

MEDTRONIC INC  
Form 11-K  
October 26, 2011

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

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**FORM 11-K**

**(mark one)**

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

**For the fiscal year ended April 30, 2011**

**Or**

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

**Commission File No.: 1-7707**

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

**THE MEDTRONIC PUERTO RICO  
EMPLOYEES' SAVINGS AND INVESTMENT PLAN**

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

**Medtronic, Inc.**

**710 Medtronic Parkway**

**Minneapolis, MN 55432**

Required Information

1. The Medtronic Puerto Rico Employees' Savings and Investment Plan Financial Statements and Supplemental Schedule as of April 30, 2011 and 2010
2. Exhibit 23  
Consent of Independent Registered Public Accounting Firm – McGladrey & Pullen, LLP

**SIGNATURES**

*The Plan.* Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

THE MEDTRONIC PUERTO RICO EMPLOYEES'  
SAVINGS AND INVESTMENT PLAN

Dated: October 26, 2011 By: /s/ Caroline Stockdale  
Caroline Stockdale  
*Senior Vice President, Chief Human Resources Officer*

**The Medtronic Puerto Rico Employees' Savings and Investment Plan**

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Report of Independent Registered Public Accounting Firm

Financial Statements:

Statements of Net Assets Available for Benefits as of April 30, 2011 and 2010

Statement of Changes in Net Assets Available for Benefits for the year ended April 30, 2011

Notes to Financial Statements

Supplemental Schedule:

Schedule H, Line 4i – Schedule of Assets (Held at End of Year) as of April 30, 2011

Other schedules required by 29 CFR Section 2520.103-10 of the Department of Labor's Rules and Regulations  
Note: for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 have been omitted  
because they are not applicable.

**Report of Independent Registered Public Accounting Firm**

To the Participants and Qualified Plan Committee

The Medtronic Puerto Rico Employees' Savings and Investment Plan:

We have audited the accompanying statement of net assets available for benefits of The Medtronic Puerto Rico Employees' Savings and Investment Plan (the Plan) as of April 30, 2011 and 2010, and the related statement of changes in net assets available for benefits for the year ended April 30, 2011. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of April 30, 2011 and 2010, and the changes in net assets available for benefits for the year ended April 30, 2011, in conformity with U.S. generally accepted accounting principles.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of year) as of April 30, 2011, is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the United States Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. This supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ McGladrey & Pullen, LLP

Minneapolis, Minnesota

October 26, 2011



**The Medtronic Puerto Rico Employees' Savings and Investment Plan**  
**Statements of Net Assets Available for Benefits**  
**(in 000's)**

|   | April 30, |          |
|---|-----------|----------|
|   | 2011      | 2010     |
| Investments at fair value (Notes 2, 3, and 5):  |           |          |
| Interest in the Medtronic, Inc. Master Trust Fund (Note 3)  | \$34,339  | \$31,398 |
| Registered investment companies   | 19,042    | 22,968   |
| Collective trusts   | 15,764    | —        |
| Total investments   | 69,145    | 54,366   |
| Receivables:  |           |          |
| Employer contributions  | 433       | 729      |
| Participant contributions   | 148       | 107      |
| Notes from participants   | 2,245     | 1,962    |
| Total receivables   | 2,826     | 2,798    |
| Net assets reflecting investments at fair value   | 71,971    | 57,164   |
| Adjustment from fair value to contract value for fully benefit-responsive investment contracts (Note 2) | (1,201 )  | (973 )   |
| Net assets available for benefits   | \$70,770  | \$56,191 |

*See accompanying notes to the financial statements.*

**The Medtronic Puerto Rico Employees' Savings and Investment Plan****Statement of Changes in Net Assets Available for Benefits****(in 000's)**

|   | April 30,<br>2011 |   |
|---|-------------------|---|
| Investment income:  |                   |   |
| Net appreciation in fair value<br>of registered investment<br>companies and collective trusts<br>(Note 4) | \$ 4,272          |   |
| Plan's interest in the Medtronic,<br>Inc. Master Trust Fund income  | 877               |   |
| Interest and dividends  | 386               |   |
| Total investment income   | 5,535             |   |
| Interest income on notes from<br>participants   | 76                |   |
| Contributions:  |                   |   |
| Employer  | 7,085             |   |
| Participant   | 4,856             |   |
| Total contributions   | 11,941            |   |
| Deductions:   |                   |   |
| Benefits paid   | (2,951            | ) |
| Administrative expenses   | (22               | ) |
| Total deductions  | (2,973            | ) |
| Net increase  | 14,579            |   |
| Net assets available for<br>benefits:   |                   |   |
| Beginning of year   | 56,191            |   |
| End of year   | \$ 70,770         |   |

*See accompanying notes to the financial statements.*





## **The Medtronic Puerto Rico Employees' Savings and Investment Plan**

### **Notes to Financial Statements (in 000's)**

#### 1. Description of Plan

The following description of The Medtronic Puerto Rico Employees' Savings and Investment Plan (the Plan) provides only general information. Participants should refer to the Plan document for a complete description of the Plan's provisions.

##### General and Eligibility

The Plan is a contributory defined contribution plan created by Medtronic, Inc. (the Parent Company). The Plan seeks to provide stock ownership benefits and assist employees to increase retirement savings and financial security upon retirement.

Generally, the Plan is available to all eligible regular full-time and part-time employees of Medtronic Puerto Rico Operations Company – Puerto Rico Branch (the Company), immediately upon hire. Eligible employees are eligible to receive contributions in the Retirement Plan account after completing one year of service in a consecutive twelve month period as defined by the Plan document. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA).

##### Administration of Plan Assets

The Qualified Plan Committee (the Committee) of the Parent Company monitors, manages and oversees the investment choices of the Plan and provides certain other plan administrative functions. The Committee appointed Banco Popular de Puerto Rico (the Trustee) as trustee of the Plan assets. Transactions are executed by the Trustee, as directed by the Committee in its capacity as Plan Administrator. Vanguard Fiduciary Trust Company (Vanguard Trust) has been appointed as Recordkeeper for the Plan and to provide participant services, education and communication services. Vanguard Trust maintains a separate account in the name of each participant in the Plan to record the assets allocated to the participant and the earnings and losses thereon, and an allocation of administrative expenses.

##### Contributions

The Plan provides a regular savings program for the employees of the Company under which participants may contribute 1% to 75% of their eligible compensation to the Plan through pre-tax payroll deductions, subject to statutory limits. New employees are automatically enrolled at a contribution rate of 3%. This automatic enrollment occurs 60 days after the employee becomes eligible to participate, as defined above. The participant contribution rate will increase annually at a rate of 1% until the participant reaches a maximum contribution rate of 10%, subject to statutory limits. Employees who do not wish to participate in the Plan have the option to opt out within the 60 days prior to automatic enrollment in the Plan.

Participants direct their contributions into various investment options offered by the Plan. The participants may change their investment decisions at any time by contacting Vanguard Trust. However, any funds exchanged out of the Medtronic Interest Income Fund (which is included in the Medtronic, Inc. Master Trust Fund) must remain

invested in another investment alternative for a period of at least three months before being moved to the Vanguard Total Bond Market Index Fund. In addition, participants who exchange any amount out of a Vanguard mutual fund must wait 60 calendar days before exchanging back into the same fund.

Employer matching contributions are based on each participant's contributions up to 6% of eligible compensation, and range from 50% to 150% of these contributions, depending upon the achievement of certain Company performance goals. Participants direct the investment of their Company matching contributions into the same investment options available for their elective contributions.

The Company's matching cash contributions to participants' accounts were \$2,371, net of forfeitures, for fiscal year 2011.

## **The Medtronic Puerto Rico Employees' Savings and Investment Plan**

### **Notes to Financial Statements (in 000's)**

Additionally, contributions to the Retirement Plan account made by the Company equals 5% of the qualified participant's eligible compensation, as defined in the Plan agreement. Participants direct the Company contributions in their Retirement Plan account to the same investment options offered for their elective contributions. For fiscal year 2011, the Company contributed \$4,714 to participants' Retirement Plan account.

Subject to prior discretionary approval of the Plan Administrator and subject to Plan provisions, a participant may contribute amounts to the Plan from another qualified plan (rollover contributions).

#### **Vesting and Forfeitures**

Participants are 100% vested in their contributions, including earnings and losses thereon, at all times. Active participants vest in Company matching contributions, including earnings and losses thereon, at a rate of 20% per year and become fully vested in all Company contributions after five years. Participants also become fully vested upon normal retirement date, death, total disability, termination of the Plan, or complete discontinuance of employer contributions. Employees are 100% vested in the Retirement Plan account contributions, which are made by the Company, including earnings and losses, at all times.

The balances of unallocated forfeited nonvested accounts as of April 30, 2011 and 2010 were \$92 and \$77, respectively. Participant forfeitures of nonvested amounts may be used at the Plan Administrator's election to reduce any reasonable administrative expenses of the Plan, reduce employer contributions, or make an additional matching contribution to active participants' accounts. During fiscal year 2011, participant forfeitures of \$18 were used by the Plan Administrator for these items.

#### **Distributions**

Active participants who have attained an age of 59 ½ may request a partial or total withdrawal of their after-tax contributions account, rollover contributions account, and the vested portion of their employer matching contributions account, with the exception that vested employer contributions are only distributed for a demonstrated financial need related to health, education, or welfare of the Participant or the Participant's dependents.

Active participants may also take hardship withdrawals from their pre-tax contributions account if they incur immediate and severe financial needs that cannot be met through other available sources in the Plan, including available note provisions. The amount of hardship withdrawal cannot exceed the amount of financial need.

Upon termination, retirement or upon incurring total disability, participants may receive distribution of their account in a lump sum payment.

The Plan allowed for a special voluntary early retirement benefit. Participants who met the following requirements; age 60 or older as of March 1, 2011, have not and will not receive severance benefits (voluntary or involuntary) from the Company, and are eligible to receive retirement plan account contributions under the Plan as of March 1, 2011; had the option to elect to participate in the special voluntary early retirement benefit. The benefit allowed for participants to receive an additional contribution equal to 25% of their compensation. Compensation from May 1,

2010 through April 30, 2010 was used to determine the contribution amount. Participants who elected the special voluntary early retirement benefit became fully vested in all benefits under the Plan.

#### Notes from Participants

Participants are limited to one outstanding note at a time and can borrow up to 50% of their vested account balance, not to exceed the maximum note amount of \$50. The minimum note amount is \$1. Notes are repaid through payroll deductions in equal amounts, typically over one to five years. The notes are collateralized by the balance in the participant's account. The interest rate is the prime rate as received by Vanguard Trust from Reuters at the beginning of the month in which the proceeds of the note are paid to the borrower and remains fixed for the duration of the note. At April 30, 2011, notes from participants were due at various dates through April 2016, with interest rates ranging from 3.25% to 8.25%.

Notes from participants are valued at their unpaid principal balance plus accrued but unpaid interest.

## **The Medtronic Puerto Rico Employees' Savings and Investment Plan**

### **Notes to Financial Statements (in 000's)**

#### Plan Termination

The Plan provides that the Board of Directors of Medtronic, Inc. can terminate the Plan. 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 the Plan is terminated and there is not a successor plan, participants would become fully vested in their accounts. Benefits would be distributed at that time in accordance with the Plan provisions.

## **2. Summary of Significant Accounting Policies**

#### Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting.

#### Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires the Plan Administrator to make significant estimates and assumptions that affect the reported amounts of net assets available for benefits and the changes therein, and disclosures of contingent assets and liabilities. Actual results could differ from those estimates.

#### New Accounting Pronouncements

In January 2010, the Financial Accounting Standards Board (FASB) updated the disclosure requirements for fair value measurements. The updated guidance requires plans to disclose separately the investments that transfer in and out of Levels 1 and 2 and the reasons for those transfers. Additionally, in the reconciliation for fair value measurements using significant unobservable inputs (Level 3), plans should present separately information about purchases, sales, issuances, and settlements. The updated guidance was effective for the Plan beginning in fiscal year 2010, except for the disclosures about purchases, sales, issuances, and settlements in the Level 3 reconciliation, which is effective for the Plan beginning in the fiscal year 2012. As this guidance only requires additional disclosures, the adoption of this guidance is not expected to have a material impact to the Plan's financial statements. Refer to Note 5 for additional information on Levels 1, 2, and 3.

#### Investment Valuation and Investment Income Recognition

The Plan's investments are stated at fair value. Fair value is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 5 for discussion of fair value measurements.

Interest income is recorded as earned on an accrual basis. Dividend income is recorded on the ex-dividend date. Realized gains and losses related to sales of investments are recorded on a trade-date basis, and unrealized gains and losses are recorded based on the fair values as of the reporting date.

#### Investment Contracts

The Medtronic, Inc. Master Trust Fund, through its investment in the Medtronic Interest Income Fund, invests in fully benefit-responsive investment contracts including both traditional guaranteed investment contracts (GIC) as well as synthetic GIC contracts. The Medtronic Interest Income Fund is credited with earnings from these contracts and charged for participant withdrawals and administrative expenses. The GIC 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 0%. Such interest rates are generally reviewed on a quarterly basis for resetting.

## **The Medtronic Puerto Rico Employees' Savings and Investment Plan**

### **Notes to Financial Statements (in 000's)**

Investment contracts held by a defined contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the plan. The Plan invests in fully benefit-responsive investment contracts through the Medtronic, Inc. Master Trust Fund. The Statement of Assets Available for Benefits presents the fair value of the investment contracts as well as the adjustment of the fully benefit-responsive investment contracts from fair value to contract value. The Statement of Changes in Net Assets Available for Benefits is prepared on a contract value basis.

The terms of fully benefit responsive investment contracts generally provide for settlement of payments upon maturity of the contract, termination of the contract, or total liquidation of the covered investments. However, fully benefit responsive contracts also provide guarantees from the issuers to redeem at contract value all bona fide employee benefit related payment requests made by the Plan, if Plan cash levels are insufficient to meet those requests. Generally, benefit payments requested by the Plan under this "benefit responsive" provision will be made pro-rata, based on the percentage of investments covered by each issuer.

A synthetic GIC is a wrap contract paired with an underlying investment or investments, usually a portfolio, owned by the Plan, of high-quality, intermediate term fixed income securities. The Plan purchases a wrapper contract from a financial services institution. A synthetic GIC credits a stated interest rate for a specified period of time. Investment gains and losses from the underlying investments in the synthetic GIC are amortized over the expected duration through the calculation of the interest rate applicable to the Plan on a prospective basis. The crediting rate is primarily based on the current yield-to-maturity of the covered investments, plus or minus amortization of the difference between the market value and contract value of the covered investments over the duration of the covered investments at the time of computation. The crediting rate is impacted by the change in the annual effective yield to maturity of the underlying securities, and is affected by the differential between the contract value and the market value of the covered investments. Depending on the change in duration from reset period to reset period, the magnitude of the impact to the crediting rate of the contract to market difference is heightened or lessened. The crediting rate is adjusted periodically usually either monthly or quarterly, but in no event is the crediting rate less than 0%.

Synthetic investment contracts generally impose conditions on both the Plan and the issuer. If an event of default occurs and is not cured, the non-defaulting party may terminate the contract. The following may cause the Plan to be in default: a breach of material obligation under the contract; a material misrepresentation; or a material amendment to the Plan agreement. The issuer may be in default if it breaches a material obligation under the investment contract; makes a material misrepresentation; has a decline in its long term credit rating below a threshold set forth in the contract; is acquired or reorganized and the successor issuer does not satisfy the investment or credit guidelines applicable to issuers. If, in the event of default of an issuer, the Plan were unable to obtain a replacement investment contract, withdrawing plans may experience losses if the value of the Plan's assets no longer covered by the contract are below contract value. The Plan may seek to add additional issuers over time to diversify the Plan's exposure to such risk, but there is no assurance the Plan may be able to do so. The combination of the default of an issuer and an inability to obtain a replacement agreement could render the Plan unable to achieve its objective of maintaining a stable contract value.



Contract termination occurs whenever the contract value or market value of the covered investments reaches zero or upon certain events of default. If the contract terminates due to issuer default (other than a default occurring because of a decline in its rating), the issuer will generally be required to pay to the Plan the excess, if any, of contract value over market value on the date of termination. If a synthetic GIC terminates due to a decline in the ratings of the issuer, the issuer may be required to pay to the Plan the cost of acquiring a replacement contract (i.e. replacement cost) within the meaning of the contract. If the contract terminates when the market value equals zero, the issuer will pay the excess of contract value over market value to the Plan to the extent necessary for the Plan to satisfy outstanding contract value withdrawal requests. Contract termination also may occur by either party upon election and notice.

Certain events limit the ability of the Plan to transact at contract value with the insurance company and the financial institution issuer. Such events include the following: (i) amendments to the Plan documents (including complete or partial plan termination or merger with another plan); (ii) changes to the Plan's prohibition on competing investment options or deletion of equity wash provisions; (iii) bankruptcy of the Plan sponsor or other Plan sponsor events (e.g. divestitures or spin-offs of a subsidiary) which cause a significant withdrawal from the Plan, or (iv) the failure of the trust to qualify for exemption from federal income taxes or any required prohibited transaction exemption under ERISA. The Plan Administrator does not believe that the occurrence of any such value event, which would limit the Plan's ability to transact at contract value with participants, is probable.

## The Medtronic Puerto Rico Employees' Savings and Investment Plan

### Notes to Financial Statements (in 000's)

Because traditional GICs and synthetic GICs are fully benefit-responsive, contract value is the relevant measurement attribute for that portion of the net assets available for benefits. 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.

|   | Fiscal Year |      |
|---|-------------|------|
|   | 2011        | 2010 |
| Average yields for GICs and Synthetic GICs:     |             |      |
| Based on actual earnings                        | 3.1%        | 3.3% |
| Based on interest rate credited to participants | 2.9%        | 3.1% |

#### Administrative Expenses

Plan expenses, excluding notes to participant fees, are paid for by the Plan. Forfeitures may be used to pay such expenses. Plan expenses may also be paid for by the Company. Such expenses consist of recordkeeping, trustee, and account maintenance fees. Participants with notes pay an origination and annual loan fee for loan administration and maintenance from their respective Plan accounts.

#### Payment of Benefits

Benefit payments are recorded upon distribution.

#### Risks and Uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. The credit and liquidity crises throughout the global financial system in recent years have resulted in substantial volatility in financial markets and the banking system. It is possible that changes in the values of investment securities have occurred since April 30, 2011 and that such changes could materially effect participants' account balances and the amounts reported in the 2011 Statement of Net Assets Available for Benefits.

#### Concentration of Market Risk

As of April 30, 2011 and 2010, approximately 3.2% and 3.9%, respectively, of the Plan's assets were invested in the common stock of Medtronic, Inc. The underlying value of the Medtronic Common Stock Fund, which is part of the Medtronic, Inc. Master Trust Fund, is entirely dependent on the performance of Medtronic, Inc. and the market's evaluation of such performance. It is reasonably possible that changes in the fair value of Medtronic, Inc. common stock could materially affect participants' account balances and the amounts reported in the 2011 Statement of Net Assets Available for Benefits.

### 3. Plan's Interest in the Medtronic, Inc. Master Trust Fund

Certain assets of the Plan are invested in the Medtronic, Inc. Master Trust Fund which also includes certain assets of the Medtronic, Inc. Savings and Investment Plan. The Plan's Recordkeeper maintains a separate account for the associated Plan assets and liabilities held within the Medtronic, Inc. Master Trust Fund. At April 30, 2011 and 2010, the Plan's interest in the net assets of the Medtronic, Inc. Master Trust Fund was 3.4% and 3.0%, respectively.

The Medtronic, Inc. Master Trust Fund is invested in three funds — the Medtronic Common Stock Fund, the Medtronic ESOP Fund, and the Medtronic Interest Income Fund. The Medtronic Common Stock Fund and Medtronic ESOP Fund are both fully invested in Medtronic, Inc. common stock. The investments in the Medtronic Interest Income Fund (Medtronic GIC) consist of guaranteed investment contracts issued by financial institutions, synthetic investment contracts issued by financial institutions which are backed by investment-grade, fixed-income securities and bond mutual funds, and money market securities.

**The Medtronic Puerto Rico Employees' Savings and Investment Plan**

**Notes to Financial Statements (in 000's)**

Interfund transfers within the master trust generally relate to transfers initiated by participants of their account balances either into Plan investment options which are part of the Medtronic, Inc. Master Trust Fund or into other Plan investment options which are not part of the Medtronic, Inc. Master Trust Fund.

The financial data of the Medtronic, Inc. Master Trust Fund is as follows:

**Medtronic, Inc. Master Trust Fund  
Statements of Master Trust Assets**

|  | April 30,<br>2011 | 2010        |
|--|-------------------|-------------|
| Investments at fair value:   |                   |             |
| Medtronic, Inc. common stock   | \$595,926         | \$670,950   |
| Medtronic GIC  | 420,105           | 386,267     |
| Medtronic, Inc. Master Trust Fund assets, at fair value  | 1,016,031         | 1,057,217   |
| Adjustment from fair value to contract value relating to fully-benefit responsive investment contracts | (15,699 )         | (12,672 )   |
| Medtronic, Inc. Master Trust Fund assets   | \$1,000,332       | \$1,044,545 |

**Medtronic, Inc. Master Trust Fund  
Statement of Changes in Master Trust Assets**

|   | Year<br>Ended<br>April 30,<br>2011 |
|---|------------------------------------|
| Investment results:                           |                                    |
| Interest                                      | \$11,891                           |
| Dividends on Medtronic, Inc. common stock     | 7,206                              |
| Net depreciation in fair value of investments | (33,823 )                          |
| Total investment loss                         | (14,726 )                          |
| Administrative expenses                       | (53 )                              |
| Total loss                                    | (14,779 )                          |
| Employer contributions                        | 18,486                             |

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|  |              |
|--|--------------|
| Interfund transfers, net                 | (47,920 )    |
| Net decrease                             | (44,213 )    |
| Medtronic, Inc. Master Trust Fund assets |              |
| Beginning of year                        | 1,044,545    |
| End of year                              | \$ 1,000,332 |

The net appreciation in the fair value of the Medtronic, Inc. Master Trust Fund investments for fiscal year 2011, including gains and losses on investments purchased and sold as well as unrealized gains and losses on those held during the year relates to investments in Medtronic, Inc. common stock only.

**The Medtronic Puerto Rico Employees' Savings and Investment Plan****Notes to Financial Statements (in 000's)**

The Plan's interest in the total assets held in the Medtronic, Inc. Master Trust Fund and changes in assets during the period are as follows:

|  | Year<br>Ended<br>April<br>30,<br>2011 |
|--|---------------------------------------|
| Plan's interest in the Medtronic, Inc. Master Trust Fund, beginning of year  | \$31,398                              |
| Investment income:   |                                       |
| Interest income  | 900                                   |
| Dividends on Medtronic, Inc. common stock  | 48                                    |
| Net depreciation in fair value of investments  | (66 )                                 |
| Total investment income  | 882                                   |
| Administrative expenses  | (5 )                                  |
| Plan's interest in income for the year   | 877                                   |
| Employer contributions   | 3,138                                 |
| Interfund transfers, net   | (1,302 )                              |
| Current year adjustment from contract value to fair value for Plan's interest in the Medtronic, Inc. Master Trust Fund relating to fully benefit-responsive investment contracts | 1,201                                 |
| Prior year adjustment from contract value to fair value for Plan's interest in the Medtronic, Inc. Master Trust Fund relating to fully benefit-responsive investment contracts   | (973 )                                |
| Plan's interest in Medtronic, Inc. Master Trust Fund, end of year  | \$34,339                              |

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no change in the methodologies used at April 30, 2011 and 2010. For further information regarding fair value measurements see Note 5.

*Medtronic, Inc. common stock:* Valued at the closing price reported on the active market on which the individual securities are traded.

*Medtronic GIC:* Valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the creditworthiness of the issuer.

The following table sets forth by level, within the fair value hierarchy, the Master Trust's assets at fair value as of April 30, 2011 and 2010:

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|                              | Fair Value<br>at<br>April 30,<br>2011 | Fair Value Measurements<br>Using Inputs Considered as |           |            |
|------------------------------|---------------------------------------|---|-----------|------------|
|                              |                                       | Level 1   | Level 2   | Level<br>3 |
| Medtronic, Inc. common stock | \$595,926                             | \$595,926   | \$        | \$         |
| Medtronic GIC                | 420,105                               |   | 420,105   |            |
| Total assets at fair value   | \$1,016,031                           | \$595,926   | \$420,105 | \$         |

|                              | Fair Value<br>at<br>April 30,<br>2010 | Fair Value Measurements<br>Using Inputs Considered as |           |            |
|------------------------------|---------------------------------------|---|-----------|------------|
|                              |                                       | Level 1   | Level 2   | Level<br>3 |
| Medtronic, Inc. common stock | \$670,950                             | \$670,950   | \$        | \$         |
| Medtronic GIC                | 386,267                               |   | 386,267   |            |
| Total assets at fair value   | \$1,057,217                           | \$670,950   | \$386,267 | \$         |

**The Medtronic Puerto Rico Employees' Savings and Investment Plan****Notes to Financial Statements (in 000's)****4. Investments**

Individual investments representing 5 percent or more of the Plan's assets are as follows:

|  | April 30, |         |
|--|-----------|---------|
|  | 2011      | 2010    |
| Registered investment companies:                     |           |         |
| Vanguard Wellington Fund                             | \$5,573   | \$4,258 |
| Vanguard Institutional Index Fund                    | 4,316     | *       |
| Vanguard 500 Index Fund                              | *         | 3,290   |
| Plan's interest in Medtronic, Inc. Master Trust Fund | 34,339    | 31,398  |

\* Represents less than 5% of Plan's assets in the year indicated

During 2011, the Plan's investments in registered investment companies and collective trusts (including gains and losses on investments bought and sold, as well as held during the year) appreciated in value as follows:

|   | April<br>30,<br>2011 |
|---|----------------------|
| Net appreciation in fair value during year: |                      |
| Registered investment companies             | \$2,284              |
| Collective trusts                           | 1,988                |
|   | \$4,272              |

**5. Fair Value Measurements**

Under the authoritative guidance for fair value measurements, fair value is defined as an exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. This authoritative guidance also establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs market participants would use in valuing the asset or liability developed based on market data obtained from sources independent of the Plan. Unobservable inputs are inputs that reflect the Plan's assumptions about the factors market participants would use in valuing the asset or liability developed based upon the best information available in the circumstances. The categorization of financial assets and financial liabilities within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The hierarchy is broken down into three levels defined as follows:



• Level 1 - Inputs are quoted prices in active markets for identical assets or liabilities. The Plan's Level 1 assets primarily include common stocks.

• Level 2 - Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active and inputs (other than quoted prices) that are observable for the asset or liability, either directly or indirectly. The Plan's Level 2 assets primarily include investments in guaranteed investment contracts, registered investment companies (mutual funds), and collective trusts.

• Level 3 - Inputs are unobservable inputs for the asset or liability. When a determination is made to classify an asset or liability within Level 3, the determination is based upon the significance of the unobservable inputs to the overall fair value measurement.

**The Medtronic Puerto Rico Employees' Savings and Investment Plan****Notes to Financial Statements (in 000's)**

If the inputs used to measure the financial assets and liabilities fall within more than one level described above, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

The following is a description of the valuation methodologies used for assets measured at fair value.

*Registered investment companies/ Collective trusts:* Valued based on the year-end net asset values of the investment vehicles. The net asset values of the investment vehicles are based on the fair values of the underlying investments.

The Plan reviews the fair value hierarchy classification on an annual basis. Changes in the ability to observe valuation inputs may result in transfer between levels for certain securities within the fair value hierarchy. The Plan's policy is to recognize transfers into and out of levels within the fair value hierarchy at the end of the fiscal year in which the actual event or change in circumstances that caused the transfer occurs. There were no transfers between Level 1, Level 2, or Level 3 resulting from changes in valuation inputs or methods during the years ended April 30, 2011 and 2010. During fiscal year 2011, the Plan changed its accounting policy regarding the classification of registered investment companies within the fair value hierarchy. The Plan determined the valuation techniques used in the valuation of these investments were more consistent with Level 2. Consequently, the Plan retrospectively reclassified registered investment companies from Level 1 to Level 2.

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

The following tables provide information by level for assets and liabilities that are measured at fair value on a recurring basis. The following table does not include the Plan's interest in the Medtronic, Inc. Master Trust Fund because that information is presented in a separate table (see Note 3).

|                                      | Fair Value<br>at<br>April 30, 2011 | Fair Value<br>Measurements<br>Using Inputs<br>Considered as |          |            |
|--------------------------------------|------------------------------------|---|----------|------------|
|                                      |                                    | Level<br>1  | Level 2  | Level<br>3 |
| Registered investment companies: (a) |                                    |   |          |            |
| U.S. equity                          | \$ 8,865                           | \$ —  | \$ 8,865 | \$ —       |
| Balanced                             | 5,573                              | —   | 5,573    | —          |
| Fixed income                         | 3,208                              | —   | 3,208    | —          |
| International equity                 | 1,304                              | —   | 1,304    | —          |
| Money market funds                   | 92                                 | —   | 92       | —          |
| Collective trusts: (b)               |                                    |   |          |            |
| Balanced                             | 15,764                             | —   | 15,764   | —          |

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\$ 34,806      \$ —\$ 34,806    \$ —

|                                      | Fair Value<br>at<br>April 30, 2010 | Fair Value<br>Measurements<br>Using Inputs<br>Considered as |           |            |
|--------------------------------------|------------------------------------|---|-----------|------------|
|                                      |                                    | Level<br>1  | Level 2   | Level<br>3 |
| Registered investment companies: (a) |                                    |   |           |            |
| U.S. equity                          | \$ 6,158                           | \$ —  | \$ 6,158  | \$ —       |
| Balanced                             | 13,077                             | —   | 13,077    | —          |
| Fixed income                         | 2,663                              | —   | 2,663     | —          |
| International equity                 | 994                                | —   | 994       | —          |
| Money market funds                   | 76                                 | —   | 76        | —          |
|                                      | \$ 22,968                          | \$ —  | \$ 22,968 | \$ —       |

(a) Registered investment companies include investments in mutual funds with varying objectives including growth, capital appreciation, and income. The underlying holdings differ across each fund but include a mix of U.S. and international common stocks, and fixed income securities. There are currently no redemption restrictions or unfunded commitments on these investments.

(b) Collective trusts share the common goal of growth and preservation of principal. The collective trusts indirectly invest in a mix of U.S. and international common stocks, and fixed income securities through holdings in various mutual funds. There are currently no redemption restrictions or unfunded commitments on these investments.

**The Medtronic Puerto Rico Employees' Savings and Investment Plan**

**Notes to Financial Statements (in 000's)**

**6. Related Party Transactions**

The Plan's investments consist of the Plan's interest in Medtronic, Inc. Master Trust and shares of registered investment companies managed by the Plan's Trustee. All investment transactions are managed by the Trustee and qualify as party-in-interest transactions, which are exempt from the prohibited transactions rules. These transactions are allowed by the Plan and the Puerto Rico Internal Revenue Code. In addition, as previously noted, the Medtronic, Inc. Master Trust Fund invests in the common stock of the Parent Company.

During the year ended April 30, 2011, the Plan had transactions with Vanguard Trust, the Plan's Recordkeeper, which are allowed by the Plan and the Puerto Rico Internal Revenue Code. These transactions qualify as party-in-interest transactions, which are exempt from the prohibited transactions rules.

**7. Reconciliation of Financial Statements to Form 5500**

The following is a reconciliation of net assets available for benefits per the financial statements to the Form 5500:

|  | April 30, |           |
|--|-----------|-----------|
|  | 2011      | 2010      |
| Net assets available for benefits per the financial statements   | \$ 70,770 | \$ 56,191 |
| Differences in:  |           |           |
| Investments  | 2,245     | 1,962     |
| Notes from participants  | (2,245 )  | (1,962 )  |
| Adjustment from fair value to contract value relating to fully benefit-responsive investment contracts | 1,201     | 973       |
| Net assets available for benefits per the Form 5500  | \$ 71,971 | \$ 57,164 |

The following is a reconciliation of the net increase in net assets available for benefits per the financial statements to the net income per the Form 5500:

|  | Year<br>Ended<br>April 30,<br>2011 |
|--|------------------------------------|
| Net increase per the financial statements  | \$ 14,579                          |
| Add: Adjustment from fair value to contract value relating to fully benefit-responsive investment contracts at April 30, 2011  | 1,201                              |
| Less: Adjustment from fair value to contract value relating to fully benefit-responsive investment contracts at April 30, 2010 | (973 )                             |
| Net income per the Form 5500   | \$ 14,807                          |

Fully benefit-responsive GICs are recorded on Form 5500 at fair value as of April 30, 2011 and 2010 while in the Plan's financial statements these investments are presented at fair value with an adjustment to contract value.

**8. Tax Status**

The Plan received a favorable determination letter from the Puerto Rico Treasury Department dated April 23, 2008. The Puerto Rico Treasury Department has determined that the Plan and the related trust are designed in accordance with Section 1165 (a) of the Puerto Rico Internal Revenue Code of 1994 and are, therefore, exempt from Puerto Rico income taxes. 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 Puerto Rico Internal Revenue Code. Therefore, no provision for income taxes has been included in the Plan's financial statements.

## SUPPLEMENTAL SCHEDULE

**The Medtronic Puerto Rico Employees' Savings and Investment Plan****Schedule H, line 4i – Schedule of Assets (Held at End of Year)****April 30, 2011****(in 000's)**

| (a) (b)  | (c)   | (d)  | (e)           |
|--|---|------|---------------|
| Identity of Issue, Borrower, Lessor or Similar Party | Description of Investment, Including Maturity Date, Rate of Interest, Collateral, Par or Maturity Value | Cost | Current Value |
| * Vanguard Wellington Fund                           | Registered Investment Company   | **   | \$5,573       |
| * Vanguard Institutional Index Fund                  | Registered Investment Company   | **   | 4,316         |
| * Vanguard Total Bond Market Index Fund              | Registered Investment Company   | **   | 3,192         |
| * Vanguard International Growth Fund                 | Registered Investment Company   | **   | 1,304         |
| * Vanguard Extended Market Index Fund                | Registered Investment Company   | **   | 1,187         |
| * Vanguard Explorer Fund                             | Registered Investment Company   | **   | 1,040         |
| * Vanguard Windsor II Fund                           | Registered Investment Company   | **   | 971           |
| * Vanguard PRIMECAP Fund                             | Registered Investment Company   | **   | 899           |
| * Vanguard Morgan Growth Fund                        | Registered Investment Company   | **   | 452           |
| * Vanguard Prime Money Market Fund                   | Registered Investment Company   | **   | 92            |
| * Vanguard Inflation-Protected Securities Fund       | Registered Investment Company   | **   | 16            |
| Total Registered Investment Companies                |   |      | 19,042        |
| * Target Retirement 2035 Trust II                    | Collective Trust  | **   | 2,972         |
| * Target Retirement 2040 Trust II                    | Collective Trust  | **   | 2,367         |
| * Target Retirement 2025 Trust II                    | Collective Trust  | **   | 2,321         |
| * Target Retirement 2030 Trust II                    | Collective Trust  | **   | 2,000         |
| * Target Retirement 2020 Trust II                    | Collective Trust  | **   | 1,729         |
| * Target Retirement 2045 Trust II                    | Collective Trust  | **   | 1,720         |
| * Target Retirement 2050 Trust II                    | Collective Trust  | **   | 1,329         |
| * Target Retirement 2015 Trust II                    | Collective Trust  | **   | 1,026         |
| * Target Retirement 2010 Trust II                    | Collective Trust  | **   | 240           |
| * Target Retirement Income Trust II                  | Collective Trust  | **   | 38            |
| * Target Retirement 2005 Trust II                    | Collective Trust  | **   | 11            |
| * Target Retirement 2055 Trust II                    | Collective Trust  | **   | 11            |
| Total Collective Trusts                              |   |      | 15,764        |

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|   |  |    |           |
|---|--|----|-----------|
| * Plan's interest in Medtronic, Inc. Master Trust Fund                                      |  | ** | 34,339    |
| * Notes from participants   | Interest at 3.25% to 8.25% due at various dates through 2016 | ** | 2,245     |
|   |  |    | \$ 71,390 |
| * Denotes party-in-interest   |  |    |           |
| ** Cost information is excluded, as it is not required for participant-directed investments |  |    |           |