

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). <p style="text-align: center;">▶ Complete all entries in accordance with the instructions to the Form 5500.</p>	OMB Nos. 1210-0110 1210-0089 2010 This Form is Open to Public Inspection
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Part I	Annual Report Identification Information
For calendar plan year 2010 or fiscal plan year beginning <u>01/01/2010</u> and ending <u>12/31/2010</u>	
A This return/report is for:	☐ a multiemployer plan; ☐ a multiple-employer plan; or ☒ 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:	☒ Form 5558; ☐ automatic extension; ☐ the DFVC program; ☐ special extension (enter description)

Part II	Basic Plan Information —enter all requested information				
1a Name of plan <u>PALO ALTO RESEARCH CENTER 401(K) PLAN</u>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">1b Three-digit plan number (PN) ▶</td> <td style="width: 20%; text-align: center;"><u>001</u></td> </tr> <tr> <td colspan="2">1c Effective date of plan <u>05/01/2002</u></td> </tr> </table>	1b Three-digit plan number (PN) ▶	<u>001</u>	1c Effective date of plan <u>05/01/2002</u>	
1b Three-digit plan number (PN) ▶	<u>001</u>				
1c Effective date of plan <u>05/01/2002</u>					
2a Plan sponsor's name and address (employer, if for a single-employer plan) (Address should include room or suite no.) <u>PALO ALTO RESEARCH CENTER</u> <u>3333 COYOTE HILL ROAD</u> <u>PALO ALTO, CA 94304</u>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td>2b Employer Identification Number (EIN) <u>06-1568182</u></td> </tr> <tr> <td>2c Sponsor's telephone number <u>650-812-4024</u></td> </tr> <tr> <td>2d Business code (see instructions) <u>541700</u></td> </tr> </table>	2b Employer Identification Number (EIN) <u>06-1568182</u>	2c Sponsor's telephone number <u>650-812-4024</u>	2d Business code (see instructions) <u>541700</u>	
2b Employer Identification Number (EIN) <u>06-1568182</u>					
2c Sponsor's telephone number <u>650-812-4024</u>					
2d Business code (see instructions) <u>541700</u>					

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.	09/21/2011	JOHN PAUKSTA
	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

For Paperwork Reduction Act Notice and OMB Control Numbers, see the instructions for Form 5500.

Form 5500 (2010)
v.092307.1

3a Plan administrator's name and address (if same as plan sponsor, enter "Same") PALO ALTO RESEARCH CENTER 3333 COYOTE HILL ROAD PALO ALTO, CA 94304	3b Administrator's EIN 06-1568182 3c Administrator's telephone number 650-812-4024
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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
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5 Total number of participants at the beginning of the plan year	5	366
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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	269
b Retired or separated participants receiving benefits.....	6b	0
c Other retired or separated participants entitled to future benefits.....	6c	122
d Subtotal. Add lines 6a , 6b , and 6c	6d	391
e Deceased participants whose beneficiaries are receiving or are entitled to receive benefits.....	6e	0
f Total. Add lines 6d and 6e	6f	391
g Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item).....	6g	352
h Number of participants that terminated employment during the plan year with accrued benefits that were less than 100% vested.....	6h	0

7 Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item)	7	
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8a If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristic Codes in the instructions:
 2E 2T 2G 2J 2K 2R 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) ☒ 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) ☒ Trust (4) ☐ General assets of the sponsor
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10 Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions)

a Pension Schedules

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

b General Schedules

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

<div>SCHEDULE A (Form 5500) <div>Department of the Treasury Internal Revenue Service</div><div>Department of Labor Employee Benefits Security Administration</div><div>Pension Benefit Guaranty Corporation</div></div>	<div>Insurance Information</div> <div>This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA).</div> <div>▶ File as an attachment to Form 5500.</div> <div>▶ Insurance companies are required to provide the information pursuant to ERISA section 103(a)(2).</div>	<div>OMB No. 1210-0110</div> <div>2010</div> <div>This Form is Open to Public Inspection</div>
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For calendar plan year 2010 or fiscal plan year beginning 01/01/2010 and ending 12/31/2010		
A Name of plan PALO ALTO RESEARCH CENTER 401(K) PLAN	B Three-digit plan number (PN) ▶	001
C Plan sponsor's name as shown on line 2a of Form 5500. PALO ALTO RESEARCH CENTER	D Employer Identification Number (EIN) 06-1568182	

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

(a) Name of insurance carrier
PRUDENTIAL RETIREMENT INSURANCE AND ANNUITY COMPANY

(b) EIN	(c) NAIC code	(d) Contract or identification number	(e) Approximate number of persons covered at end of policy or contract year	Policy or contract year	
				(f) From	(g) To
06-1050034	93629	40461	391	01/01/2010	12/31/2010

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

(a) Total amount of commissions paid	(b) Total amount of fees paid
0	0

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Part II Investment and Annuity Contract Information

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

4 Current value of plan's interest under this contract in the general account at year end **4** 6813372**5** Current value of plan's interest under this contract in separate accounts at year end **5** 0**6** Contracts With Allocated Funds:**a** State the basis of premium rates ▶**b** Premiums paid to carrier **6b****c** Premiums due but unpaid at the end of the year **6c****d** If the carrier, service, or other organization incurred any specific costs in connection with the acquisition or retention of the contract or policy, enter amount. **6d**

Specify nature of costs ▶

e Type of contract: (1) ☐ individual policies (2) ☐ group deferred annuity(3) ☐ other (specify) ▶**f** If contract purchased, in whole or in part, to distribute benefits from a terminating plan check here ▶ ☐**7** Contracts With Unallocated Funds (Do not include portions of these contracts maintained in separate accounts)**a** Type of contract: (1) ☐ deposit administration (2) ☐ immediate participation guarantee
(3) ☐ guaranteed investment (4) ☒ other ▶ **GUARANTEED GENERAL ACCOUNT CONTRACT****b** Balance at the end of the previous year **7b** 5870868**c** Additions: (1) Contributions deposited during the year **7c(1)** 434563(2) Dividends and credits **7c(2)**(3) Interest credited during the year **7c(3)** 221579(4) Transferred from separate account **7c(4)**(5) Other (specify below) **7c(5)** 1657950▶ **LOAN REPAYMENT TRANSFER MISCELLANEOUS**(6) Total additions **7c(6)** 2314092**d** Total of balance and additions (add **b** and **c(6)**). **7d** 8184960**e** Deductions:(1) Disbursed from fund to pay benefits or purchase annuities during year **7e(1)** 119648(2) Administration charge made by carrier **7e(2)** 3(3) Transferred to separate account **7e(3)**(4) Other (specify below) **7e(4)** 1251937▶ **LOAN INITIATIONS TRANSFER MISCELLANEOUS**(5) Total deductions **7e(5)** 1371588**f** Balance at the end of the current year (subtract **e(5)** from **d**) **7f** 6813372

Part III Welfare Benefit Contract Information

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

8 Benefit and contract type (check all applicable boxes)

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

9 Experience-rated contracts:

a Premiums: (1) Amount received.....	9a(1)		
(2) Increase (decrease) in amount due but unpaid.....	9a(2)		
(3) Increase (decrease) in unearned premium reserve.....	9a(3)		
(4) Earned ((1) + (2) - (3)).....		9a(4)	
b Benefit charges (1) Claims paid.....	9b(1)		
(2) Increase (decrease) in claim reserves.....	9b(2)		
(3) Incurred claims (add (1) and (2)).....		9b(3)	
(4) Claims charged.....		9b(4)	
c Remainder of premium: (1) Retention charges (on an accrual basis) --			
(A) Commissions.....	9c(1)(A)		
(B) Administrative service or other fees.....	9c(1)(B)		
(C) Other specific acquisition costs.....	9c(1)(C)		
(D) Other expenses.....	9c(1)(D)		
(E) Taxes.....	9c(1)(E)		
(F) Charges for risks or other contingencies.....	9c(1)(F)		
(G) Other retention charges.....	9c(1)(G)		
(H) Total retention.....		9c(1)(H)	
(2) Dividends or retroactive rate refunds. (These amounts were ☐ paid in cash, or ☐ credited.).....		9c(2)	
d Status of policyholder reserves at end of year: (1) Amount held to provide benefits after retirement.....		9d(1)	
(2) Claim reserves.....		9d(2)	
(3) Other reserves.....		9d(3)	
e Dividends or retroactive rate refunds due. (Do not include amount entered in c(2).).....		9e	

10 Nonexperience-rated contracts:

a Total premiums or subscription charges paid to carrier.....	10a	
b If the carrier, service, or other organization incurred any specific costs in connection with the acquisition or retention of the contract or policy, other than reported in Part I, item 2 above, report amount.	10b	

Specify nature of costs ▶

Part IV Provision of Information

11 Did the insurance company fail to provide any information necessary to complete Schedule A? ☐ Yes ☒ No

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

SCHEDULE C (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Service Provider Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA). ▶ File as an attachment to Form 5500.	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 PALO ALTO RESEARCH CENTER 401(K) PLAN	B Three-digit plan number (PN) ▶ 001
C Plan sponsor's name as shown on line 2a of Form 5500 PALO ALTO RESEARCH CENTER	D Employer Identification Number (EIN) 06-1568182

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

1 Information on Persons Receiving Only Eligible Indirect Compensation

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

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

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation
PRUDENTIAL RETIREMENT INSURANCE AND
06-1050034

(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)

TRANSAMERICA FINANCIAL ADVISORS

95-2565208

(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?
27	NONE	68640	Yes ☐ No ☒	Yes ☐ No ☐		Yes ☐ No ☐

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

FINANCIAL NETWORK INVESTMENTS CORP

95-3845382

(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?
27	NONE	34321	Yes ☐ No ☒	Yes ☐ No ☐		Yes ☐ No ☐

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

PRUDENTIAL RETIREMENT INSURANCE AND

06-1050034

(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?
13 15 37 50 60 64	NONE	2935	Yes ☒ No ☐	Yes ☒ No ☐	0	Yes ☒ No ☐

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

THE PRUDENTIAL INSURANCE COMPANY OF

22-1211670

(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?
15 37 50 64	NONE	0	Yes ☒ No ☐	Yes ☒ No ☐	0	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
THE PRUDENTIAL INSURANCE COMPANY OF	61 72	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.
PRUDENTIAL INVESTMENTS, LLC 22-3468527	27,000 BPS AND \$0.00 PER PARTICIPANT INVESTED IN THE FUND FROM 1/1/2010 TO 12/31/2010 PRU JENN NAT RESOURCES

(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation

(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.

(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation

(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.

Part II Service Providers Who Fail or Refuse to Provide Information

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

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

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: <div style="border: 1px solid black; height: 40px; margin-top: 5px;"></div>

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone: <div style="border: 1px solid black; height: 40px; margin-top: 5px;"></div>

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone: <div style="border: 1px solid black; height: 40px; margin-top: 5px;"></div>

Explanation:

a Name:	b EIN;
c Position:	
d Address:	e Telephone: <div style="border: 1px solid black; height: 40px; margin-top: 5px;"></div>

Explanation:

a Name:	b EIN;
c Position:	
d Address:	e Telephone: <div style="border: 1px solid black; height: 40px; margin-top: 5px;"></div>

Explanation:

SCHEDULE H (Form 5500) <small>Department of the Treasury Internal Revenue Service</small> <small>Department of Labor Employee Benefits Security Administration</small> <small>Pension Benefit Guaranty Corporation</small>	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 PALO ALTO RESEARCH CENTER 401(K) PLAN		B Three-digit plan number (PN) ► 001
C Plan sponsor's name as shown on line 2a of Form 5500 PALO ALTO RESEARCH CENTER		D Employer Identification Number (EIN) 06-1568182

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)	15771	0
c General investments:			
(1) Interest-bearing cash (include money market accounts & certificates of deposit)	1c(1)		
(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)	232165	190888
(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)	42841384	49631147
(14) Value of funds held in insurance company general account (unallocated contracts).....	1c(14)	5870868	6813372
(15) Other	1c(15)	302450	383160

1d Employer-related investments:

		(a) Beginning of Year	(b) End of Year
(1) Employer securities	1d(1)	209993	285098
(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	49472631	57303665

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 through 1j)	1k	0	0

Net Assets

l Net assets (subtract line 1k from line 1f)	1l	49472631	57303665
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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 Contributions:**

		(a) Amount	(b) Total
(1) Received or receivable in cash from: (A) Employers	2a(1)(A)	564738	
(B) Participants	2a(1)(B)	2871872	
(C) Others (including rollovers)	2a(1)(C)	66943	
(2) Noncash contributions	2a(2)		
(3) Total contributions. Add lines 2a(1)(A) , (B) , (C) , and line 2a(2)	2a(3)		3503553

b Earnings on investments:**(1) Interest:**

(A) Interest-bearing cash (including money market accounts and certificates of deposit)	2b(1)(A)		
(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)	13370	
(F) Other	2b(1)(F)	221579	
(G) Total interest. Add lines 2b(1)(A) through (F)	2b(1)(G)		234949

(2) Dividends: (A) Preferred stock	2b(2)(A)		
(B) Common stock	2b(2)(B)	4200	
(C) Registered investment company shares (e.g. mutual funds)	2b(2)(C)	822324	
(D) Total dividends. Add lines 2b(2)(A) , (B) , and (C)	2b(2)(D)		826524

(3) Rents	2b(3)		
-----------------	--------------	--	--

(4) Net gain (loss) on sale of assets: (A) Aggregate proceeds	2b(4)(A)	4637	
(B) Aggregate carrying amount (see instructions)	2b(4)(B)	8095	
(C) Subtract line 2b(4)(B) from line 2b(4)(A) and enter result	2b(4)(C)		-3458

		(a) Amount	(b) Total
2b (5) Unrealized appreciation (depreciation) of assets: (A) Real estate.....	2b(5)(A)		
(B) Other	2b(5)(B)	78999	
(C) Total unrealized appreciation of assets. Add lines 2b(5)(A) and (B)	2b(5)(C)		78999
(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)		5696621
c Other income.....	2c		167980
d Total income. Add all income amounts in column (b) and enter total.....	2d		10505168

Expenses

e Benefit payment and payments to provide benefits:			
(1) Directly to participants or beneficiaries, including direct rollovers	2e(1)	2563904	
(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)		2563904
f Corrective distributions (see instructions)	2f		858
g Certain deemed distributions of participant loans (see instructions).....	2g		3371
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)	106001	
(5) Total administrative expenses. Add lines 2i(1) through (4)	2i(5)		106001
j Total expenses. Add all expense amounts in column (b) and enter total.....	2j		2674134

Net Income and Reconciliation

k Net income (loss). Subtract line 2j from line 2d	2k		7831034
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) ☒ Disclaimer (4) ☐ Adverse

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

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

(1) Name: FRANK, RIMERMAN & CO., LLP

(2) EIN: 94-1341042

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.).....		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.).....		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.)		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.).....		X	
e Was this plan covered by a fidelity bond?.....	X		500000
f Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty?		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?		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?		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.).....	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.).....		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?.....		X	
l Has the plan failed to provide any benefit when due under the plan?		X	
m If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.).....		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.		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.
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For calendar plan year 2010 or fiscal plan year beginning 01/01/2010 and ending 12/31/2010

A Name of plan <u>PALO ALTO RESEARCH CENTER 401(K) PLAN</u>	B Three-digit plan number (PN) ▶ <u>001</u>
C Plan sponsor's name as shown on line 2a of Form 5500 <u>PALO ALTO RESEARCH CENTER</u>	D Employer Identification Number (EIN) <u>06-1568182</u>

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	<u>0</u>
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): <u>22-1211670</u>		
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 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

For Paperwork Reduction Act Notice and OMB Control Numbers, see the instructions for Form 5500.

Schedule R (Form 5500) 2010
v.092308.1

Part V Additional Information for Multiemployer Defined Benefit Pension Plans

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

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

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

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents)

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

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

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents)

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

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

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents)

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

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

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents)

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

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

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents)

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

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

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents)

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

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

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

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

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

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

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

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

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

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

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

- a** Enter the percentage of plan assets held as:

Stock: _____% Investment-Grade Debt: _____% High-Yield Debt: _____% Real Estate: _____% Other: _____%

- b** Provide the average duration of the combined investment-grade and high-yield debt:

☐ 0-3 years ☐ 3-6 years ☐ 6-9 years ☐ 9-12 years ☐ 12-15 years ☐ 15-18 years ☐ 18-21 years ☐ 21 years or more

- c** What duration measure was used to calculate item 19(b)?

☐ Effective duration ☐ Macaulay duration ☐ Modified duration ☐ Other (specify):

Mr. John Pauksta
Plan Administrator
Palo Alto Research Center 401(k) Plan
Palo Alto, California

Certified
Public
Accountants

We have performed a Department of Labor (DOL) limited-scope audit of the financial statements of Palo Alto Research Center 401(k) Plan (the Plan) as of and for the year ended December 31, 2010, and have issued our report thereon dated August 15, 2011. As permitted by 29 CR 2520.103-8 of the DOL'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 prepared and certified to by Prudential Bank & Trust, F.S.B. (Prudential), the Plan's trustee, which is summarized in Note 3 to those financial statements. Because of the significance of the information that we did not audit, we are unable to, and have not, expressed an opinion in our report on those financial statements taken as a whole.

New York
Palo Alto
San Francisco
San Jose
St. Helena

Professional standards require that we provide those charged with governance with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our arrangement letter to you, dated May 18, 2011. Professional standards also require that we communicate to you the following information related to our audit. We are available to discuss these matters in greater detail if you desire.

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of the Plan's financial statements and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of the significance to the financial statements and because the possibility that future events affecting them may differ significantly from those expected. The most significant estimate we noted relates to the valuation of the Plan's investments. We evaluated the key factors and assumptions used to develop this estimate in determining that they are reasonable in relation to the financial statements taken as a whole.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The Plan's significant accounting policies have been properly disclosed in note two to the financial statements, as required under accounting principles generally accepted in the United States of America. No new accounting policies were adopted, except for the adoption of Accounting Standards Update No. 2010-25 requiring participant loans be classified as notes receivable and not as an investment, and the application of existing policies was not changed during the year.

Significant or Unusual Transactions

We noted no transactions entered into by the Plan during the year for which there was a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us, but not recorded by the Plan, that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements.

There were no significant audit adjustments noted during the audit.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with Plan management or third party service providers in performing our audit.

Disagreements with Management

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

Mr. John Pauksta
Palo Alto Research Center 401(k) Plan
Page three

Management Representations

We have requested certain representations from you that are included in the management representation letter dated August 15, 2011.

Independence of Outside Auditors

Professional standards require outside auditors to be independent, in fact and in appearance, from the entities they audit. To the best of our knowledge, there are no circumstances or relationships between the Plan or Plan sponsor and Frank, Rimerman + Co. LLP that would impair our independence in reporting on the Plan's financial statements.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Plan's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Plan's auditors. However, these discussions occurred in the normal course of our professional relationship and we believe our responses were not a condition to our retention.

This information is intended solely for the use of the Plan Administrator, Plan sponsor and management of the Palo Alto Research Center 401(k) Plan, and is not intended to be, and should not be used by anyone other than these specified parties.

We would like to take this opportunity to thank the Palo Alto Research Center personnel for their assistance during our audit.

Frank, Rimerman + Co. LLP

September 14, 2011

Palo Alto Research Center 401(k) Plan
(Employer Identification Number 06-1568182)
(Plan Number 001)
Supplemental Schedule Accompanying Form 5500
Schedule H, Line 4i – Schedule of Assets (Held at End of Year)
December 31, 2010

(a)	(b) Identity of issue, borrower, lessor or similar party (c) Description of investment, including maturity date, rate of interest, collateral, par or maturity value	(d) Cost	(e) Current Value
	Prudential Bank & Trust, F.S.B.:		
	American Funds EuroPacific Growth Fund	***	\$ 4,222,306
	American Funds Fundamental Investors Fund	***	4,122,337
	American Funds Bond Fund of America	***	2,700,447
	BlackRock International Opportunity Fund	***	1,764,491
	Columbia Mid Cap Index Fund	***	855,649
	Columbia Technology Fund	***	590,710
	DWS Dreman Small Value Fund	***	4,160,249
	Growth Fund of America	***	2,014,737
	Hartford Capital Appreciation Fund	***	2,415,262
	Ivy Asset Strategy Fund	***	54,294
	Jennison Natural Resources Fund	***	1,333,814
	LKCM Small Cap Equity Fund	***	27,363
	Loomis Sayles Bond Fund	***	1,771,813
	Metro West High Yield Bond Fund	***	1,575,562
	MFS International Value Fund	***	770,772
	Nuveen Real Estate Fund	***	881,162
	Nuveen Small Cap Select Fund	***	2,619,702
	Oakmark Equity and Income Fund	***	2,873,813
	Open Developing Markets Fund	***	2,351,198
	Open International Bond Fund	***	1,141,346
	Parnassus Fund	***	17,259
	PIMCO Total Return Mortgage Fund	***	3,572,080
	PIMCO Total Return Bond Fund	***	277,197
	PIMCO Real Return Bond Fund	***	63,621
	Stadion Managed Portfolio A Fund	***	9,793
	Thornburg Core Growth Fund	***	1,575,950
	Vanguard 500 Index Fund	***	2,417,984
	Vanguard Mid Cap Index Fund	***	1,700,147
	Vanguard Small Cap Equity Index Fund	***	460,958
	Vanguard Total Bond Index Fund	***	415,514
	WFA Precious Metals Fund	***	873,616
*	Xerox Corporation Common Stock	***	285,098
	Participant-Managed Accounts **	***	383,160
*	Prudential Retirement Insurance Guaranteed Income Fund	***	6,813,371
*	Notes Receivable from Participants - 13 outstanding, with interest rates from 4.25% to 9.50%	-	190,888
	Total assets held at end of year		<u>\$ 57,303,663</u>

* An asterisk in column (a) denotes a transaction with a party-in-interest.

** Consists of a variety of participant directed investments, the detail of which is not required to be reported.

*** Cost information is not required as all investments are participant directed.

See Independent Auditors' Report

Palo Alto Research Center 401(k) Plan
Financial Statements and
Supplemental Schedule
with
Independent Auditors' Report
December 31, 2010 and 2009

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Plan Administrator
Palo Alto Research Center 401(k) Plan
Palo Alto, California

Certified
Public
Accountants

INDEPENDENT AUDITORS' REPORT

San Francisco
Palo Alto
San Jose
St. Helena

We were engaged to audit the financial statements of the Palo Alto Research Center 401(k) Plan (the Plan) as of December 31, 2010 and 2009 and for the year ended December 31, 2010, and the supplemental schedule as of December 31, 2010, listed in the accompanying table of contents. These financial statements and supplemental schedule are the responsibility of the Plan's management.

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 (ERISA), 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, Prudential Bank & Trust, F.S.B. (Prudential) the trustee of the Plan, except for comparing the information with the related information included in the financial statements and supplemental schedule. We have been informed by the Plan administrator that Prudential holds the Plan's investment assets and executes investment transactions. The Plan administrator has obtained a certification from Prudential as of December 31, 2010 and 2009 and for the year ended December 31, 2010, that the information provided to the Plan administrator by Prudential 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 Prudential, 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 Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA.



Palo Alto, California
August 15, 2011

Palo Alto Research Center 401(k) Plan
Statements of Net Assets Available for Benefits

	December 31,	
	<u>2010</u>	<u>2009</u>
Assets		
Investments, at fair value:		
Mutual funds	\$ 49,631,146	\$ 42,841,383
Guaranteed income fund	6,813,371	5,870,868
Participant-managed accounts	383,160	302,450
Corporate stock	<u>285,098</u>	<u>209,993</u>
Total investments	57,112,775	49,224,694
Notes receivable from participants	190,888	232,165
Employer contribution receivable	196,998	-
Interest receivable	<u>-</u>	<u>15,771</u>
Net Assets Available for Benefits	<u>\$ 57,500,661</u>	<u>\$ 49,472,630</u>

See Independent Auditors' Report and Notes to Financial Statements

Palo Alto Research Center 401(k) Plan
Statement of Changes in Net Assets Available for Benefits
Year Ended December 31, 2010

Additions to Net Assets

Investment income:

Net appreciation in fair value of investments	\$ 5,628,960
Interest and dividends	<u>1,269,616</u>
Total investment income	6,898,576

Contributions:

Participant salary withholdings	2,871,872
Participant rollovers	66,943
Employer match	<u>761,736</u>
Total contributions	<u>3,700,551</u>

Total additions	10,599,127
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Deductions from Net Assets

Participant distributions	2,568,134
Administrative expenses	<u>2,962</u>
Total deductions	<u>2,571,096</u>

Net Increase	8,028,031
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Net Assets Available for Benefits

December 31, 2009	<u>49,472,630</u>
December 31, 2010	<u>\$ 57,500,661</u>

Palo Alto Research Center 401(k) Plan

Notes to Financial Statements

1. Description of the Plan

Palo Alto Research Center Inc. (the Company) established the Palo Alto Research Center 401(k) Plan (the Plan), effective May 1, 2002, to provide participants with a method to fund their retirement on a tax-deferred basis. The following description of 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 under Section 401(k) and related provisions of the Internal Revenue Code (the Code). Company employees are immediately eligible to participate in the Plan on their date of hire. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

The Company is the Plan sponsor and Plan administrator. Prudential Bank & Trust, F.S.B. (Prudential) is the Plan trustee and Prudential Retirement Services is the Plan record keeper. Prudential holds, invests and reinvests trust assets in the interest and at the direction of the participants and their beneficiaries.

Participants may choose to invest their account balances in a variety of investment options offered by the Plan, which are intended to provide a full range of investment options, or in a participant-managed brokerage account with Prudential. An individual brokerage account allows a participant to invest in and manage a broader range of investments, including equity securities traded on the major U.S. stock exchanges, fixed-income securities, guaranteed income funds and mutual funds. Participants are charged an annual fee plus commissions on these brokerage accounts. A participant can change his or her choice of investment at any time.

Xerox Corporation (Xerox) common stock was transferred into the Plan from a previous employer-sponsored benefit plan on behalf of certain participants and is not a current investment option offered by the Plan. Xerox is the Company's parent company.

Contributions:

Participants may contribute a percentage of their pre-tax annual compensation up to 50% of eligible compensation (as defined by the Plan). Participants that have reached the age of 50 may also elect to withhold additional catch-up contributions under the Code. In addition, the Plan allows participants to make voluntary after-tax contributions. Participants may also contribute amounts representing distributions from other qualified defined contribution or defined benefit plans (rollovers). The Company may make discretionary matching and profit-sharing contributions to the Plan. Contributions are subject to certain limitations under the Code.

See Independent Auditors' Report

Palo Alto Research Center 401(k) Plan

Notes to Financial Statements

1. Description of the Plan (continued)

Participant Accounts:

Participant accounts are credited with participant contributions, Company matching contributions, and an allocation of Company profit-sharing contributions and Plan earnings (less any losses). Allocations are based on participant earnings or account balances, in accordance with Plan provisions. The benefit to which a participant is entitled is the benefit that can be provided from the participant's account.

Vesting:

Participants are fully (100%) vested in their account balances, including any discretionary matching and profit-sharing contributions made by the Company.

Notes Receivable from Participants:

In September 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2010-25, *Plan Accounting – Defined Contribution Pension Plans* (ASU 2010-25) that requires defined contribution pension plans to report participant loans as notes receivable from participants and classify the notes outside of investments on a plan's statement of net assets available for benefits. The Plan adopted ASU 2010-25, effective January 1, 2010, and has applied it retrospectively to the statement of net assets available for benefits as of December 31, 2009.

Notes receivable from participants are measured at their unpaid principal balance plus any accrued but unpaid interest. Delinquent participant notes are reclassified as distributions based upon the terms of the Plan agreement. Note receivable transactions with participants qualify as party-in-interest transactions.

Under the Plan's provisions, participants may obtain personal notes from their account balances. Participants may borrow up to one-half of their account balance, not to exceed \$50,000, for a period not to exceed five years, except for amounts used to purchase a primary residence for which note terms for longer periods are permitted. The notes are secured by the balance in the participants' accounts and bear interest at rates ranging from 4.25% to 9.50% at December 31, 2010, which are commensurate with local prevailing rates, as determined by the Plan administrator under the Plan's loan policy. Repayment of principal and interest is made through payroll deductions.

Palo Alto Research Center 401(k) Plan

Notes to Financial Statements

1. Description of the Plan (continued)

Payment of Benefits:

On termination of employment, a participant is entitled to receive a distribution of his or her account balance in a lump sum payment or installment payments. All distributions are subject to the applicable provisions of the Plan agreement. Benefits are recorded when paid.

Administrative Expenses:

Expenses to administer the Plan are generally paid by the Company and are not reflected in the Plan's financial statements.

Risks and Uncertainties:

Participants may invest their account balances in a variety of investment options offered by the Plan. Investments are exposed to various risks, such as interest rate, market fluctuations and credit risks. Due to the level of risk associated with certain investment options offered by the Plan, it is at least reasonably possible that changes in risk in the near term could materially affect participants' account balances and the amounts reported in the statements of net assets available for benefits.

Plan Termination:

Although it has not expressed any intent to do so, the Company has the right to discontinue its contributions at any time and to terminate the Plan, subject to the provisions of ERISA. Upon termination of the Plan, the Plan administrator would distribute the balance in each participant's account as soon as is practical.

Palo Alto Research Center 401(k) Plan

Notes to Financial Statements

2. Summary of Significant Accounting Policies

Basis of Accounting:

The financial statements of the Plan are prepared on the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America.

Investment Valuation and Income Recognition:

Investments are stated at fair value based on quoted market prices. Prudential holds the Plan's investments, which are comprised of mutual funds, participant-managed accounts, corporate stock and a guaranteed income fund and are accounted for as follows:

Mutual Funds: Valued at the net asset value (NAV) of shares held by the Plan at year end based on quoted prices in an active market. It is not probable that the mutual funds will be sold at amounts that differ materially from the NAV of shares held.

Participant-Managed Accounts: Valued at the closing price of each investment held from the applicable stock exchange.

Corporate Stock: Valued at the closing price from the New York Stock Exchange.

Guaranteed Income Fund: The fund is a fully benefit-responsive investment contract with Prudential. Prudential maintains the contributions in a general account. The account is credited with earnings on the underlying investments and charged for participant withdrawals and administrative expenses. This investment is presented at fair value, as determined by Prudential, which approximates contract value. Contract value represents contributions made under the contract, plus earnings, less participant withdrawals and administrative expenses. Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investment at contract value. The guaranteed investment contract issuer is contractually obligated to repay the principal and a specified interest rate that is guaranteed to the Plan.

There are no reserves against contract value for credit risk of the contract issuer or otherwise. The crediting interest rate is based on a formula agreed upon with the issuer, but may not be less than 1.5%. Such interest rates are reviewed on a semi-annual basis for resetting. The average yield earned by the Plan and credited to participants was 3.25% in 2010.

Generally, there are not any events that could limit the Plan's ability to transact at contract value with Prudential. In addition, there are not any events that allow the issuer to terminate the contract and which require the Plan sponsor settle an amount other than contract value.

Palo Alto Research Center 401(k) Plan
Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

Investment Valuation and Income Recognition: (continued)

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

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires Plan management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Subsequent Events:

Subsequent events have been evaluated through the date of the independent auditors' report, which is the date the financial statements were approved by the Plan and available to be issued.

Palo Alto Research Center 401(k) Plan
Notes to Financial Statements

3. Information Prepared and Certified by Prudential

Prudential, as the Plan's trustee, has certified the current value of the following assets held at December 31, 2010 and 2009, and income earned during the year ended December 31, 2010, that were used in the preparation of the accompanying financial statements and supplemental schedule. The following table separately presents the fair value of investments that represent 5% or more of the Plan's net assets at December 31:

	<u>2010</u>	<u>2009</u>
American Funds EuroPacific Growth Fund	\$ 4,222,306	\$ 3,935,369
Prudential Retirement Insurance Guaranteed Income Fund	6,813,371	5,870,868
American Funds Fundamental Investors Fund	4,122,337	3,684,826
DWS Dreman Small Value Fund	4,160,249	3,636,036
PIMCO Total Return Mortgage Fund	3,572,080	3,264,705
American Funds Bond Fund of America	-	2,489,512
Vanguard 500 Index Fund	-	2,474,031
Oakmark Equity and Income Fund	-	2,621,636
Other funds individually less than 5% of net assets	<u>34,222,432</u>	<u>21,247,711</u>
	57,112,775	49,224,694
Notes receivable from participants	<u>190,888</u>	<u>232,165</u>
Certified assets	<u>\$ 57,303,663</u>	<u>\$ 49,456,859</u>
	Year ended December 31, <u>2010</u>	
Certified income	<u>\$ 6,898,576</u>	

The Plan's investments (including gains and losses on investments bought, sold and held during the year) appreciated in value as follows for the year ended December 31, 2010:

Mutual funds	\$ 5,477,495
Participant-managed accounts	75,923
Corporate stock	<u>75,542</u>
Total	<u>\$ 5,628,960</u>

Palo Alto Research Center 401(k) Plan

Notes to Financial Statements

4. Fair Value Measurements

The Plan uses a three-level hierarchy that prioritizes the inputs used in the valuation techniques for determining fair value of investments and making disclosures about fair value measurements. The Plan defines fair value as the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date.

The three levels of the fair value hierarchy are as follows:

- Level 1: Quoted prices in active markets that are accessible at the measurement date for identical investments, unrestricted assets or liabilities.
- Level 2: Quoted prices in active markets that are accessible at the measurement date for similar investments, quoted prices in markets that are not considered to be active or financial instruments without quoted market prices, but for which all significant inputs are observable, either directly or indirectly.
- Level 3: Significant unobservable inputs, including the Plan's own assumptions, are used in determining the fair value.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. If available, quoted market prices are used to value investments.

Palo Alto Research Center 401(k) Plan
Notes to Financial Statements

4. Fair Value Measurements (continued)

In January 2010, FASB issued ASU No. 2010-06, *Improving Disclosures about Fair Value Measurements and Disclosures* (ASU 2010-06) to add new disclosures about investment transfers into and out of Level 1 and 2 measurements and separate disclosures about purchases, sales, issuances and settlements relating to Level 3 measurements. The Plan adopted ASU 2010-06, effective January 1, 2010, with no material impact on the Plan's financial statements and disclosures.

Investments at fair value at December 31, 2010 are as follows:

<u>Investments</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
Blend funds	\$ 16,620,434	\$ -	\$ -	\$ 16,620,434
Growth funds	12,882,809	-	-	12,882,809
Value funds	4,931,021	-	-	4,931,021
Bond funds	11,517,580	-	-	11,517,580
Sector funds	2,798,140	-	-	2,798,140
Real estate funds	<u>881,162</u>	<u>-</u>	<u>-</u>	<u>881,162</u>
Total mutual funds	49,631,146	-	-	49,631,146
Participant-managed accounts	383,160	-	-	383,160
Corporate stock	285,098	-	-	285,098
Guaranteed income fund	<u>-</u>	<u>6,813,371</u>	<u>-</u>	<u>6,813,371</u>
Total	<u>\$ 50,299,404</u>	<u>\$ 6,813,371</u>	<u>\$ -</u>	<u>\$ 57,112,775</u>

See Independent Auditors' Report

Palo Alto Research Center 401(k) Plan
Notes to Financial Statements

4. Fair Value Measurements (continued)

Investments at fair value at December 31, 2009 are as follows:

<u>Investments</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
Blend funds	\$ 14,214,017	\$ -	\$ -	\$ 14,214,017
Growth funds	10,893,511	-	-	10,893,511
Value funds	4,318,082	-	-	4,318,082
Bond funds	10,522,737	-	-	10,522,737
Sector funds	2,263,070	-	-	2,263,070
Real estate funds	<u>629,966</u>	<u>-</u>	<u>-</u>	<u>629,966</u>
Total mutual funds	42,841,383	-	-	42,841,383
Participant-managed accounts	302,450	-	-	302,450
Corporate stock	209,993	-	-	209,993
Guaranteed income fund	<u>-</u>	<u>5,870,868</u>	<u>-</u>	<u>5,870,868</u>
Total	<u>\$ 43,353,826</u>	<u>\$ 5,870,868</u>	<u>\$ -</u>	<u>\$ 49,224,694</u>

5. Income Tax Status

The Plan is a prototype plan offered by Prudential, which has obtained an opinion letter from the Internal Revenue Service stating that the plan submitted for review qualifies under applicable provisions of the Code. The Company believes the Plan is being operated in compliance with the applicable requirements of the Code and related state statutes, and that the trust, which forms a part of the Plan, is exempt from federal and state income taxes.

Accounting principles generally accepted in the United States of America require Plan management to evaluate tax positions taken by the Plan and recognize a tax liability if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Plan administrator has analyzed the tax positions taken by the Plan, and has concluded that as of December 31, 2010, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits in progress for any tax periods. The Plan administrator believes the Plan is no longer subject to income tax examinations for years prior to 2007.

See Independent Auditors' Report

Palo Alto Research Center 401(k) Plan

Notes to Financial Statements

6. Party-In-Interest Transactions

Certain Plan assets are invested in Xerox common stock. Xerox, the Company's parent company, is a related party of the Plan. As a result, transactions related to Xerox common stock are considered party-in-interest transactions. Transactions related to the Prudential Retirement Insurance Guaranteed Income Fund offered by Prudential, the Plan's trustee, also qualify as party-in-interest transactions.

7. Reconciliation of Financial Statements to Form 5500

The following is a reconciliation of certain activity in the statement of changes in net assets available for benefits per the financial statements to Schedule H of Form 5500 for the year ended December 31, 2010:

	<u>Total Investment Income</u>	<u>Administrative Expenses</u>
Balances per the financial statements	\$ 6,898,576	\$ 2,962
Investment management and other expenses separately disclosed on Form 5500 but included in net appreciation in fair value of investments on the financial statements	<u>103,039</u>	<u>103,039</u>
Balances per Form 5500	<u>\$ 7,001,615</u>	<u>\$ 106,001</u>

See Independent Auditors' Report

Palo Alto Research Center 401(k) Plan
(Employer Identification Number 06-1568182)
(Plan Number 001)
Supplemental Schedule Accompanying Form 5500
Schedule H, Line 4i – Schedule of Assets (Held at End of Year)
December 31, 2010

(a)	(b) Identity of issue, borrower, lessor or similar party (c) Description of investment, including maturity date, rate of interest, collateral, par or maturity value	(d) Cost	(e) Current Value
	Prudential Bank & Trust, F.S.B.:		
	American Funds EuroPacific Growth Fund	***	\$ 4,222,306
	American Funds Fundamental Investors Fund	***	4,122,337
	American Funds Bond Fund of America	***	2,700,447
	BlackRock International Opportunity Fund	***	1,764,491
	Columbia Mid Cap Index Fund	***	855,649
	Columbia Technology Fund	***	590,710
	DWS Dreman Small Value Fund	***	4,160,249
	Growth Fund of America	***	2,014,737
	Hartford Capital Appreciation Fund	***	2,415,262
	Ivy Asset Strategy Fund	***	54,294
	Jennison Natural Resources Fund	***	1,333,814
	LKCM Small Cap Equity Fund	***	27,363
	Loomis Sayles Bond Fund	***	1,771,813
	Metro West High Yield Bond Fund	***	1,575,562
	MFS International Value Fund	***	770,772
	Nuveen Real Estate Fund	***	881,162
	Nuveen Small Cap Select Fund	***	2,619,702
	Oakmark Equity and Income Fund	***	2,873,813
	Open Developing Markets Fund	***	2,351,198
	Open International Bond Fund	***	1,141,346
	Parnassus Fund	***	17,259
	PIMCO Total Return Mortgage Fund	***	3,572,080
	PIMCO Total Return Bond Fund	***	277,197
	PIMCO Real Return Bond Fund	***	63,621
	Stadion Managed Portfolio A Fund	***	9,793
	Thornburg Core Growth Fund	***	1,575,950
	Vanguard 500 Index Fund	***	2,417,984
	Vanguard Mid Cap Index Fund	***	1,700,147
	Vanguard Small Cap Equity Index Fund	***	460,958
	Vanguard Total Bond Index Fund	***	415,514
	WFA Precious Metals Fund	***	873,616
*	Xerox Corporation Common Stock	***	285,098
	Participant-Managed Accounts **	***	383,160
*	Prudential Retirement Insurance Guaranteed Income Fund	***	6,813,371
*	Notes Receivable from Participants - 13 outstanding, with interest rates from 4.25% to 9.50%	-	190,888
	Total assets held at end of year		<u>\$ 57,303,663</u>

* An asterisk in column (a) denotes a transaction with a party-in-interest.

** Consists of a variety of participant directed investments, the detail of which is not required to be reported.

*** Cost information is not required as all investments are participant directed.

See Independent Auditors' Report