year	$ 689,379	750,856

See accompanying notes to financial statements.

HIGHLAND RESOURCES, INC.
EMPLOYEE MEDICAL PLAN

Notes to Financial Statements
December 31, 2009 and 2008

1. **Plan Description**

General

The Highland Resources, Inc. Employee Medical Plan (the Plan) was created for the purpose of providing a health and welfare program for the employees of Highland Resources, Inc. and certain affiliated companies (the Employer). The Plan provides health benefits (hospital, surgical and major medical) covering full-time employees of the Employer. The Plan also provides health benefits to retired employees who elect such coverage and their dependents. As required by law, the Plan provides coverage for former employees and their dependents who elect such coverage. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Eligibility

A full-time employee becomes eligible for coverage after completing ninety days (90) of active work.

Contributions

The Employer makes all monthly contributions, on behalf of each covered Employee, to the trust established under the Plan. The employees and the Employer contribute specified amounts to up-grade coverage and extend coverage to eligible dependents. Retirees and the Employer contribute to the trust fund for coverage of retirees and their dependents. Former employees and their dependents covered under the Plan make contributions to the Plan for the cost of such coverage. The cost of coverage usually increases each year consistent with the increase in medical costs.

Plan termination

In the event of termination of the Plan, the trustees shall apply the net assets held by the Plan to the continuation of providing benefits for the Employees and for the payment of reasonable and necessary expenses incurred in the termination of the Plan. See Note 6.

Benefit payments

Benefit payments are recorded when paid.

Administrative expenses

Expenses of Plan administration are paid by the Plan to the extent not paid by the Employer.

Continued

2. **Summary of Significant Accounting Policies**

The financial statements have been prepared using the cash basis of accounting. The cash basis of accounting means that contributions and other revenues are recognized when received and benefits and other expenses are recognized when paid. The cash basis of accounting was used because it would not be practical to determine which claims had been incurred but remained unpaid as of the end of the year. In addition, all qualified claims are contractual obligations of the Employer. If not paid by the Plan, claims must be funded when presented for payment by either the Employee, the Employer or the Plan's insurance carrier (See Note 6).

Use of estimates

The financial statements of the Plan include amounts based on informed estimates and judgments of management. Actual results could differ from those estimates.

Subsequent events

Management has evaluated subsequent events through October 11, 2010 the date which the financial statements were available to be issued.

3. **Fair Value Measurements**

The Plan uses Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 820, *Fair Value Measurements and Disclosures,* provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are described as follows:

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.
Level 2	Inputs to the valuation methodology include: • Quoted prices for similar assets or liabilities in active markets; • Quoted prices for identical or similar assets or liabilities in inactive markets; • Inputs other than quoted prices that are observable for the asset or liability; • Inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

Continued

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

Mutual Funds: Valued at the net asset value of shares held by the Plan at year end.

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

The fair value of the Plan's assets measured at fair value on a recurring basis at December 31, 2009 and 2008 are based on unadjusted quoted prices in active markets (Level 1) and are comprised of Mutual funds for $603,069 and $661,018 for 2009 and 2008, respectively.

4. **Temporary Cash Investments**

The Plan from time to time invests excess cash in a money market mutual fund, which has a variable interest rate dependent on market rates. At December 31, 2009 and December 31, 2008, the Plan had invested $603,069 and $661,018, respectively in Dreyfus Cash Management Investor Shares. The Dreyfus Cash Management Fund is exposed to various risks, such as interest rate, credit and overall market volatility risks. Due to the level of risk associated with investment, it is at least reasonably possible that changes in the values of this investment will occur in the near term and that such changes could materially affect the amounts reported in the statements of net assets available for benefits. This investment is not FDIC insured, not bank guaranteed, and may lose value.

5. **Federal Income Tax**

The Internal Revenue Service has determined the Trust of the Plan to be an exempt from federal income tax. Plan management believes that the Plan is currently designed and is operating in compliance with IRS regulations.

6. **Insurance and Claim Liability**

The Employer contracts with an insurance company to administer claim payments and provide excess coverage for the Plan participants. Each contract is for a one-year period and extends coverage from November 1 to October 31 of the following year. Since November 1, 2004, the Employer has contracted with Blue Cross Blue Shield of Texas (BCBS). This contract was renewed on November 1, 2009 and was extended to October 31, 2010.

The Plan pays the insurance company a monthly service fee to administer the Plan and process claims. The Plan also pays the insurance company a monthly premium to pay for excess insurance coverage. The Plan's liability for claims paid is limited on both a covered individual and total group basis. The limitation for individuals is $70,000 per policy year. The limitation for the group is based on the number of Plan participants covered during the policy year, but would not be less than approximately $1,150,000 for the policy year ending October 31, 2010. If the amount of the claims paid exceeds the liability limit, BCBS will reimburse the Plan for the excess amount up to $1,000,000.

Continued

If the insurance policy is not renewed, BCBS will continue to pay claims that were incurred prior to the expiration date of the policy on October 31, 2010. BCBS would continue to pay such claims for 12 months after the expiration of the policy. BCBS would charge the Plan an administrative fee of approximately $11,600 to pay such claims. The Plan's liability for claims during the entire 24 months would be limited to, the sum of the liability noted above plus an additional amount computed based on the number of participants covered during the last three months of the policy period. The additional amount would be approximately $178,000.

As of December 31, 2009, the Plan owed BCBS $21,591 in administration fees and excess insurance premiums for December 2009. The Plan paid this amount to BCBS in January 2010. Claim payment checks are drawn on the insurance company's bank account. The Plan reimburses the insurance company for claims paid. In January 2010, the Plan paid BCBS $9,442 for claims that BCBS had paid but not been reimbursed as of December 31, 2009.

Schedule H, Line 4(i)
Plan Sponsor No. 76-0081739
Plan No. 501

HIGHLAND RESOURCES, INC.
EMPLOYEE MEDICAL PLAN

Schedule of Assets (Held at End of Year) - Cash Basis
December 31, 2009

(b) Identity of issue, borrower, lesser, or Simililar Party	(c) Description of investment Including Matrurity Date Rate of Interest, collateral, Par, or Maturity Value	Number of Shares	(d) Cost	(e) Current Value
Dreyfus Corporation	Money Market Mutual Funds - Dreyfus Cash Management Investor Shares	603,069	$ 603,069	603,069

Schedule H, Line 4(j)
Plan Sponsor No. 76-0081739
Plan No. 501

HIGHLAND RESOURCES, INC.
EMPLOYEE MEDICAL PLAN

Schedule of Reportable Transactions - Cash Basis
Year Ended December 31, 2009

(a) Identity of Party Involved	(c) Purchase Price	(d) Selling Price	(g) Cost of Assets	(i) Net Gain or (Loss)
Money Market Mutual Funds- Dreyfus Cash Management Investor Shares				
1 Sale transaction	$ -	60,000	60,000	-
12 Purchase transactions	2,050	-	2,050	$ -

HIGHLAND RESOURCES, INC.
EMPLOYEE MEDICAL PLAN

Financial Statements and
Supplemental Schedules

December 31, 2009 and 2008
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HIGHLAND RESOURCES, INC.
EMPLOYEE MEDICAL PLAN

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INDEPENDENT AUDITORS' REPORT

Trustees of the
Highland Resources, Inc.
Employee Medical Plan:

We have audited the statements of net assets available for benefits - cash basis of the Highland Resources, Inc. Employee Medical Plan (the Plan) as of December 31, 2009 and 2008, and the related statements of changes in net assets available for benefits - cash basis for the years then ended. These financial statements and supplemental schedules are the responsibility of the Plan's Trustees. Our responsibility is to express an opinion on these financial statements and supplemental schedules based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and supplemental schedules are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and supplemental schedules. An audit also includes assessing the accounting principles used and significant estimates made by the Trustees, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 2, these financial statements and supplemental schedules were prepared on the cash basis of accounting and are not intended to be presented in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits - cash basis of Highland Resources, Inc. Employee Medical Plan as of December 31, 2009 and 2008, and its changes in net assets available for benefits - cash basis for the years then ended, on the basis of accounting described in Note 2.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental schedules of Schedule H, Line 4 (i) - Schedule of assets (held at end of year) - cash basis as of December 31, 2009 and Schedule H, Line 4(j) - Schedule of reportable transactions - cash basis for the year ended December 31, 2009 are presented for the purpose of additional analysis and are not a required part of the basic financial statements, but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. These supplemental schedules are the responsibility of the Plan's Trustees. The supplemental schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

October 11, 2010

MFR, P.C.

Member of the American Institute of Certified Public Accountants

HIGHLAND RESOURCES, INC.
EMPLOYEE MEDICAL PLAN

Statements of Net Assets Available for Benefits - Cash Basis
December 31, 2009 and 2008

	2009	2008
Assets		
Cash	$ 86,310	89,838
Temporary cash investments	603,069	661,018
Net assets available for benefits	$ 689,379	750,856

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HIGHLAND RESOURCES, INC.
EMPLOYEE MEDICAL PLAN

Statements of Changes in Net Assets
Available for Benefits - Cash Basis
Years Ended December 31, 2009 and 2008

	2009	2008
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Total additions to net assets	1,138,200	1,047,598
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Insurance premiums and fees	249,529	227,994
Administrative expenses	14,694	19,432
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Net decrease in net assets available for benefits	(61,477)	(4,327)
Net assets available for plan benefits:		
Beginning of year	750,856	755,183
End of year	$ 689,379	750,856

See accompanying notes to financial statements.

HIGHLAND RESOURCES, INC.
EMPLOYEE MEDICAL PLAN

Notes to Financial Statements
December 31, 2009 and 2008

1. **Plan Description**

General

The Highland Resources, Inc. Employee Medical Plan (the Plan) was created for the purpose of providing a health and welfare program for the employees of Highland Resources, Inc. and certain affiliated companies (the Employer). The Plan provides health benefits (hospital, surgical and major medical) covering full-time employees of the Employer. The Plan also provides health benefits to retired employees who elect such coverage and their dependents. As required by law, the Plan provides coverage for former employees and their dependents who elect such coverage. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Eligibility

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Contributions

The Employer makes all monthly contributions, on behalf of each covered Employee, to the trust established under the Plan. The employees and the Employer contribute specified amounts to up-grade coverage and extend coverage to eligible dependents. Retirees and the Employer contribute to the trust fund for coverage of retirees and their dependents. Former employees and their dependents covered under the Plan make contributions to the Plan for the cost of such coverage. The cost of coverage usually increases each year consistent with the increase in medical costs.

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Benefit payments

Benefit payments are recorded when paid.

Administrative expenses

Expenses of Plan administration are paid by the Plan to the extent not paid by the Employer.

Continued

2. **Summary of Significant Accounting Policies**

The financial statements have been prepared using the cash basis of accounting. The cash basis of accounting means that contributions and other revenues are recognized when received and benefits and other expenses are recognized when paid. The cash basis of accounting was used because it would not be practical to determine which claims had been incurred but remained unpaid as of the end of the year. In addition, all qualified claims are contractual obligations of the Employer. If not paid by the Plan, claims must be funded when presented for payment by either the Employee, the Employer or the Plan's insurance carrier (See Note 6).

Use of estimates

The financial statements of the Plan include amounts based on informed estimates and judgments of management. Actual results could differ from those estimates.

Subsequent events

Management has evaluated subsequent events through October 11, 2010 the date which the financial statements were available to be issued.

3. **Fair Value Measurements**

The Plan uses Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 820, *Fair Value Measurements and Disclosures,* provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are described as follows:

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.
Level 2	Inputs to the valuation methodology include: • Quoted prices for similar assets or liabilities in active markets; • Quoted prices for identical or similar assets or liabilities in inactive markets; • Inputs other than quoted prices that are observable for the asset or liability; • Inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

Continued

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

Mutual Funds: Valued at the net asset value of shares held by the Plan at year end.

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

The fair value of the Plan's assets measured at fair value on a recurring basis at December 31, 2009 and 2008 are based on unadjusted quoted prices in active markets (Level 1) and are comprised of Mutual funds for $603,069 and $661,018 for 2009 and 2008, respectively.

4. **Temporary Cash Investments**

The Plan from time to time invests excess cash in a money market mutual fund, which has a variable interest rate dependent on market rates. At December 31, 2009 and December 31, 2008, the Plan had invested $603,069 and $661,018, respectively in Dreyfus Cash Management Investor Shares. The Dreyfus Cash Management Fund is exposed to various risks, such as interest rate, credit and overall market volatility risks. Due to the level of risk associated with investment, it is at least reasonably possible that changes in the values of this investment will occur in the near term and that such changes could materially affect the amounts reported in the statements of net assets available for benefits. This investment is not FDIC insured, not bank guaranteed, and may lose value.

5. **Federal Income Tax**

The Internal Revenue Service has determined the Trust of the Plan to be an exempt from federal income tax. Plan management believes that the Plan is currently designed and is operating in compliance with IRS regulations.

6. **Insurance and Claim Liability**

The Employer contracts with an insurance company to administer claim payments and provide excess coverage for the Plan participants. Each contract is for a one-year period and extends coverage from November 1 to October 31 of the following year. Since November 1, 2004, the Employer has contracted with Blue Cross Blue Shield of Texas (BCBS). This contract was renewed on November 1, 2009 and was extended to October 31, 2010.

The Plan pays the insurance company a monthly service fee to administer the Plan and process claims. The Plan also pays the insurance company a monthly premium to pay for excess insurance coverage. The Plan's liability for claims paid is limited on both a covered individual and total group basis. The limitation for individuals is $70,000 per policy year. The limitation for the group is based on the number of Plan participants covered during the policy year, but would not be less than approximately $1,150,000 for the policy year ending October 31, 2010. If the amount of the claims paid exceeds the liability limit, BCBS will reimburse the Plan for the excess amount up to $1,000,000.

Continued

If the insurance policy is not renewed, BCBS will continue to pay claims that were incurred prior to the expiration date of the policy on October 31, 2010. BCBS would continue to pay such claims for 12 months after the expiration of the policy. BCBS would charge the Plan an administrative fee of approximately $11,600 to pay such claims. The Plan's liability for claims during the entire 24 months would be limited to, the sum of the liability noted above plus an additional amount computed based on the number of participants covered during the last three months of the policy period. The additional amount would be approximately $178,000.

As of December 31, 2009, the Plan owed BCBS $21,591 in administration fees and excess insurance premiums for December 2009. The Plan paid this amount to BCBS in January 2010. Claim payment checks are drawn on the insurance company's bank account. The Plan reimburses the insurance company for claims paid. In January 2010, the Plan paid BCBS $9,442 for claims that BCBS had paid but not been reimbursed as of December 31, 2009.

Schedule H, Line 4(i)
Plan Sponsor No. 76-0081739
Plan No. 501

HIGHLAND RESOURCES, INC.
EMPLOYEE MEDICAL PLAN

Schedule of Assets (Held at End of Year) - Cash Basis
December 31, 2009

(b) Identity of issue, borrower, lesser, or Simililar Party	(c) Description of investment Including Matrurity Date Rate of Interest, collateral, Par, or Maturity Value	Number of Shares	(d) Cost	(e) Current Value
Dreyfus Corporation	Money Market Mutual Funds - Dreyfus Cash Management Investor Shares	603,069	$ 603,069	603,069

Schedule H, Line 4(j)
Plan Sponsor No. 76-0081739
Plan No. 501

HIGHLAND RESOURCES, INC.
EMPLOYEE MEDICAL PLAN

Schedule of Reportable Transactions - Cash Basis
Year Ended December 31, 2009

(a) Identity of Party Involved	(c) Purchase Price	(d) Selling Price	(g) Cost of Assets	(i) Net Gain or (Loss)
Money Market Mutual Funds- Dreyfus Cash Management Investor Shares				
1 Sale transaction	$ -	60,000	60,000	-
12 Purchase transactions	2,050	-	2,050	$ -

Attachment to 2009 Form 5500
Schedule H, line 4i - Schedule of Assets (Held at End of Year)

Plan Name Highland Resources, Inc Employee Medical Plan **EIN:** 76-0081739
Plan Sponsor's Name Highland Resources, Inc. **PN:** 501

(a)	(b) Identity of issue, borrower, lessor, or similar party	(c) Description of investment including maturity date, rate of interest, collateral, par, or maturity value.	(d) Cost	(e) Current value
	Compass Investment	Dreyfus Cash Mngt Investor	603,069	603,069

Attachment to 2009 Form 5500
Schedule H, line 4j - Schedule of Reportable Transactions

Plan Name Highland Resources, Inc Employee Medical Plan **EIN:** 76-0081739
Plan Sponsor's Name Highland Resources, Inc. **PN:** 501

(a) Identity of party involved	(b) Description of asset (include interest rate and maturity in case of a loan)	(c) Purchase price	(d) Selling price	(e) Lease rental	(f) Expense incurred with transaction	(g) Cost of asset	(h) Current value of asset on transaction date	(i) Net gain or (loss)
Compass Investment	Dreyfus Cash Management Investor	2,050	0	0	0	2,050	0	0
Compass Investment	Dreyfus Cash Management Investor	0	60,000	0	0	60,000	0	0