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

2010

This Form is Open to Public Inspection

Part I Annual Report Identification Information

For calendar plan year 2010 or fiscal plan year beginning 01/01/2010 and ending 12/31/2010

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

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

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

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

Part II Basic Plan Information—enter all requested information

1a Name of plan
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.	09/26/2011	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**	554
b	Retired or separated participants receiving benefits	**6b**	0
c	Other retired or separated participants entitled to future benefits	**6c**	9
d	Subtotal. Add lines **6a**, **6b**, and **6c**	**6d**	563
e	Deceased participants whose beneficiaries are receiving or are entitled to receive benefits	**6e**	1
f	Total. Add lines **6d** and **6e**	**6f**	564
g	Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item)	**6g**	124
h	Number of participants that terminated employment during the plan year with accrued benefits that were less than 100% vested	**6h**	8
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.**	**2010** **This Form is Open to Public Inspection.**

For calendar plan year 2010 or fiscal plan year beginning 01/01/2010 and ending 12/31/2010

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 37 65 60	RECORDKEEPER	9620	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 - MORGAN STANLE 13-3799749	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

2010

This Form is Open to Public Inspection

For calendar plan year 2010 or fiscal plan year beginning 01/01/2010 and ending 12/31/2010

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)	1137381	1108060
(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)	32995	77422
(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)	663773	1209335
(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	1834149	2394817
	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	1834149	2394817

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)	162796	
	(B) Participants	2a(1)(B)	337154	
	(C) Others (including rollovers)	2a(1)(C)	208317	
	(2) Noncash contributions	2a(2)		
	(3) Total contributions. Add lines **2a(1)(A), (B), (C),** and line **2a(2)**	2a(3)		708267
b	**Earnings on investments:**			
	(1) Interest:			
	(A) Interest-bearing cash (including money market accounts and certificates of deposit)	2b(1)(A)	222	
	(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)	2143	
	(F) Other	2b(1)(F)		
	(G) Total interest. Add lines **2b(1)(A)** through **(F)**	2b(1)(G)		2365
	(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)	44727	
	(D) Total dividends. Add lines **2b(2)(A)**, **(B)**, and **(C)**	2b(2)(D)		44727
	(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)		47863
c Other income	2c		
d Total income. Add all **income** amounts in column (b) and enter total	2d		803222
Expenses			
e Benefit payment and payments to provide benefits:			
(1) Directly to participants or beneficiaries, including direct rollovers	2e(1)	207712	
(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)		207712
f Corrective distributions (see instructions)	2f		25208
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)	9634	
(5) Total administrative expenses. Add lines 2i(1) through (4)	2i(5)		9634
j Total expenses. Add all **expense** amounts in column (b) and enter total	2j		242554
Net Income and Reconciliation			
k Net income (loss). Subtract line 2j from line 2d	2k		560668
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. LLP (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		5000000
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

2010

This Form is Open to Public Inspection.

For calendar plan year 2010 or fiscal plan year beginning 01/01/2010 and ending 12/31/2010

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):

PS&Co. Padgett Stratemann

August 30, 2011

To the Plan Committee
Zachry Hospitality 401(k) Plan
200 South Alamo
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, 2010, and have issued our report thereon dated August 30, 2011. 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 March 24, 2011, 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.

Other Information in Documents Containing Audited Consolidated Financial Statements

Our responsibility for other information in documents containing the Plan's financial statements and our auditors' report does not extend beyond the financial information referred to in our auditors' report. However, we read the Plan's Form 5500 filing for consistency with information in the financial statements. We have provided our comments to management. We are not aware of other documents that contain the audited financial statements.

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 2010, the Plan adopted amendment, *Plan Accounting – Defined Contribution Plans: Reporting Loans to Participants by Defined Contribution Pension Plans*, of the Accounting Standards codification. Information on this standard 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 investment valuation.

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 disclosures affecting the Plan's financial statements relate to information certified by Fidelity Management Trust Company and fair value measurements.

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. Management has corrected all identified misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The following material misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management:

Employee receivable	$5,272	
Employer receivable	2,668	
Employee contributions		$5,272
Employer contributions		2,668

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 August 30, 2011.

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 as of and for the year ended December 31, 2010, 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 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, 2010, 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.

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 consider the following to be a control deficiency.

Benefit Waiver Forms

Observation

We noted benefit waiver forms are not signed by employees who elect not to participate in 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 percent of zero. All such forms should then be sent to the third-party administrator so it has all eligible people on file to permit accurate discrimination tests to be done annually, as required, and that any forfeitures are properly allocated to all eligible participants. A copy of the form, 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.

This report is intended solely for the information and use of the trustees, management, and others within the 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

August 30, 2011

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

In connection with your audit of the statements of net assets available for benefits of Zachry Hospitality 401(k) Plan (the Plan) as of December 31, 2010 and 2009 and the related statements of changes in net assets available for benefits for the years 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 (at the end of year) as of December 31, 2010 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 August 30, 2011, 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 trustee, Fidelity Management Trust Company, qualifies to issue a certification of the Plan's asset activity under section 2520.103-5 of the United States Department of Labor's Rules and Regulations. As a result, we instructed you not to perform any audit procedures over the asset information certified or provided by Fidelity Management Trust Company.
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.
   d. All minutes of the meetings of the Plan, or summaries of actions of recent meetings for which minutes have not yet been prepared.
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.

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Reservations: www.hilton.com or 1-800-HILTONS

6. We acknowledge our responsibility for the design and implementation of programs and controls to provide reasonable assurance that fraud is prevented and detected.

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.

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

p. Reportable transactions.

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

r. 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, *(b)* the fidelity bonding requirements of ERISA, *(c)* all participant eligibility and coverage requirements of the Plan, ERISA and the Internal Revenue Code and *(d)* the filing requirements of appropriate agencies

17. The Plan is qualified under the appropriate section of the Internal Revenue Code and intends to continue as a qualified Plan. We believe that the Plan is designed and is currently being operated in compliance with the applicable requirements of the Code.

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, 2010 and we believe all applicable controls are in place.

20. Employer contributions for the plan years ended December 31, 2010 and 2009 were $161,234 and $135,904, respectively. Employer contributions receivable were $2,668 and $4,230 at December 31, 2010 and 2009, respectively.

21. 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 August 30, 2011 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 August 30, 2011that would require adjustment to, or disclosure in, the financial statements. We further represent that as of August 30, 2011 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.

22. During the course of your audit, 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.

Zachry Hospitality 401(k) Plan

Dwight Haase
Plan Administrator

Zachry Hospitality 401(k) Plan

Financial Statements
and Supplemental Schedule

December 31, 2010 and 2009

Zachry Hospitality 401(k) Plan

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PS&Co.

PS&Co. Padgett Stratemann

Independent Auditors' Report

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

We were engaged to audit the accompanying statements of net assets available for benefits of Zachry Hospitality 401(k) Plan (the "Plan") as of December 31, 2010 and 2009, and the related statements of changes in net assets available for benefits for the years then ended, and the supplemental schedule of assets (held at end of year) as of December 31, 2010. 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 this 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 assets and executes transactions. The Plan administrator has obtained a certification from the trustee as of December 31, 2010 and 2009, and for the years then ended, that the information in note 3 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
August 30, 2011

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Zachry Hospitality 401(k) Plan

Statements of Net Assets Available for Benefits

December 31, 2010 and 2009

Assets	**2010**	2009
Investments – at fair value	**$ 2,317,395**	$ 1,801,154
Receivables:		
Employee contributions	**5,272**	10,216
Employer contributions	**2,668**	4,230
Notes receivable from participants	**77,422**	32,995
Total receivables	**85,362**	47,441
Total assets	**2,402,757**	1,848,595
Liabilities		
Excess contributions payable	**20,320**	25,946
Net assets available for benefits	**$ 2,382,437**	$ 1,822,649

Notes to financial statements form an integral part of these statements.

Zachry Hospitality 401(k) Plan

Statements of Changes in Net Assets Available for Benefits

Years Ended December 31, 2010 and 2009

	2010	2009
Additions to net assets attributed to:		
Contributions:		
Employee	**$ 332,210**	$ 332,044
Employer	**161,234**	135,904
Rollovers	**208,317**	1,445,006
Total contributions	**701,761**	1,912,954
Investment income:		
Net appreciation in fair value of investments	**47,863**	13,312
Interest	**44,949**	31,335
Total investment income	**92,812**	44,647
Interest income on notes receivable from participants	**2,143**	460
Total additions	**796,716**	1,958,061
Deductions from net assets attributed to:		
Benefits paid to participants	**(227,294)**	(133,512)
Administrative expenses	**(9,634)**	(1,900)
Total deductions	**(236,928)**	(135,412)
Net increase	**559,788**	1,822,649
Net assets available for benefits at beginning of year	**1,822,649**	-
Net assets available for benefits at end of year	**$ 2,382,437**	$ 1,822,649

Notes to financial statements form an integral part of these statements.

Zachry Hospitality 401(k) Plan

Notes to Financial Statements

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 2010 and 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.

Notes Receivable From Participants

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.

1. Description of Plan (continued)

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, 2010 and 2009, forfeited nonvested accounts totaled $4,818 and $2,388, respectively. These accounts will be used to pay the expenses of the Plan. During 2010 and 2009, Plan expenses were reduced by $5,670 and $0 from forfeited nonvested accounts, respectively.

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 requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Basis of Accounting

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

Investment Valuation and Income Recognition

Investments are reported at fair value. Fair value is the price that would be recognized to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See note 4 for disclosure of the fair value measurements.

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

1. Description of Plan (continued)

Payment of Benefits

Benefits are recorded when paid.

Recent Accounting Pronouncement

Reporting Loans to Participants by Defined Contribution Pension Plans

In September 2010, the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") issued an amendment, *Plan Accounting – Defined Contribution Plans: Reporting Loans to Participants by Defined Contribution Pension Plans*, which provides guidance on how loans to participants should be classified and measured by defined contribution pension plans. This amendment requires participant loans to be classified as notes receivable from participants, which are segregated from Plan investments and measured at their unpaid principal balance plus any accrued, but unpaid interest. This amendment is effective for periods ending after December 15, 2010. This amendment requires retrospective application to all periods presented.

This amendment was adopted for the year ended December 31, 2010 and retrospectively applied to December 31, 2009. Prior year amounts and disclosures have been revised to reflect the retrospective application of adopting this new amendment. The adoption resulted in a reclassification of participant loans totaling $77,422 and $32,995, from investments to notes receivable as of December 31, 2010 and 2009, respectively. There was no impact to net assets as of December 31, 2010 or 2009 as a result of this adoption.

Subsequent Events

The Plan has evaluated subsequent events through August 30, 2011, the date the financial statements were available to be issued.

Reclassification

Certain reclassifications have been made in the prior year's financial statements to conform to the current year's presentation.

3. Investments

The Plan's investments are held by Fidelity Management Trust Company ("Fidelity"). The following presents investments that represent 5% or more of the Plan's net assets:

	December 31,	
	2010	2009
Fidelity Management Trust Company:		
Retirement Market Fund	**$ 1,108,060**	$ 1,137,381
Government Income Fund	**520,708**	414,680
Capital & Income Fund	**135,489**	*
PIMCO – Total Return Admin. Fund	**128,277**	*

*Did not meet 5% criteria at respective financial statement date.

The Plan's investments, including gains and losses on investments bought and sold, as well as held during the years ended December 31, 2010 and 2009, appreciated in fair value by $47,863 and $13,312, respectively.

4. Fair Value Measurements

FASB's ASC, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB's ASC, *Fair Value Measurements and Disclosures*, 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

4. Fair Value Measurements (continued)

If the asset or liability has a specified (contractual) term, Level 2 inputs 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 or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2010 and 2009:

- Mutual funds – Valued at the net asset value of shares held by the Plan at year-end.

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

At December 31, 2010 and 2009, all investments were classified as Level 1.

5. Party-in-Interest 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.

6. Plan Termination

Although it has not expressed an intent to do so, the Company has the right under the Plan to discontinue its contributions 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's underlying Plan document has received an advisory letter from the Internal Revenue Service dated March 31, 2008, stating that the Plan and related trust are designed in accordance with applicable sections of the Internal Revenue Code (the "IRC"). Although the Plan has been amended since receiving the determination letter, the Plan administrator and the Plan's tax counsel believe the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC. With few exceptions, the Plan is no longer subject to United States federal or state income tax examinations by tax authorities for years before 2007.

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 statements 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 to Form 5500:

	December 31,	
	2010	2009
Net assets available for benefits per the financial statements	**$ 2,382,437**	$ 1,822,649
Less contributions receivable	**(7,940)**	(14,446)
Add excess contributions payable	**20,320**	25,946
Net assets available for benefits per Form 5500	**$ 2,394,817**	$ 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 to Form 5500:

	Years Ended December 31,	
	2010	2009
Net increase in net assets available for benefits per the financial statements	**$ 559,788**	$ 1,822,649
Less contributions receivable – current year	**(7,940)**	-
Add contributions receivable – prior year	**14,446**	(14,446)
Add excess contributions payable – current year	**20,320**	-
Less excess contributions payable – prior year	**(25,946)**	25,946
Net income per Form 5500	**$ 560,668**	$ 1,834,149

Supplemental Schedule

Zachry Hospitality 401(k) Plan

EIN: 74-2621037

Schedule H, Line 4i – Schedule of Assets (Held at End of Year)

Plan No.: 001

December 31, 2010

Identity of Issuer, Borrower, or Similar Party	Description of Investment	Number of Units	Current Value**
Fidelity Investment Fund Investment Company*:			
Retirement Money Market Fund	Mutual fund	1,108,060	$ 1,108,060
Government Income Fund	Mutual fund	49,924	520,708
Capital & Income Fund	Mutual fund	14,368	135,489
Freedom 2045 Fund	Mutual fund	5,836	55,382
Freedom 2030 Fund	Mutual fund	3,244	44,670
Freedom 2025 Fund	Mutual fund	3,301	38,026
Fidelity Fund	Mutual fund	909	29,213
Growth Discovery Fund	Mutual fund	1,858	25,416
Balanced Fund	Mutual fund	1,232	22,455
Freedom 2020 Fund	Mutual fund	1,291	17,810
Value Fund	Mutual fund	189	12,994
International Discovery	Mutual fund	384	12,703
Disciplined Equity Fund	Mutual fund	533	12,018
Emerging Markets Fund	Mutual fund	450	11,856
Freedom 2050	Mutual fund	1,191	11,176
Freedom 2015 Fund	Mutual fund	972	11,017
Small Cap Growth Fund	Mutual fund	462	7,247
Freedom 2010 Fund	Mutual fund	501	6,814

Zachry Hospitality 401(k) Plan

EIN: 74-2621037

Schedule H, Line 4i – Schedule of Assets (Held at End of Year)

Plan No.: 001

December 31, 2010

(Continued)

Identity of Issuer, Borrower, or Similar Party	Description of Investment	Number of Units	Current Value**
Fidelity Investment Fund Investment Company*: (continued)			
Freedom 2000 Fund	Mutual fund	368	$ 4,399
Large Cap Value Fund	Mutual fund	148	3,699
Freedom 2035 Fund	Mutual fund	319	3,662
Freedom Income Fund	Mutual fund	128	1,447
Freedom 2040 Fund	Mutual fund	153	1,227
Freedom 2005 Fund	Mutual fund	106	1,149
Leveraged Company Stock Fund	Mutual fund	17	476
PIMCO – Total Return Admin. Fund	Mutual fund	11,823	128,277
Allianz NFJ:			
Small Cap Value Fund	Mutual fund	1,888	53,791
Dividend Value Fund	Mutual fund	687	7,883
Rainer – Large Cap Equity Fund	Mutual fund	1,479	15,564
Spartan – Spartan 500 Index Fund – Investor Class	Mutual fund	146	6,516
Morgan Stanley Institutional Funds – Mid Cap Growth Fund	Mutual fund	172	6,236
Spartan – Extended Market Index Fund	Mutual fund	1	15
			$ 2,317,395

* Party-in-interest

** Reported at contract value by Form 5500 Annual Return/Report of Employee Benefit Plans

Zachry Hospitality 401(k) Plan

Financial Statements
and Supplemental Schedule

December 31, 2010 and 2009

Zachry Hospitality 401(k) Plan

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PS&Co.

PS&Co. Padgett Stratemann

Independent Auditors' Report

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

We were engaged to audit the accompanying statements of net assets available for benefits of Zachry Hospitality 401(k) Plan (the "Plan") as of December 31, 2010 and 2009, and the related statements of changes in net assets available for benefits for the years then ended, and the supplemental schedule of assets (held at end of year) as of December 31, 2010. 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 this 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 assets and executes transactions. The Plan administrator has obtained a certification from the trustee as of December 31, 2010 and 2009, and for the years then ended, that the information in note 3 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
August 30, 2011

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Zachry Hospitality 401(k) Plan

Statements of Net Assets Available for Benefits

December 31, 2010 and 2009

Assets	**2010**	2009
Investments – at fair value	**$ 2,317,395**	$ 1,801,154
Receivables:		
Employee contributions	**5,272**	10,216
Employer contributions	**2,668**	4,230
Notes receivable from participants	**77,422**	32,995
Total receivables	**85,362**	47,441
Total assets	**2,402,757**	1,848,595
Liabilities		
Excess contributions payable	**20,320**	25,946
Net assets available for benefits	**$ 2,382,437**	$ 1,822,649

Notes to financial statements form an integral part of these statements.

Zachry Hospitality 401(k) Plan

Statements of Changes in Net Assets Available for Benefits

Years Ended December 31, 2010 and 2009

	2010	2009
Additions to net assets attributed to:		
Contributions:		
Employee	**$ 332,210**	$ 332,044
Employer	**161,234**	135,904
Rollovers	**208,317**	1,445,006
Total contributions	**701,761**	1,912,954
Investment income:		
Net appreciation in fair value of investments	**47,863**	13,312
Interest	**44,949**	31,335
Total investment income	**92,812**	44,647
Interest income on notes receivable from participants	**2,143**	460
Total additions	**796,716**	1,958,061
Deductions from net assets attributed to:		
Benefits paid to participants	**(227,294)**	(133,512)
Administrative expenses	**(9,634)**	(1,900)
Total deductions	**(236,928)**	(135,412)
Net increase	**559,788**	1,822,649
Net assets available for benefits at beginning of year	**1,822,649**	-
Net assets available for benefits at end of year	**$ 2,382,437**	$ 1,822,649

Notes to financial statements form an integral part of these statements.

Zachry Hospitality 401(k) Plan

Notes to Financial Statements

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 2010 and 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.

Notes Receivable From Participants

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.

1. Description of Plan (continued)

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, 2010 and 2009, forfeited nonvested accounts totaled $4,818 and $2,388, respectively. These accounts will be used to pay the expenses of the Plan. During 2010 and 2009, Plan expenses were reduced by $5,670 and $0 from forfeited nonvested accounts, respectively.

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 requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Basis of Accounting

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

Investment Valuation and Income Recognition

Investments are reported at fair value. Fair value is the price that would be recognized to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See note 4 for disclosure of the fair value measurements.

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

1. Description of Plan (continued)

Payment of Benefits

Benefits are recorded when paid.

Recent Accounting Pronouncement

Reporting Loans to Participants by Defined Contribution Pension Plans

In September 2010, the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") issued an amendment, *Plan Accounting – Defined Contribution Plans: Reporting Loans to Participants by Defined Contribution Pension Plans*, which provides guidance on how loans to participants should be classified and measured by defined contribution pension plans. This amendment requires participant loans to be classified as notes receivable from participants, which are segregated from Plan investments and measured at their unpaid principal balance plus any accrued, but unpaid interest. This amendment is effective for periods ending after December 15, 2010. This amendment requires retrospective application to all periods presented.

This amendment was adopted for the year ended December 31, 2010 and retrospectively applied to December 31, 2009. Prior year amounts and disclosures have been revised to reflect the retrospective application of adopting this new amendment. The adoption resulted in a reclassification of participant loans totaling $77,422 and $32,995, from investments to notes receivable as of December 31, 2010 and 2009, respectively. There was no impact to net assets as of December 31, 2010 or 2009 as a result of this adoption.

Subsequent Events

The Plan has evaluated subsequent events through August 30, 2011, the date the financial statements were available to be issued.

Reclassification

Certain reclassifications have been made in the prior year's financial statements to conform to the current year's presentation.

3. Investments

The Plan's investments are held by Fidelity Management Trust Company ("Fidelity"). The following presents investments that represent 5% or more of the Plan's net assets:

	December 31,	
	2010	2009
Fidelity Management Trust Company:		
Retirement Market Fund	**$ 1,108,060**	$ 1,137,381
Government Income Fund	**520,708**	414,680
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PIMCO – Total Return Admin. Fund	**128,277**	*

*Did not meet 5% criteria at respective financial statement date.

The Plan's investments, including gains and losses on investments bought and sold, as well as held during the years ended December 31, 2010 and 2009, appreciated in fair value by $47,863 and $13,312, respectively.

4. Fair Value Measurements

FASB's ASC, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB's ASC, *Fair Value Measurements and Disclosures*, 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

4. Fair Value Measurements (continued)

If the asset or liability has a specified (contractual) term, Level 2 inputs 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 or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2010 and 2009:

- Mutual funds – Valued at the net asset value of shares held by the Plan at year-end.

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

At December 31, 2010 and 2009, all investments were classified as Level 1.

5. Party-in-Interest 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.

6. Plan Termination

Although it has not expressed an intent to do so, the Company has the right under the Plan to discontinue its contributions 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's underlying Plan document has received an advisory letter from the Internal Revenue Service dated March 31, 2008, stating that the Plan and related trust are designed in accordance with applicable sections of the Internal Revenue Code (the "IRC"). Although the Plan has been amended since receiving the determination letter, the Plan administrator and the Plan's tax counsel believe the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC. With few exceptions, the Plan is no longer subject to United States federal or state income tax examinations by tax authorities for years before 2007.

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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 statements 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 to Form 5500:

	December 31,	
	2010	2009
Net assets available for benefits per the financial statements	**$ 2,382,437**	$ 1,822,649
Less contributions receivable	**(7,940)**	(14,446)
Add excess contributions payable	**20,320**	25,946
Net assets available for benefits per Form 5500	**$ 2,394,817**	$ 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 to Form 5500:

	Years Ended December 31,	
	2010	2009
Net increase in net assets available for benefits per the financial statements	**$ 559,788**	$ 1,822,649
Less contributions receivable – current year	**(7,940)**	-
Add contributions receivable – prior year	**14,446**	(14,446)
Add excess contributions payable – current year	**20,320**	-
Less excess contributions payable – prior year	**(25,946)**	25,946
Net income per Form 5500	**$ 560,668**	$ 1,834,149

Supplemental Schedule

Zachry Hospitality 401(k) Plan

EIN: 74-2621037

Schedule H, Line 4i – Schedule of Assets (Held at End of Year)

Plan No.: 001

December 31, 2010

Identity of Issuer, Borrower, or Similar Party	Description of Investment	Number of Units	Current Value**
Fidelity Investment Fund Investment Company*:			
Retirement Money Market Fund	Mutual fund	1,108,060	$ 1,108,060
Government Income Fund	Mutual fund	49,924	520,708
Capital & Income Fund	Mutual fund	14,368	135,489
Freedom 2045 Fund	Mutual fund	5,836	55,382
Freedom 2030 Fund	Mutual fund	3,244	44,670
Freedom 2025 Fund	Mutual fund	3,301	38,026
Fidelity Fund	Mutual fund	909	29,213
Growth Discovery Fund	Mutual fund	1,858	25,416
Balanced Fund	Mutual fund	1,232	22,455
Freedom 2020 Fund	Mutual fund	1,291	17,810
Value Fund	Mutual fund	189	12,994
International Discovery	Mutual fund	384	12,703
Disciplined Equity Fund	Mutual fund	533	12,018
Emerging Markets Fund	Mutual fund	450	11,856
Freedom 2050	Mutual fund	1,191	11,176
Freedom 2015 Fund	Mutual fund	972	11,017
Small Cap Growth Fund	Mutual fund	462	7,247
Freedom 2010 Fund	Mutual fund	501	6,814

Zachry Hospitality 401(k) Plan

EIN: 74-2621037

Schedule H, Line 4i – Schedule of Assets (Held at End of Year)

Plan No.: 001

December 31, 2010

(Continued)

Identity of Issuer, Borrower, or Similar Party	Description of Investment	Number of Units	Current Value**
Fidelity Investment Fund Investment Company*: (continued)			
Freedom 2000 Fund	Mutual fund	368	$ 4,399
Large Cap Value Fund	Mutual fund	148	3,699
Freedom 2035 Fund	Mutual fund	319	3,662
Freedom Income Fund	Mutual fund	128	1,447
Freedom 2040 Fund	Mutual fund	153	1,227
Freedom 2005 Fund	Mutual fund	106	1,149
Leveraged Company Stock Fund	Mutual fund	17	476
PIMCO – Total Return Admin. Fund	Mutual fund	11,823	128,277
Allianz NFJ:			
Small Cap Value Fund	Mutual fund	1,888	53,791
Dividend Value Fund	Mutual fund	687	7,883
Rainer – Large Cap Equity Fund	Mutual fund	1,479	15,564
Spartan – Spartan 500 Index Fund – Investor Class	Mutual fund	146	6,516
Morgan Stanley Institutional Funds – Mid Cap Growth Fund	Mutual fund	172	6,236
Spartan – Extended Market Index Fund	Mutual fund	1	15
			$ 2,317,395

* Party-in-interest

** Reported at contract value by Form 5500 Annual Return/Report of Employee Benefit Plans