| Form 5500 | Annual Return/Report of Employee Benefit Plan | OMB Nos. 1210-0110 1210-0089 | | |
|---|--|---|--|--|
| Department of the Treasury Internal Revenue Service | 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). | 2010 | | |
| Department of Labor Employee Benefits Security Administration | Complete all entries in accordance with the instructions to the Form 5500. | 2010 | | |
| Pension Benefit Guaranty Corporation | | This Form is Open to Public Inspection | | |
| Part I Annual Report Ider | tification Information | | | |
| For calendar plan year 2010 or fiscal | plan year beginning 01/01/2010 and ending 12/3 | 1/2010 | | |
| 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 | han 12 months). | | |
| C If the plan is a collectively-bargain | ed plan, check here | | | |
| D Check box if filing under: | Form 5558; automatic extension; | the DFVC program; | | |
| | special extension (enter description) | | | |
| Part II Basic Plan Inform | nation—enter all requested information | | | |
| 1a Name of plan PACIFIC RESEARCH LABORATORI | · | 1b Three-digit plan number (PN) ► | | |
| | | 1c Effective date of plan 01/01/1995 | | |
| 2a Plan sponsor's name and addres (Address should include room or s PACIFIC RESEARCH LABORATORI | | 2b Employer Identification Number (EIN) 91-1127121 | | |
| | 10221 SW 188TH ST. | 2c Sponsor's telephone number 206-463-5551 | | |
| 10221 SW 188TH ST. VASHON, WA 98070 | 2d Business code (see instructions) 326100 | | | |
| | | | | |

Caution: A penalty for the late or incomplete filing of this return/report will be assessed unless reasonable cause is established.

Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return/report, including accompanying schedules, statements and attachments, as well as the electronic version of this return/report, and to the best of my knowledge and belief, it is true, correct, and complete.

| SIGN HERE | Filed with authorized/valid electronic signature. | 10/17/2011 | TOM BEALL |
|--------------|---|------------|--|
| | Signature of plan administrator | Date | Enter name of individual signing as plan administrator |
| SIGN HERE | | | |
| HERE | Signature of employer/plan sponsor | Date | Enter name of individual signing as employer or plan sponsor |
| SIGN HERE | | | |
| HERE | Signature of DFE | Date | Enter name of individual signing as DFE |

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Form 5500 (2010) v.092307.1

| | | - | | | | |
|----|---|-------------------------------|---------------------------------|--|--|--|
| | Plan administrator's name and address (if same as plan sponsor, enter "Same") | 3b Administrator's EIN | | | | |
| PA | CIFIC RESEARCH LABORATORIES, INC | | | | | |
| | 221 SW 188TH ST. SHON, WA 98070 | | ministrator's telephone mber | | | |
| V/ | | 206 | 6-463-5551 | | | |
| | | | | | | |
| | | | | | | |
| 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 the plan number from the last return/report: | and | 4b EIN | | | |
| а | Sponsor's name | | 4c PN | | | |
| 5 | Total number of participants at the beginning of the plan year | 5 | 129 | | | |
| 6 | Number of participants as of the end of the plan year (welfare plans complete only lines 6a, 6b, 6c, and 6d). | | | | | |
| _ | | 0 | 100 | | | |
| а | Active participants | 6a | 128 | | | |
| b | Retired or separated participants receiving benefits | 6b | 1 | | | |
| _ | | 0. | | | | |
| С | Other retired or separated participants entitled to future benefits | 6c | 6 | | | |
| d | Subtotal. Add lines 6a, 6b, and 6c | 6d | 135 | | | |
| е | Deceased participants whose beneficiaries are receiving or are entitled to receive benefits | 6e | 1 | | | |
| f | Total. Add lines 6d and 6e | 6f | 136 | | | |
| a | Number of participants with account belances as of the and of the plan year (only defined contribution plane | | | | | |
| g | Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item) | 6g | 96 | | | |
| h | Number of participants that terminated employment during the plan year with accrued benefits that were less than 100% vested | 6h | 1 | | | |
| 7 | Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item) | 7 | | | | |

Page 2

Form 5500 (2010)

8a If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristic Codes in the instructions: 2F 2G 2J 2K 2T 3D

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) | | | 9b | Plan ben | efit | arrangement (check all that apply) | |
|--|--------|--------|---|----------|-------------------|------------------------------------|--|
| | (1) | | Insurance | | (1) | | Insurance |
| | (2) | | Code section 412(e)(3) insurance contracts | | (2) | | Code section 412(e)(3) insurance contracts |
| | (3) | X | Trust | | (3) | Х | Trust |
| | (4) | | General assets of the sponsor | | (4) | | General assets of the sponsor |
| 10 | Check | all ap | plicable boxes in 10a and 10b to indicate which schedules are a | ttache | d, and, wl | here | e indicated, enter the number attached. (See instructions) |
| | - · | - | | l. | | - | |
| a | Pensio | n Sc | hedules | b | General | Scl | hedules |
| a | (1) | n Sc | hedules R (Retirement Plan Information) | D | General (1) | Sci | hedules H (Financial Information) |
| a | | n Sc | | D | | Sci | |
| a | (1) | | R (Retirement Plan Information) MB (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan | D | (1) | | H (Financial Information) |
| a | (1) | | R (Retirement Plan Information)MB (Multiemployer Defined Benefit Plan and Certain Money | D | (1) (2) | | H (Financial Information)I (Financial Information – Small Plan) |
| a | (1) | | R (Retirement Plan Information) MB (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan | D | (1) (2) (3) | | H (Financial Information) I (Financial Information – Small Plan) A (Insurance Information) |

| SCHEDULE C | (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Imployee Benefits Security Administration File as an attachment to Form 5500. | | | OMB No. 1210-0110 | |
|--|--|---|-------------|------------------------------------|--|
| Department of the Treasury | | | | 2010 | |
| Employee Benefits Security Administration | | | | Form is Open to Public Inspection. | |
| Pension Benefit Guaranty Corporation For calendar plan year 2010 or fiscal pla | an vear beginning 01/01/2010 | and ending 12/31 | /2010 | | |
| A Name of plan PACIFIC RESEARCH LABORATORIE | B Three-digit plan number (PN) | • | 001 | | |
| C Plan sponsor's name as shown on li PACIFIC RESEARCH LABORATORIE | D Employer Identificati 91-1127121 | on Number | (EIN) | | |
| Part I Service Provider Info | rmation (see instructions) | | | | |
| or more in total compensation (i.e., n plan during the plan year. If a person | rdance with the instructions, to report the infor noney or anything else of monetary value) in c n received only eligible indirect compensation include that person when completing the rema | connection with services rendered to for which the plan received the requ | the plan or | the person's position with the | |
| indirect compensation for which the pb If you answered line 1a "Yes," enter | ner you are excluding a person from the remain plan received the required disclosures (see ins the name and EIN or address of each person insation. Complete as many entries as needed | structions for definitions and conditio providing the required disclosures f | ns) | Yes 🛛 No | |
| (b) Enter na | me and EIN or address of person who provide | ed you disclosures on eligible indirec | t compensa | tion | |
| | | | | | |
| (b) Enter na | me and EIN or address of person who provide | ed you disclosure on eligible indirect | compensat | ion | |
| | | | | | |
| (b) Enter na | ne and EIN or address of person who provide | ed you disclosures on eligible indirec | t compensa | tion | |
| | | | | | |
| (b) Enter na | ne and EIN or address of person who provide | ed you disclosures on eligible indirec | t compensa | tion | |
| | | | | | |

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

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Page 3

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 INSTI | TUTIONAL | | | | |
| | | | | | | |
| 04-264778 | 6 | | | | | |
| (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 | RECORDKEEPER | 1175 | 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) | (c) | (d) | (e) | (f) | (g) | (h) |
|--------------------|--|-----------------------|---|---|--|---|
| Service Code(s) | Relationship to employer, employee organization, or person known to be a party-in-interest | by the plan. If none, | Did service provider receive indirect compensation? (sources other than plan or plan sponsor) | Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures? | Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0 | formula instead of an amount or estimated amount? |
| | | | Yes 🗌 No 🗍 | Yes 🗌 No 🗌 | | Yes No |

| | (a) Enter name and EIN or address (see instructions) | | | | | |
|----------------------------------|---|---|--|--|---|--|
| | | | | | | |
| | | | | | | |
| | 1 . | | · · · | | | <i>"</i> » |
| (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 |

| Page 🕄 | 5-1 |
|--------|-----|
|--------|-----|

Part I Service Provider Information (continued)

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

| (a) Enter service provider name as it appears on line 2 | (b) Service Codes (see instructions) | (C) Enter amount of indirect compensation |
|---|---|--|
| | | |
| | | |
| | | |
| | | |
| (d) Enter name and EIN (address) of source of indirect compensation | (e) Describe the indirect | compensation, including any the service provider's eligibility |
| | | the indirect compensation. |
| | | |
| | | |
| | | |
| | | |
| (a) Enter service provider name as it appears on line 2 | (b) Service Codes | (c) Enter amount of indirect |
| | (see instructions) | compensation |
| | | |
| | | |
| | | |
| (d) Enter name and EIN (address) of source of indirect compensation | (e) Describe the indirect | compensation, including any |
| | | the service provider's eligibility the indirect compensation. |
| | | |
| | | |
| | | |
| | | |
| (a) Enter service provider name as it appears on line 2 | (b) Service Codes | (c) Enter amount of indirect |
| | (see instructions) | compensation |
| | | |
| | | |
| | | |
| (d) Enter name and EIN (address) of source of indirect compensation | (a) Describe the indirect | compensation, including any |
| (a) Enter name and Env (address) of source of indirect compensation | formula used to determine | the service provider's eligibility |
| | for or the amount of t | the indirect compensation. |
| | | |
| | | |
| | | |
| | | |

| Page 6- | 1 |
|----------------|---|
| - | |

| Part II Service Providers Who Fail or Refuse to Provide Information | | | | | | |
|---|-------------------------------------|---|--|--|--|--|
| 4 Provide, to the extent possible, the following information for ea this Schedule. | ch service provide | r who failed or refused to provide the information necessary to complete | | | | |
| (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 | (C) Describe the information that the service provider failed or refused to provide | | | | |
| | Code(s) | | | | | |
| (a) Enter name and EIN or address of service provider (see instructions) | (b) Nature of Service | (C) Describe the information that the service provider failed or refused to provide | | | | |
| | Code(s) | | | | | |
| (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 | (b) Nature of | (C) Describe the information that the service provider failed or refused to | | | | |
| instructions) | Code(s) | provide | | | | |

| Page | 7- | |
|------|----|--|
| | | |

| Part III | I Termination Information on Accountant (complete as many entries as needed) | s and Enrolled Actuaries (see instructions) |
|--------------|--|---|
| a Nan | | b EIN: |
| | sition: | |
| | dress: | e Telephone: |
| | | |
| Explana | ition: | |
| a Nan | me: | b EIN: |
| c Pos | sition: | |
| d Add | dress: | e Telephone: |
| | | |
| Explana | ition: | |
| a Nan | me. | b EIN: |
| | sition: | |
| | dress: | e Telephone: |
| | | |
| Explana | ition: | |
| | | |
| a Nan | | b EIN; |
| | sition: | C Tolophono: |
| u Add | dress: | e Telephone: |

Explanation:

| а | Name: | b EIN; |
|---|-----------|---------------|
| С | Position: | |
| d | Address: | e Telephone: |
| | | |
| | | |
| | | |

Explanation:

| SCHEDULE H | Financial In | formatic | n | | | OMB No. 1210-0110 | | | |
|--|---|---|---|---------|-----------------------------|-----------------------|-----------------------------|-------------------|----------------------------|
| (Form 5500) 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 un Retirement Income Security Act of 1974 Internal Revenue Co File as an attachm | | 2010 This Form is Open to Public Inspection | | | | | | |
| For calendar plan year 2010 or fiscal plan | an year beginning 01/01/2010 | | and | ending | g 12/31/ | 2010 | | | - |
| A Name of plan PACIFIC RESEARCH LABORATORIES | S, INC. 401(K) RETIREMENT PLAN | | | В | Three-dig plan num | |) 🕨 | | 001 |
| PACIFIC RESEARCH LABORATORIES, INC | | | | | | Identifica 1 | ation Numb | er (El | N) |
| the value of the plan's interest in a c lines 1c(9) through 1c(14). Do not e benefit at a future date. Round off a | Statement bilities at the beginning and end of the plan commingled fund containing the assets of m nter the value of that portion of an insurance amounts to the nearest dollar. MTIAs, CO s also do not complete lines 1d and 1e. See | ore than one e contract whi CTs, PSAs, ar | plan on a ich guarar | line-by | /-line basis during this | s unless ; plan ye | the value i ar, to pay a | is repo a spec | ortable on cific dollar |
| As | sets | | (a) B | eginni | ng of Year | r | (b) | <u>End o</u> | f Year |
| a Total noninterest-bearing cash | | 1a | | | | | | | |
| b Receivables (less allowance for dou | ubtful accounts): | | | | | | | | |
| (1) Employer contributions | | 1b(1) | | | | | | | |
| (2) Participant contributions | | 1b(2) | | | | | | | |
| (3) Other | | 1b(3) | | | | | | | |
| | money market accounts & certificates | 1c(1) | | | g | 2030 | | | 94183 |
| (2) U.S. Government securities | | 1c(2) | | | | | | | |
| (3) Corporate debt instruments (of | ther than employer securities): | | | | | | | | |
| (A) Preferred | | 1c(3)(A) | | | | | | | |
| (B) All other | | 1c(3)(B) | | | | | | | |
| (4) Corporate stocks (other than e | mployer securities): | | | | | | | | |
| (A) Preferred | | 1c(4)(A) | | | | | | | |
| (B) Common | | 1c(4)(B) | | | | | | | |
| (5) Partnership/joint venture intere | ests | 1c(5) | | | | | | | |
| (6) Real estate (other than employ | ver real property) | 1c(6) | | | | | | | |
| (7) Loans (other than to participan | ts) | 1c(7) | | | | | | | |
| (8) Participant loans | | 1c(8) | | | 8 | 5422 | | | 89872 |
| (9) Value of interest in common/co | ollective trusts | 1c(9) | | | | | | | |
| (10) Value of interest in pooled sepa | arate accounts | 1c(10) | | | | | | | |
| (11) Value of interest in master trus | t investment accounts | 1c(11) | | | | | | | |
| . , | estment entities | 1c(12) | | | | | | | |
| (13) Value of interest in registered i funds) (14) Value of funds held in insurance | | 1c(13) | | | 307 | 8836 | | | 3708023 |
| | ce company general account (unallocated | 1c(14) | | | | | | | |
| (15) Other | | 1c(15) | | | | | | | |

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| Schedule H (| Form | 5500 |) 2010 |
|--------------|------|------|--------|
| | | | |

| 1d | Employer-related investments: | - | (a) Beginning of Year | (b) End of Year |
|----|---|-------|-----------------------|-----------------|
| | (1) Employer securities | 1d(1) | | |
| | (2) Employer real property | 1d(2) | | |
| е | Buildings and other property used in plan operation | 1e | | |
| f | Total assets (add all amounts in lines 1a through 1e) | 1f | 3256288 | 3892078 |
| | 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 | | |
| | Net Assets | | | |
| I | Net assets (subtract line 1k from line 1f) | 11 | 3256288 | 3892078 |

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 |
|---|---|----------|------------|------------------|
| а | Contributions: | | | |
| | (1) Received or receivable in cash from: (A) Employers | 2a(1)(A) | 98435 | |
| | (B) Participants | 2a(1)(B) | 316943 | |
| | (C) Others (including rollovers) | 2a(1)(C) | 4416 | |
| | (2) Noncash contributions | 2a(2) | | |
| | (3) Total contributions. Add lines 2a(1)(A), (B), (C), and line 2a(2) | 2a(3) | | 419794 |
| b | Earnings on investments: | | | |
| | (1) Interest: | | | |
| | (A) Interest-bearing cash (including money market accounts and certificates of deposit) | 2b(1)(A) | 18 | |
| | (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) | 3886 | |
| | (F) Other | 2b(1)(F) | | |
| | (G) Total interest. Add lines 2b(1)(A) through (F) | 2b(1)(G) | | 3904 |
| | (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) | 40174 | |
| | (D) Total dividends. Add lines 2b(2)(A), (B), and (C) | 2b(2)(D) | | 40174 |
| | (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) | | 442240 |
| С | Other income | 2c | | |
| d | Total income. Add all income amounts in column (b) and enter total | 2d | | 906112 |
| | Expenses | | | |
| е | Benefit payment and payments to provide benefits: | | | |
| | (1) Directly to participants or beneficiaries, including direct rollovers | 2e(1) | 269134 | |
| | (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) | | 269134 |
| f | Corrective distributions (see instructions) | 2f | | |
| g | | 2g | | 13 |
| | Interest expense | 2h | Ē | |
| i | Administrative expenses: (1) Professional fees | 2i(1) | | |
| • | (2) Contract administrator fees | 2i(2) | | |
| | (2) Investment advisory and management fees | 2i(3) | | |
| | (4) Other | 2i(4) | 1175 | |
| | | 2i(5) | | 1175 |
| | (5) Total administrative expenses. Add lines 2i(1) through (4) | 2j | - | 270322 |
| J | Total expenses. Add all expense amounts in column (b) and enter total | -, | | |
| 1. | Г | 2k | | 635790 |
| | Net income (loss). Subtract line 2j from line 2d | 28 | _ | 000700 |
| I | Transfers of assets: | 01(4) | _ | |
| | (1) To this plan | 21(1) | _ | |
| | (2) From this plan | 2l(2) | | |
| Pa | art III Accountant's Opinion | | | |
| 3 | Complete lines 3a through 3c if the opinion of an independent qualified public ac attached. | countant is | attached to this Form 5500. Compl | ete line 3d if an opinion is not |
| a | The attached opinion of an independent qualified public accountant for this plan | is (see instr | ructions): | |
| | (1) Unqualified (2) Qualified (3) Disclaimer (4) | Adverse | | |
| | Did the accountant perform a limited scope audit pursuant to 29 CFR 2520.103- | 8 and/or 103 | 3-12(d)? | Yes No |
| C | Enter the name and EIN of the accountant (or accounting firm) below: | | | |
| | (1) Name: BDO | | (2) EIN: 13-5381590 | |
| ď | The opinion of an independent qualified public accountant is not attached becar (1) This form is filed for a CCT, PSA, or MTIA. (2) It will be attach | | ext Form 5500 pursuant to 29 CFR | 2520.104-50. |

Page 4-

| Pa | rt IV | Compliance Questions | | | | |
|----|-----------------|---|-----------|-----------|-----------------|----------------------------|
| 4 | | and PSAs do not complete Part IV. MTIAs, 103-12 IEs, and GIAs do not complete 4a, 4e, 4 2 IEs also do not complete 4j and 4l. MTIAs also do not complete 4l. | 4f, 4g, 4 | 4h, 4k, 4 | m, 4n, or 5. | |
| | During | g the plan year: | | Yes | No | Amount |
| а | period | here a failure to transmit to the plan any participant contributions within the time I described in 29 CFR 2510.3-102? Continue to answer "Yes" for any prior year failures Illy corrected. (See instructions and DOL's Voluntary Fiduciary Correction Program.) | 4a | | X | |
| b | close secure | any loans by the plan or fixed income obligations due the plan in default as of the of the plan year or classified during the year as uncollectible? Disregard participant loans ed by participant's account balance. (Attach Schedule G (Form 5500) Part I if "Yes" is ed.). | 4b | | x | |
| С | | any leases to which the plan was a party in default or classified during the year as ectible? (Attach Schedule G (Form 5500) Part II if "Yes" is checked.) | 4c | | X | |
| d | report | there any nonexempt transactions with any party-in-interest? (Do not include transactions ed on line 4a. Attach Schedule G (Form 5500) Part III if "Yes" is ed.) | 4d | | × | |
| е | | his plan covered by a fidelity bond? | 4e | Х | | 300000 |
| f | | e plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused ud or dishonesty? | 4f | | X | |
| g | | e plan hold any assets whose current value was neither readily determinable on an ished market nor set by an independent third party appraiser? | 4g | | X | |
| h | | e plan receive any noncash contributions whose value was neither readily ninable on an established market nor set by an independent third party appraiser? | 4h | | X | |
| i | | e plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, ee instructions for format requirements.) | 4i | | X | |
| j | value | any plan transactions or series of transactions in excess of 5% of the current of plan assets? (Attach schedule of transactions if "Yes" is checked, and structions for format requirements.) | 4j | | X | |
| k | Were | all the plan assets either distributed to participants or beneficiaries, transferred to another or brought under the control of the PBGC? | 4k | | X | |
| I | Has th | ne plan failed to provide any benefit when due under the plan? | 41 | | X | |
| m | | is an individual account plan, was there a blackout period? (See instructions and 29 CFR 101-3.) | 4m | | x | |
| n | | was answered "Yes," check the "Yes" box if you either provided the required notice or one exceptions to providing the notice applied under 29 CFR 2520.101-3. | 4n | | X | |
| 5a | | resolution to terminate the plan been adopted during the plan year or any prior plan year? enter the amount of any plan assets that reverted to the employer this year | Yes | ×No | Amount: | |
| 5b | | ing this plan year, any assets or liabilities were transferred from this plan to another plan(s) erred. (See instructions.) | , identif | y the pla | n(s) to which a | assets or liabilities were |

| SCHEDULE R | Retirement Plan Information | | | (| OMB No. ' | 1210-011 | 0 | | |
|---|---|---------|---------------------------------|-------------|------------|-----------|---------|--------------------|--|
| (Form 5500) | | 20 | 2010 | | | | | | |
| Department of the Treasury Internal Revenue Service | | 20 | 10 | | | | | | |
| Department of Labor | Employee Retirement Income Security Act of 1974 (ERISA) and section 6058(a) of the Internal Revenue Code (the Code). This Form is Ope | | | | | | | | |
| Employee Benefits Security Administration Pension Benefit Guaranty Corporation | File as an attachment to Form 5500. | | | | Inspe | | | | |
| For calendar plan year 2010 or fiscal | plan year beginning 01/01/2010 and e | nding | 12/31/ | 2010 | | | | | |
| A Name of plan PACIFIC RESEARCH LABORATORIE | ES, INC. 401(K) RETIREMENT PLAN | В | Three-digit plan num (PN) | | | 001 | | | |
| C Plan sponsor's name as shown or PACIFIC RESEARCH LABORATORIE | n line 2a of Form 5500 ES, INC | D | Employer I 91-1127 | | tion Num | nber (EIN | N) | | |
| Part I Distributions | | | | | | | | | |
| _ | te only to payments of benefits during the plan year. | | | | | | | | |
| | in property other than in cash or the forms of property specified in the | | 1 | | | | | 0 | |
| | o paid benefits on behalf of the plan to participants or beneficiaries duri | | | ore than t | two, ente | er EINs o | of the | two | |
| payors who paid the greatest do | | | , . | | , | | | | |
| EIN(s): 04-6568107 | | | | | | | | | |
| . | and stock bonus plans, skip line 3. | | | - | | | | | |
| | r deceased) whose benefits were distributed in a single sum, during the | • | 3 | | | | | | |
| Part II Funding Informa ERISA section 302, sl | tion (If the plan is not subject to the minimum funding requirements o kip this Part) | f sect | ion of 412 (| of the Inte | ernal Re | venue C | ode c | or | |
| 4 Is the plan administrator making a | 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 | t plan, go to line 8. | | | | | | | | |
| | ing standard for a prior year is being amortized in this enter the date of the ruling letter granting the waiver. Date: Mont | h | [| Day | | Year | | | |
| | lete lines 3, 9, and 10 of Schedule MB and do not complete the ren | | | schedule |) . | | | | |
| | contribution for this plan year | | | | | | | | |
| | d by the employer to the plan for this plan year | | 6b | | | | | | |
| | 6b from the amount in line 6a. Enter the result ft of a negative amount) | | 6c | | | | | | |
| If you completed line 6c, skip | lines 8 and 9. | | | | | | | | |
| 7 Will the minimum funding amou | nt reported on line 6c be met by the funding deadline? | | | Yes | | No | | N/A | |
| automatic approval for the chan | thod was made for this plan year pursuant to a revenue procedure prov ge or a class ruling letter, does the plan sponsor or plan administrator a | agree | [| Yes | | No | | N/A | |
| Part III Amendments | | | | | | | | | |
| _ | on plan, were any amendments adopted during this plan | | | | | | | | |
| | ed the value of benefits? If yes, check the appropriate | ase | Dec | rease | Вс | oth | | No | |
| Part IV ESOPs (see ins skip this Part. | structions). If this is not a plan described under Section 409(a) or $4975(\epsilon)$ | e)(7) c | of the Interr | al Rever | nue Cod | Э, | | | |
| 10 Were unallocated employer sec | curities or proceeds from the sale of unallocated securities used to repay | y any | exempt loa | ın? | | Yes | | No | |
| 11 a Does the ESOP hold any p | preferred stock? | | | | | Yes | | No | |
| | nding exempt loan with the employer as lender, is such loan part of a "b tion of "back-to-back" loan.) | | | | | Yes | | No | |
| | that is not readily tradable on an established securities market? | | | | ····· | Yes | | No | |
| For Paperwork Reduction Act Not | ice and OMB Control Numbers, see the instructions for Form 5500. | | | Sc | hedule | R (Form | | 0) 2010 92308.1 | |

Page **2-**1

| Pa | rt V | Ad | ditional Inforn | nation for N | lultiemplo | oyer | Defined Benef | it Pe | nsion Pl | ans | |
|----|------|--|---|--------------|---------------|--------|--|--------|-------------|---|--|
| 13 | | nter the following information for each employer that contributed more than 5% of total contributions to the plan during the plan year (measured in Iollars). See instructions. Complete as many entries as needed to report all applicable employers. | | | | | | | | | |
| | а | 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 | <i>complete ite</i> (1) Contri | ms 13e(1) and 13 oution rate (in dolla | e(2).) | ne rate appli | es, ch | neck this box and | see ii | _ | regarding required attachment. Otherwise, | |
| | _ | () | | , L | , | | - · · · · | | | | |
| | a | | tributing employe | r | | | | | | | |
| | b | EIN | | | | | C Dollar amour | | | | |
| | d | | 0 0 0 | • | | | tributes under more e, enter the applicat | | | tive bargaining agreement, check box | |
| | e | complete ite (1) Contri | ms 13e(1) and 13 oution rate (in dolla | e(2).) | ne rate appli | es, ch | neck this box and | see ii | _ | regarding required attachment. Otherwise, | |
| | а | Name of cor | tributing employe | r | | | | | | | |
| | b | EIN | | | | | c Dollar amour | t cont | tributed by | employer | |
| | d | | 0 0 0 | | | | tributes under more e, enter the applical | | | tive bargaining agreement, check box | |
| | e | <i>complete ite</i> (1) Contri | ms 13e(1) and 13 oution rate (in dolla | e(2).) | ne rate appli | es, ch | neck this box and | see ii | _ | regarding required attachment. Otherwise, | |
| | а | Name of cor | tributing employe | r | | | | | | | |
| | b | EIN | 3 1 1 | | | | C Dollar amour | t con | tributed by | employer | |
| | d | | 0 0 0 | • | | | | than | one collec | tive bargaining agreement, check box | |
| _ | e | <i>complete ite</i> (1) Contri | ms 13e(1) and 13 oution rate (in dolla | e(2).) | ne rate appli | es, ch | neck this box and | see ii | Other (s | regarding required attachment. Otherwise, | |
| | а | Name of cor | tributing employe | r | | | | | | | |
| | b | EIN | | | | | C Dollar amour | t con | tributed by | employer | |
| | d | | 0 0 0 | • | | | tributes under more e, enter the applicat | | | tive bargaining agreement, check box | |
| | 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): | | | | | | | | | |
| | а | Name of cor | tributing employe | r | | | | | | | |
| | b | EIN | · · | | | | c Dollar amour | t con | tributed by | employer | |
| | d | | | | | | tributes under more e, enter the applical | | | tive bargaining agreement, check box | |
| | e | <i>complete ite</i> (1) Contri | ms 13e(1) and 13 oution rate (in dolla | e(2).) | ne rate appli | es, ch | neck this box and | see ii | nstructions | regarding required attachment. Otherwise, | |

| 14 | Enter the number of participants on whose behalf no co | ontributions 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 m employer contribution during the current plan year to: | nake an |
| | 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 | |
| 17 | If assets and liabilities from another plan have been transferred to or merged with this plan during the plan year, supplemental information to be included as an attachment. | |
| P | art VI Additional Information for Single-Employer and Multiemployer Defined Bene | efit 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 and beneficiaries under two or more pension plans as of immediately before such plan year, check box and see information to be included as an attachment | instructions regarding supplemental |
| 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: 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 C What duration measure was used to calculate item 19(b)? Effective duration Macaulay duration Modified duration Other (specify): | 3-21 years 21 years or more |

Pacific Research Laboratories, Inc. 401(k) Retirement Plan

Financial Statements (and Supplemental Schedule) For the years ended December 31, 2010 and 2009

The report accompanying these financial statements was issued by BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of BDO International Limited, a UK company limited by guarantee.



Pacific Research Laboratories, Inc. 401(k) Retirement Plan

Financial Statements (and Supplemental Schedule) For the years ended December 31, 2010 and 2009

Contents

| Independent Auditors' Report | 3 |
|--|--------|
| Financial Statements | |
| Statements of Net Assets Available for Benefits | 4 |
| Statements of Changes in Net Assets Available for Benefits | 5 |
| Notes to Financial Statements | 6 - 12 |
| Supplemental Schedule | |
| Schedule H, Line 4i - Schedule of Assets (Held at End of Year) | 13 |



Tel: 206-624-2020 Fax: 206-624-7579 www.bdo.com 600 University Street, Suite 2528 1 Union Square Seattle, WA 98101

Independent Auditors' Report

Plan Committee Pacific Research Laboratories, Inc. 401(k) Retirement Plan Vashon, Washington

We were engaged to audit the financial statements of the Pacific Research Laboratories, Inc. 401(k) Retirement Plan (the "Plan") as of December 31, 2010, and for the year then ended, and the supplemental schedule of Schedule H, Line 4i - Schedule of Assets (Held at End of Year). These financial statements and supplemental schedule are the responsibility of the Plan's management. The financial statements of the Plan as of December 31, 2009 were audited by other auditors. 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 the other auditors not to perform and they did not perform, any auditing procedures with respect to the information certified by the trustee. Their report, dated October 13, 2010, indicated that (a) because of the significance of the information that they did not audit, they were unable to, and did not, express an opinion on the financial statements other than that derived from the information certified by the Trustee were presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Information certified by the Trustee were presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA.

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, the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note 3, which was certified by Fidelity Management Trust Company, the trustee of the Plan, except for comparing the information with the related information included in the financial statements and supplemental schedule. We have been informed by the plan administrator that the trustee holds the Plan's investment assets and executes investment transactions. The Plan administrator has obtained a certification from the trustee as of December 31, 2010, and for the year then ended, that the information provided to the plan administrator by the trustee is complete and accurate.

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

BOD USA, LLP

October 10, 2011

BDO USA, LLP, a Delaware limited liability partnership, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

Financial Statements

Statements of Net Assets Available for Benefits

| December 31, | 2010 | 2009 |
|--------------------------------------|-----------------|-----------------|
| | | |
| Assets | | |
| Investments, at fair value: | | |
| Money market fund | \$ 94,183 | \$ 92,030 |
| Mutual funds | 3,708,023 | 3,078,836 |
| Total Investments | 3,802,206 | 3,170,866 |
| Receivables: | | |
| Employer contributions receivable | 1,168 | 5,067 |
| Participant contributions receivable | 2,990 | 15,888 |
| Participant loans | 89,872 | 85,422 |
| Total Assets | 3,896,236 | 3,277,243 |
| Liabilities | | |
| Excess contributions payable | - | 1,078 |
| Net Assets Available for Benefits | \$ 3,896,236 | \$ 3,276,165 |

See accompanying independent auditors' report and notes to financial statements.

Pacific Research Laboratories, Inc. 401(k) Retirement Plan

Statements of Changes in Net Assets Available for Benefits

| Years ended December 31, | | 2010 | 2009 |
|---|----|-----------|-----------------|
| Investment Income: | | | |
| Net appreciation in fair value of investments | \$ | 442,240 | \$ 609,452 |
| Dividend income | | 40,174 | 42,083 |
| Interest income from participant loans | | 3,886 | 3,708 |
| Interest income from investments | | 18 | 932 |
| Total investment income | | 486,318 | 656,175 |
| Contributions: | | | |
| Participants | | 308,448 | 293,854 |
| Employer | | 94,536 | 90,424 |
| Total contributions | | 402,984 | 384,278 |
| Total Investment Income and Contributions | | 889,302 | 1,040,453 |
| Deductions from Net Assets Attributed To: | | | |
| Benefits paid to participants | | 268,056 | 21,050 |
| Administrative expenses | | 1,175 | 1,133 |
| Total Deductions from Net Assets | | 269,231 | 22,183 |
| Net Increase in Net Assets Available for Benefits | | 620,071 | 1,018,270 |
| Net Assets Available for Benefits, at beginning of year | | 3,276,165 | 2,257,895 |
| Net Assets Available for Benefits, at end of year | \$ | 3,896,236 | \$ 3,276,165 |

See accompanying independent auditors' report and notes to financial statements.

1. Description of the Plan

The following description of the Pacific Research Laboratories, Inc. 401(k) Savings Plan (the "Plan") provides only general information. Participants should refer to the Plan agreement or Summary Plan Description for a more complete description of the Plan's provisions.

General

The Plan is a contributory, defined contribution 401(k) retirement plan available to qualifying employees of Pacific Research Laboratories, Inc. (the "Company"). The Plan was created on January 1, 1995. The Plan is intended to qualify under Sections 401(a) and 401(k) of the Internal Revenue Code ("IRC"). The purpose of the Plan is to enable eligible employees to save for retirement.

The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA") and is designed as an ERISA Section 404(c) plan. Accordingly, the participants, and not the Plan fiduciaries, are responsible for investment decisions relating to investments offered under the Plan. Plan assets are invested in accordance with participant directions in mutual funds and money market funds managed by Fidelity Management Trust Company ("Trustee") who holds the Plan's investments and executes investment transactions. To be eligible to participate in the Plan, an employee must have completed one year (1,000 hours) of service.

Contributions

Participants may contribute up to 60% of their annual eligible compensation with the contributions and earnings thereon nontaxable to the participant until withdrawn from the Plan. Matching contributions may be made at the discretion of the Company in an amount equal to a percentage the Company may deem appropriate. Employer match contributions are currently 50% of participant contributions up to 6% of their eligible compensation.

Participant Accounts

Each participant's account is credited with the participant's salary deferral contribution and an allocation of employer contributions, if any, Plan net earnings and losses and administrative expenses. Allocations are based on participant earnings or account balances, as defined by the Plan document. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account balance.

Vesting

Participants are immediately vested in their voluntary contributions and any income or loss thereon. Participant vesting in Company contributions is based on the following schedule.

| Completed Years of Service | Percentage Vested |
|----------------------------|-------------------|
| Less than 2 | 0% |
| 2 but less than 3 | 20% |
| 3 but less than 4 | 40% |
| 4 but less than 5 | 60% |
| 5 but less than 6 | 80% |
| 6 or more | 100% |

Forfeitures

Forfeitures are retained in the Plan and may first be used to pay administrative expenses. Any remaining amounts will be used to reduce future employer contributions payable under the Plan. At December 31, 2010 and 2009, the Plan had no forfeited non-vested accounts. During the Plan year ended December 31, 2010 and 2009, no forfeitures were used to reduce Company contributions to the Plan.

Participant Loans

Participants may borrow from their account a minimum of \$1,000 up to a maximum of 50% of their vested account balance or \$50,000. Loans must generally be repaid over a period not to exceed five years pursuant to a level, fixed repayment schedule. Loans used for the purchase of a primary residence may be repaid over a longer period. Loans bear interest at a rate commensurate with prevailing commercial rates as determined by the Plan administrator (currently ranging from 3.25% to 8.25%). Principal and interest are paid ratably through payroll deductions.

Payment of Benefits

Upon termination of service due to death, disability, retirement, or separation, a participant may elect to receive either a lump-sum amount equal to the value of the participant's vested interest in his or her account or to have the balance rolled over into another qualified account. Additionally, under certain circumstances of financial hardship, the participant is allowed to withdraw funds from the Plan.

Administrative Expenses

Expenses are paid predominantly by the Company. Fees paid by the Company are not recorded by the Plan as a deduction from net assets available for benefits. Participants are charged for new loan setup fees on a per application basis. Those with outstanding loans pay an annual loan maintenance fee. In addition, participants are charged for express mail service on participant withdrawals and loan check delivery on a per check basis. Fees paid by the Plan to the custodian for administrative expenses were \$1,175 and \$1,133 for the years ended December 31, 2010 and 2009, respectively.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements are prepared using the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Investment Valuation and Income Recognition

Investments in mutual funds and money market accounts are stated at fair value, using quoted market prices which represent the net asset values of the shares held at year-end. 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.

The Plan presents in the statements of changes in net assets available for benefits, as income or loss, the net appreciation or depreciation in the fair value of its investments, which consists of the realized gains or losses and the unrealized annual appreciation or depreciation in those investments.

Participant Loans

Participant loans are valued at amortized cost, plus any accrued and unpaid interest, which approximates fair value.

New Accounting Pronouncements

In January 2010, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2010-06, *Fair Value Measurements and Disclosures*, which amends Accounting Standards Codification ("ASC") 820, adding new disclosure requirements for Levels 1 and 2 fair value measurements, separate disclosures of purchases, sales, issuances, and settlements relating to Level 3 measurements and clarification of existing fair value disclosures. ASU No. 2010-06 is effective for periods beginning after December 15, 2009, except for the requirement to provide Level 3 activity of purchases, sales, issuances, and settlements on a gross basis, which will be effective for fiscal years beginning after December 15, 2010. The Plan has adopted the guidance related to new disclosure requirements for Level 1 and 2 fair value measurements. The application of the guidance of Level 3 activity will only affect disclosures and therefore will not significantly impact the Plan's financial statements.

In September 2010, the FASB issued ASU 2010-025, which amends ASC 962-310, *Receivables*. The update clarifies classification and measurement of participant loans by defined contribution pension plans and requires that participant loans be classified as notes receivable from participants and measured at their unpaid principal balance, plus any accrued but unpaid interest. The Plan adopted this new guidance in its December 31, 2010 financial statements and has reclassified participant loans of \$89,872 and \$85,422 as of December 31, 2010 and 2009, respectively, from investments to notes receivable from participants. Net assets of the plan were not affected by the adoption of the new guidance.

In May 2011, the FASB issued Accounting Standards Update ("ASU") 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs (ASU 2011-04). ASU 2011-04 amended ASC 820, Fair Value Measurements and Disclosures (ASC 820), to provide a consistent definition of fair value and improve the comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with U.S. GAAP and International Financial Reporting Standards ("IFRS"). Some of the amendments clarify the application of existing fair value measurement and disclosure requirements, while other amendments change a particular principle or requirement for measuring fair value or disclosing information about fair value measurements. The amendments are to be applied prospectively and are effective for annual periods beginning after December 15, 2011. Plan management is currently

evaluating the effect that the provisions of ASU 2011-04 will have on the Plan's financial statements.

Payment of Benefits

Benefits are recorded when paid.

3. Information Certified by the Plan's Trustee

The plan administrator has elected the method of annual reporting compliance permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA. Accordingly, the Trustee has certified that the following data included in the accompanying financial statements and supplemental schedule of assets (held at end of year) is complete and accurate.

| December 31, | 2010 | 2009 |
|---|--------------------|-----------|
| | | |
| Money market fund | \$ 94,183 \$ | 92,030 |
| Mutual funds | 3,708,023 | 3,078,836 |
| | \$ 3,802,206 \$ | 3,170,866 |
| | | |
| Years ended December 31, | 2010 | 2009 |
| Interest and dividend income | \$ 40,192 \$ | 43,015 |
| Interest income from participant loans | 3,886 | 3,708 |
| Net appreciation in fair value of investments | 442,240 | 609,452 |
| | \$ 486,318 \$ | 656,175 |

The Plan's independent auditors did not perform auditing procedures with respect to this information, except for comparing such information to the related information included in the financial statements and supplemental schedule.

4. Fair Value Measurements

U.S. GAAP has established 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 observable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Basis of Fair Value Measurement

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2: Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;

Level 3: Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

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.

The following table sets forth by level within the fair value hierarchy the Plan's investment assets at fair value, as of December 31, 2010 and 2009. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

| | Investment Assets at Fair Value as of December 31, 2010 | | | | | | |
|----------------------------------|--|--------------|---------|----|---------|----|-----------|
| | | Level 1 | Level 2 | | Level 3 | | Total |
| Money market fund | \$ | 94,183 | - | | - | \$ | 94,183 |
| Mutual funds | | | | | | | |
| Large growth | | 2,117,474 | - | | - | | 2,117,474 |
| Large blend | | 1,011,032 | - | | - | | 1,011,032 |
| Large value | | 27,408 | - | | - | | 27,408 |
| Bond | | 552,109 | - | | - | | 552,109 |
| Total mutual funds | | 3,708,023 | - | | - | | 3,708,023 |
| Total investments, at fair value | \$ | 3,802,206 \$ | - | \$ | - | \$ | 3,802,206 |

Investment Assets at Fair Value as of December 31, 2009 Level 2 Level 1 Level 3 Total Money market fund \$ 92,030 \$ 92,030 Mutual funds 3,078,836 _ 3,078,836 -_ Total investments, at fair value \$ 3,170,866 \$ \$ \$ 3,170,866

Mutual funds are valued at quoted market prices which represent the value of shares held by the Plan at year end.

5. Investments

The following presents the fair value of investments that represent five percent or more of net assets available for benefits:

| December 31, | | 2010 | 2009 |
|---|----|-----------|---------|
| Fidelity Contrafund | \$ | 907,172 | 822,788 |
| Fidelity Advisor Investment Growth Bond | Ψ | 552,109 | 549,114 |
| Fidelity Growth & Income | | 500,909 | 465,789 |
| Fidelity Blue Chip Growth | | 1,197,013 | 872,041 |
| Other * | | 645,003 | 461,134 |

* Investments do not individually represent more than 5% of net assets

6. Reconciliation of Financial Statements to Form 5500

A reconciliation of the financial statements to the Form 5500 is as follows:

| December 31, | 2010 |
|---|--|
| Statement of Net Assets Available for Plan Benefits: | |
| Net assets available for plan benefits per the financial statements Less: Receivables - Employer contributions Receivables - Participant contributions | \$ 3,896,236 (1,168) (2,990) |
| Net Assets Available for Plan Benefits per the Form 5500 | \$ 3,892,078 |
| For the year ended December 31, | 2010 |
| Statement of Changes in Net Assets Available for Plan Benefits: | |
| Increase in net assets available for plan benefits per the financial statements Less: Receivables - Employer contributions Receivables - Participant contributions Prior year excess contributions Add: Receivables - Prior year employer contributions Receivables - Prior year participant contributions | \$ 620,071 (1,168) (2,990) (1,078) 5,067 15,888 |
| Net Income per the Form 5500 | \$ 635,790 |

7. Party-in-Interest Transactions

Certain Plan investments are shares of a mutual fund and money market fund managed by Fidelity Management Trust Company. Fidelity Management Trust Company is the trustee as defined by the Plan and, therefore, related transactions are party-in-interest transactions.

8. Plan Termination

Although it has not expressed any 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' accounts will become fully vested.

9. Income Tax Status

In a letter dated December 5, 2001, the Internal Revenue Service has determined that the prototype plan document used by the Plan is qualified under the appropriate sections of the Internal Revenue Code ("IRC"). Although the Plan has been amended since receiving the determination letter, the plan administrator believes that the Plan is currently designed and being operated in compliance with the applicable requirements of the IRC. Therefore, no provision for income taxes is recorded in the accompanying financial statements.

10. Subsequent Events

The Plan has evaluated subsequent events through October 10, 2011, which is the date that the financial statements were available to be issued.

Supplemental Schedule

Pacific Research Laboratories, Inc. 401(k) Plan

Schedule H, Line 4i - Schedule of Assets (Held at End of Year) December 31, 2010

Employer Identification Number: 91-1127121 Plan Number: 001 Schedule H, Line 4i - Form: 5500

| | (b) | (c) Description of Investment, Including | | | |
|-----|----------------------------------|--|------|----|--------------|
| | Identity of Issuer, Borrower, | Maturity Date, Rate of Interest, | (d) | | (e) |
| (a) | Lessor or Similar Party | Collateral, Par, or Maturity Value | Cost | | Market Value |
| | Mutual Funds | | | | |
| * | FIDELITY CONTRAFUND | 13,393.953 Shares | ** | \$ | 907,172 |
| * | FIDELITY INVST GR BD | 74,710.313 Shares | ** | Ψ | 552,109 |
| * | FIDELITY GROWTH & INCOME | 27,372.052 Shares | ** | | 500,909 |
| * | FIDELITY INTL DISCOVERY | 402.224 Shares | ** | | 13,289 |
| * | FIDELITY BLUE CHIP GROWTH | 26,394.992 Shares | ** | | 1,197,013 |
| * | FIDELITY FREEDOM INCOME | 3,873.007 Shares | ** | | 43,688 |
| * | FIDELITY FREEDOM 2000 | 168.756 Shares | ** | | 2,015 |
| * | FIDELITY FREEDOM 2010 | 9,135.016 Shares | ** | | 124,145 |
| * | FIDELITY FREEDOM 2015 | 4,952.844 Shares | ** | | 56,165 |
| * | FIDELITY FREEDOM 2020 | 11,467.442 Shares | ** | | 158,136 |
| * | FIDELITY FREEDOM 2025 | 1,837.835 Shares | ** | | 21,172 |
| * | FIDELITY FREEDOM 2030 | 282.396 Shares | ** | | 3,889 |
| * | FIDELITY FREEDOM 2035 | 8,601.512 Shares | ** | | 98,659 |
| * | FIDELITY FREEDOM 2040 | 22.873 Shares | ** | | 183 |
| * | FIDELITY FREEDOM 2045 | 65.846 Shares | ** | | 625 |
| * | FIDELITY FREEDOM 2050 | 154.110 Shares | ** | | 1,446 |
| * | FIDELITY LARGE CAP VALUE | 2,605.350 Shares | ** | | 27,408 |
| ſ | Money Market Account | | | | |
| * | FIDELITY RETIRE MMKT | 94,183.470 shares | ** | | 94,183 |
| F | Participant Loans | | | | |
| * | | 3.25 - 8.25 % interest, secured by participant account balance, repaid in bi-weekly installments, maturing | | | |
| | | through October 2015. | ** | | 89,872 |
| - | Fotal Assets Held at End of Year | | | \$ | 3,892,078 |
| * | A Party in Interest as defin | | | Ŧ | -,-,-,-,-, |

A Party in Interest as defined by ERISA

** The cost of participant-directed investments is not required to be disclosed.