

Form 5500 Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Annual Return/Report of Employee Benefit Plan This form is required to be filed for employee benefit plans under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6047(e), and 6058(a) of the Internal Revenue Code (the Code). <p style="text-align: center;">▶ Complete all entries in accordance with the instructions to the Form 5500.</p>	OMB Nos. 1210-0110 1210-0089 2010 This Form is Open to Public Inspection
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Part I	Annual Report Identification Information
For calendar plan year 2010 or fiscal plan year beginning <u>01/01/2010</u> and ending <u>12/31/2010</u>	
A This return/report is for:	☐ a multiemployer plan; ☐ a multiple-employer plan; or ☒ a single-employer plan; ☐ a DFE (specify) ____
B This return/report is:	☐ the first return/report; ☐ the final return/report; ☐ an amended return/report; ☐ a short plan year return/report (less than 12 months).
C If the plan is a collectively-bargained plan, check here.	☐
D Check box if filing under:	☒ Form 5558; ☐ automatic extension; ☐ the DFVC program; ☐ special extension (enter description)

Part II	Basic Plan Information —enter all requested information				
1a Name of plan <u>NESTLE PUERTO RICO 1165(E) EMPLOYEE SAVINGS PLAN</u>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">1b Three-digit plan number (PN) ▶</td> <td style="width: 20%; text-align: center;"><u>001</u></td> </tr> <tr> <td colspan="2">1c Effective date of plan <u>07/01/1990</u></td> </tr> </table>	1b Three-digit plan number (PN) ▶	<u>001</u>	1c Effective date of plan <u>07/01/1990</u>	
1b Three-digit plan number (PN) ▶	<u>001</u>				
1c Effective date of plan <u>07/01/1990</u>					
2a Plan sponsor's name and address (employer, if for a single-employer plan) (Address should include room or suite no.) <u>NESTLE PUERTO RICO, INC.</u> <u>P.O. BOX 364565</u> <u>SAN JUAN, PR 00936-4565</u>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td>2b Employer Identification Number (EIN) <u>66-0500550</u></td> </tr> <tr> <td>2c Sponsor's telephone number <u>787-788-4300</u></td> </tr> <tr> <td>2d Business code (see instructions) <u>311500</u></td> </tr> </table>	2b Employer Identification Number (EIN) <u>66-0500550</u>	2c Sponsor's telephone number <u>787-788-4300</u>	2d Business code (see instructions) <u>311500</u>	
2b Employer Identification Number (EIN) <u>66-0500550</u>					
2c Sponsor's telephone number <u>787-788-4300</u>					
2d Business code (see instructions) <u>311500</u>					

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

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

SIGN HERE	Filed with authorized/valid electronic signature.	10/11/2011	ANA DEL ROSARIO
	Signature of plan administrator	Date	Enter name of individual signing as plan administrator
SIGN HERE			
	Signature of employer/plan sponsor	Date	Enter name of individual signing as employer or plan sponsor
SIGN HERE			
	Signature of DFE	Date	Enter name of individual signing as DFE

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

Form 5500 (2010)
v.092307.1

3a Plan administrator's name and address (if same as plan sponsor, enter "Same")

NESTLE PUERTO RICO, INC.

P.O. BOX 364565

SAN JUAN, PR 00936-4565

3b Administrator's EIN

66-0500550

3c Administrator's telephone number

787-788-4300

4 If the name and/or EIN of the plan sponsor has changed since the last return/report filed for this plan, enter the name, EIN and the plan number from the last return/report:**a** Sponsor's name**4b** EIN**4c** PN**5** Total number of participants at the beginning of the plan year**5**

311

6 Number of participants as of the end of the plan year (welfare plans complete only lines **6a**, **6b**, **6c**, and **6d**).**a** Active participants.....**6a**

217

b Retired or separated participants receiving benefits.....**6b**

2

c Other retired or separated participants entitled to future benefits.....**6c**

97

d Subtotal. Add lines **6a**, **6b**, and **6c**.....**6d**

316

e Deceased participants whose beneficiaries are receiving or are entitled to receive benefits.....**6e**

0

f Total. Add lines **6d** and **6e**.....**6f**

316

g Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item).....**6g**

256

h Number of participants that terminated employment during the plan year with accrued benefits that were less than 100% vested.....**6h**

4

7 Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item)**7****8a** If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristic Codes in the instructions:

2E 2F 2G 2T 3C

b If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristic Codes in the instructions:**9a** Plan funding arrangement (check all that apply)(1) ☐

Insurance

(2) ☐

Code section 412(e)(3) insurance contracts

(3) ☒

Trust

(4) ☐

General assets of the sponsor

9b Plan benefit arrangement (check all that apply)(1) ☐

Insurance

(2) ☐

Code section 412(e)(3) insurance contracts

(3) ☒

Trust

(4) ☐

General assets of the sponsor

10 Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions)**a Pension Schedules**(1) ☒**R** (Retirement Plan Information)(2) ☐**MB** (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary(3) ☐**SB** (Single-Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary**b General Schedules**(1) ☒**H** (Financial Information)(2) ☐**I** (Financial Information – Small Plan)(3) ☐**A** (Insurance Information)(4) ☒**C** (Service Provider Information)(5) ☐**D** (DFE/Participating Plan Information)(6) ☐**G** (Financial Transaction Schedules)

<div>SCHEDULE C</div> <div>(Form 5500)</div> <div>Department of the Treasury Internal Revenue Service</div> <div>Department of Labor Employee Benefits Security Administration</div> <div>Pension Benefit Guaranty Corporation</div>	<div>Service Provider Information</div> <div>This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA).</div> <div>▶ File as an attachment to Form 5500.</div>	OMB No. 1210-0110
		2010
		This Form is Open to Public Inspection.

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

<div>A Name of plan</div> <div>NESTLE PUERTO RICO 1165(E) EMPLOYEE SAVINGS PLAN</div>	<div>B Three-digit plan number (PN)</div> <div>▶</div> <div>001</div>
<div>C Plan sponsor's name as shown on line 2a of Form 5500</div> <div>NESTLE PUERTO RICO, INC.</div>	<div>D Employer Identification Number (EIN)</div> <div>66-0500550</div>

Part I

Service Provider Information (see instructions)

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

1 Information on Persons Receiving Only Eligible Indirect Compensation

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

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

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

UBS TRUST COMPANY OF PUERTO RICO

66-0532499

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

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

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

BENEFIT PLAN ADMIN SERVICES, INC.

16-1503696

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
15 99 19 60	N/A	1970	Yes ☒ No ☐	Yes ☒ No ☐	0	Yes ☒ No ☐

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

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

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

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

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

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

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

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

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

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

Part I Service Provider Information (continued)

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

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

Part II Service Providers Who Fail or Refuse to Provide Information

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

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

Part III	Termination Information on Accountants and Enrolled Actuaries (see instructions) (complete as many entries as needed)
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a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN;
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN;
c Position:	
d Address:	e Telephone:

Explanation:

SCHEDULE H (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Financial Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA), and section 6058(a) of the Internal Revenue Code (the Code). ► File as an attachment to Form 5500.	OMB No. 1210-0110
		2010
		This Form is Open to Public Inspection

For calendar plan year 2010 or fiscal plan year beginning 01/01/2010 and ending 12/31/2010		
A Name of plan NESTLE PUERTO RICO 1165(E) EMPLOYEE SAVINGS PLAN	B Three-digit plan number (PN) ►	001
C Plan sponsor's name as shown on line 2a of Form 5500 NESTLE PUERTO RICO, INC.	D Employer Identification Number (EIN) 66-0500550	

Part I	Asset and Liability Statement
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1 Current value of plan assets and liabilities at the beginning and end of the plan year. Combine the value of plan assets held in more than one trust. Report the value of the plan's interest in a commingled fund containing the assets of more than one plan on a line-by-line basis unless the value is reportable on lines 1c(9) through 1c(14). Do not enter the value of that portion of an insurance contract which guarantees, during this plan year, to pay a specific dollar benefit at a future date. **Round off amounts to the nearest dollar.** MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 1b(1), 1b(2), 1c(8), 1g, 1h, and 1i. CCTs, PSAs, and 103-12 IEs also do not complete lines 1d and 1e. See instructions.

Assets		(a) Beginning of Year	(b) End of Year
a Total noninterest-bearing cash	1a		
b Receivables (less allowance for doubtful accounts):			
(1) Employer contributions	1b(1)	12124	0
(2) Participant contributions	1b(2)	22572	0
(3) Other.....	1b(3)		
c General investments:			
(1) Interest-bearing cash (include money market accounts & certificates of deposit)	1c(1)		
(2) U.S. Government securities.....	1c(2)		
(3) Corporate debt instruments (other than employer securities):			
(A) Preferred	1c(3)(A)		
(B) All other.....	1c(3)(B)		
(4) Corporate stocks (other than employer securities):			
(A) Preferred	1c(4)(A)		
(B) Common	1c(4)(B)		
(5) Partnership/joint venture interests	1c(5)		
(6) Real estate (other than employer real property)	1c(6)		
(7) Loans (other than to participants)	1c(7)		
(8) Participant loans	1c(8)		
(9) Value of interest in common/collective trusts.....	1c(9)		
(10) Value of interest in pooled separate accounts.....	1c(10)		
(11) Value of interest in master trust investment accounts	1c(11)		
(12) Value of interest in 103-12 investment entities	1c(12)		
(13) Value of interest in registered investment companies (e.g., mutual funds).....	1c(13)	4384174	4918828
(14) Value of funds held in insurance company general account (unallocated contracts).....	1c(14)		
(15) Other	1c(15)		

1d Employer-related investments:

		(a) Beginning of Year	(b) End of Year
(1) Employer securities	1d(1)		
(2) Employer real property	1d(2)		
e Buildings and other property used in plan operation	1e		
f Total assets (add all amounts in lines 1a through 1e)	1f	4418870	4918828

Liabilities

g Benefit claims payable	1g		
h Operating payables	1h		
i Acquisition indebtedness	1i		
j Other liabilities	1j		
k Total liabilities (add all amounts in lines 1g through 1j)	1k	0	0

Net Assets

l Net assets (subtract line 1k from line 1f)	1l	4418870	4918828
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Part II Income and Expense Statement

2 Plan income, expenses, and changes in net assets for the year. Include all income and expenses of the plan, including any trust(s) or separately maintained fund(s) and any payments/receipts to/from insurance carriers. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 2a, 2b(1)(E), 2e, 2f, and 2g.

Income**a Contributions:**

		(a) Amount	(b) Total
(1) Received or receivable in cash from: (A) Employers	2a(1)(A)	168374	
(B) Participants	2a(1)(B)	427101	
(C) Others (including rollovers)	2a(1)(C)	517	
(2) Noncash contributions	2a(2)		
(3) Total contributions. Add lines 2a(1)(A) , (B) , (C) , and line 2a(2)	2a(3)		595992

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

(A) Interest-bearing cash (including money market accounts and certificates of deposit)	2b(1)(A)		
(B) U.S. Government securities	2b(1)(B)		
(C) Corporate debt instruments	2b(1)(C)		
(D) Loans (other than to participants)	2b(1)(D)		
(E) Participant loans	2b(1)(E)		
(F) Other	2b(1)(F)		
(G) Total interest. Add lines 2b(1)(A) through (F)	2b(1)(G)		0

(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)	68430	
(D) Total dividends. Add lines 2b(2)(A) , (B) , and (C)	2b(2)(D)		68430

(3) Rents	2b(3)		
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(4) Net gain (loss) on sale of assets: (A) Aggregate proceeds	2b(4)(A)		
(B) Aggregate carrying amount (see instructions)	2b(4)(B)		
(C) Subtract line 2b(4)(B) from line 2b(4)(A) and enter result	2b(4)(C)		0

		(a) Amount	(b) Total
2b (5) Unrealized appreciation (depreciation) of assets: (A) Real estate.....	2b(5)(A)		
(B) Other	2b(5)(B)		
(C) Total unrealized appreciation of assets. Add lines 2b(5)(A) and (B)	2b(5)(C)		0
(6) Net investment gain (loss) from common/collective trusts	2b(6)		
(7) Net investment gain (loss) from pooled separate accounts	2b(7)		
(8) Net investment gain (loss) from master trust investment accounts	2b(8)		
(9) Net investment gain (loss) from 103-12 investment entities	2b(9)		
(10) Net investment gain (loss) from registered investment companies (e.g., mutual funds).....	2b(10)		267122
c Other income.....	2c		
d Total income. Add all income amounts in column (b) and enter total.....	2d		931544

Expenses

e Benefit payment and payments to provide benefits:			
(1) Directly to participants or beneficiaries, including direct rollovers	2e(1)	429616	
(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)		429616
f Corrective distributions (see instructions)	2f		
g Certain deemed distributions of participant loans (see instructions).....	2g		
h Interest expense.....	2h		
i Administrative expenses: (1) Professional fees	2i(1)		
(2) Contract administrator fees	2i(2)	1970	
(3) Investment advisory and management fees	2i(3)		
(4) Other	2i(4)		
(5) Total administrative expenses. Add lines 2i(1) through (4)	2i(5)		1970
j Total expenses. Add all expense amounts in column (b) and enter total.....	2j		431586

Net Income and Reconciliation

k Net income (loss). Subtract line 2j from line 2d	2k		499958
l Transfers of assets:			
(1) To this plan.....	2l(1)		
(2) From this plan	2l(2)		

Part III Accountant's Opinion

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

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

(1) ☐ Unqualified (2) ☐ Qualified (3) ☒ Disclaimer (4) ☐ Adverse

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

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

(1) Name: KPMG, LLP

(2) EIN: 13-5565207

d The opinion of an independent qualified public accountant is **not attached** because:

(1) ☐ This form is filed for a CCT, PSA, or MTIA. (2) ☐ It will be attached to the next Form 5500 pursuant to 29 CFR 2520.104-50.

Part IV Compliance Questions

- 4** CCTs and PSAs do not complete Part IV. MTIAs, 103-12 IEs, and GIAs do not complete 4a, 4e, 4f, 4g, 4h, 4k, 4m, 4n, or 5. 103-12 IEs also do not complete 4j and 4l. MTIAs also do not complete 4l.

During the plan year:

	Yes	No	Amount
a Was there a failure to transmit to the plan any participant contributions within the time period described in 29 CFR 2510.3-102? Continue to answer "Yes" for any prior year failures until fully corrected. (See instructions and DOL's Voluntary Fiduciary Correction Program.).....	☒		39359
b Were any loans by the plan or fixed income obligations due the plan in default as of the close of the plan year or classified during the year as uncollectible? Disregard participant loans secured by participant's account balance. (Attach Schedule G (Form 5500) Part I if "Yes" is checked.).....		☒	
c Were any leases to which the plan was a party in default or classified during the year as uncollectible? (Attach Schedule G (Form 5500) Part II if "Yes" is checked.)		☒	
d Were there any nonexempt transactions with any party-in-interest? (Do not include transactions reported on line 4a. Attach Schedule G (Form 5500) Part III if "Yes" is checked.).....		☒	
e Was this plan covered by a fidelity bond?.....	☒		20000000
f Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty?		☒	
g Did the plan hold any assets whose current value was neither readily determinable on an established market nor set by an independent third party appraiser?		☒	
h Did the plan receive any noncash contributions whose value was neither readily determinable on an established market nor set by an independent third party appraiser?		☒	
i Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.).....	☒		
j Were any plan transactions or series of transactions in excess of 5% of the current value of plan assets? (Attach schedule of transactions if "Yes" is checked, and see instructions for format requirements.).....		☒	
k Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC?.....		☒	
l Has the plan failed to provide any benefit when due under the plan?		☒	
m If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.).....		☒	
n If 4m was answered "Yes," check the "Yes" box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3.			

- 5a** Has a resolution to terminate the plan been adopted during the plan year or any prior plan year?
If yes, enter the amount of any plan assets that reverted to the employer this year ☐ Yes ☒ No Amount:

- 5b** If, during this plan year, any assets or liabilities were transferred from this plan to another plan(s), identify the plan(s) to which assets or liabilities were transferred. (See instructions.)

5b(1) Name of plan(s)

5b(2) EIN(s)

5b(3) PN(s)

SCHEDULE R (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Retirement Plan Information This schedule is required to be filed under section 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6058(a) of the Internal Revenue Code (the Code). ▶ File as an attachment to Form 5500.	OMB No. 1210-0110
		2010
		This Form is Open to Public Inspection.

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

A Name of plan <u>NESTLE PUERTO RICO 1165(E) EMPLOYEE SAVINGS PLAN</u>	B Three-digit plan number (PN) ▶ <u>001</u>
C Plan sponsor's name as shown on line 2a of Form 5500 <u>NESTLE PUERTO RICO, INC.</u>	D Employer Identification Number (EIN) <u>66-0500550</u>

Part I	Distributions
---------------	----------------------

All references to distributions relate only to payments of benefits during the plan year.

1 Total value of distributions paid in property other than in cash or the forms of property specified in the instructions.....	1	<u>0</u>
2 Enter the EIN(s) of payor(s) who paid benefits on behalf of the plan to participants or beneficiaries during the year (if more than two, enter EINs of the two payors who paid the greatest dollar amounts of benefits): EIN(s): <u>66-0532499</u>		
Profit-sharing plans, ESOPs, and stock bonus plans, skip line 3.		
3 Number of participants (living or deceased) whose benefits were distributed in a single sum, during the plan year.....	3	

Part II	Funding Information (If the plan is not subject to the minimum funding requirements of section 412 of the Internal Revenue Code or ERISA section 302, skip this Part)
----------------	--

4 Is the plan administrator making an election under Code section 412(d)(2) or ERISA section 302(d)(2)?.....	☐ Yes	☐ No	☐ N/A
If the plan is a defined benefit plan, go to line 8.			
5 If a waiver of the minimum funding standard for a prior year is being amortized in this plan year, see instructions and enter the date of the ruling letter granting the waiver. Date: Month _____ Day _____ Year _____	If you completed line 5, complete lines 3, 9, and 10 of Schedule MB and do not complete the remainder of this schedule.		
6 a Enter the minimum required contribution for this plan year	6a		
b Enter the amount contributed by the employer to the plan for this plan year	6b		
c Subtract the amount in line 6b from the amount in line 6a. Enter the result (enter a minus sign to the left of a negative amount).....	6c		
If you completed line 6c, skip lines 8 and 9.			
7 Will the minimum funding amount reported on line 6c be met by the funding deadline?	☐ Yes	☐ No	☐ N/A
8 If a change in actuarial cost method was made for this plan year pursuant to a revenue procedure providing automatic approval for the change or a class ruling letter, does the plan sponsor or plan administrator agree with the change?.....	☐ Yes	☐ No	☐ N/A

Part III	Amendments
-----------------	-------------------

9 If this is a defined benefit pension plan, were any amendments adopted during this plan year that increased or decreased the value of benefits? If yes, check the appropriate box(es). If no, check the "No" box.....	☐ Increase	☐ Decrease	☐ Both	☐ No
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Part IV	ESOPs (see instructions). If this is not a plan described under Section 409(a) or 4975(e)(7) of the Internal Revenue Code, skip this Part.
----------------	---

10 Were unallocated employer securities or proceeds from the sale of unallocated securities used to repay any exempt loan?.....	☐ Yes	☐ No
11 a Does the ESOP hold any preferred stock?	☐ Yes	☐ No
b If the ESOP has an outstanding exempt loan with the employer as lender, is such loan part of a "back-to-back" loan? (See instructions for definition of "back-to-back" loan.)	☐ Yes	☐ No
12 Does the ESOP hold any stock that is not readily tradable on an established securities market?	☐ Yes	☐ No

Part V Additional Information for Multiemployer Defined Benefit Pension Plans

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

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

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

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

(1) Contribution rate (in dollars and cents)

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

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

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

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

(1) Contribution rate (in dollars and cents)

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

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

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

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

(1) Contribution rate (in dollars and cents)

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

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

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

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

(1) Contribution rate (in dollars and cents)

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

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

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

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

(1) Contribution rate (in dollars and cents)

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

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

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

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

(1) Contribution rate (in dollars and cents)

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

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

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

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

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

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

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

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

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

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

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

a Enter the percentage of plan assets held as:
 Stock: _____% Investment-Grade Debt: _____% High-Yield Debt: _____% Real Estate: _____% Other: _____%

b Provide the average duration of the combined investment-grade and high-yield debt:
☐ 0-3 years ☐ 3-6 years ☐ 6-9 years ☐ 9-12 years ☐ 12-15 years ☐ 15-18 years ☐ 18-21 years ☐ 21 years or more

c What duration measure was used to calculate item 19(b)?
☐ Effective duration ☐ Macaulay duration ☐ Modified duration ☐ Other (specify): _____



**NESTLE PUERTO RICO
1165(e) EMPLOYEE SAVINGS PLAN**

Financial Statements and Supplemental Schedules

December 31, 2010 and 2009

(With Independent Auditors' Report Thereon)



KPMG LLP
American International Plaza
Suite 1100
250 Muñoz Rivera Avenue
San Juan, PR 00918-1819

Independent Auditors' Report

The Savings Plan Committee
Nestle Puerto Rico 1165(e) Employee Savings Plan:

We were engaged to audit the accompanying statements of net assets available for benefits of Nestle Puerto Rico 1165(e) Employee Savings Plan (the Plan) as of December 31, 2010 and 2009, and the related statement of changes in net assets available for benefits for the year ended December 31, 2010, and the supplemental Schedule H, Line 4i – Schedule of Assets (Held at End of Year) as of December 31, 2010 and Schedule H, Line 4a – Schedule of Delinquent Participant Contributions for the year ended December 31, 2010. These financial statements and supplemental schedules are the responsibility of the Plan's management.

As permitted by 29 CFR 2520.103-8 of the U.S. 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 investment information summarized in note 3 to the financial statements, which was certified by Hand Benefits & Trust Company and Community Bank, N.A., the custodians of the Plan, except for comparing such information with the related information included in the financial statements and supplemental schedules. We have been informed by the plan administrator that Hand Benefits & Trust Company holds the Plan's investment assets and executes investment transactions for the year ended December 31, 2010 and that Community Bank, N.A. held the Plan's investment and executed investment transactions for the year ended December 31, 2009. The plan administrator has obtained certifications from the custodians as of December 31, 2010 and 2009 that the information provided to the plan administrator by the custodians 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 schedules taken as a whole. The form and content of the information included in the financial statements and supplemental schedules, other than that derived from the information certified by the custodians, 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 U.S. Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

KPMG LLP

September 30, 2011

Stamp No. 15473 of the Puerto Rico
Society of Certified Public Accountants
was affixed to the record copy of this report.

NESTLE PUERTO RICO
1165(e) EMPLOYEE SAVINGS PLAN

Statements of Net Assets Available for Benefits

December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Investments in mutual funds (note 3)	\$ 4,918,828	4,384,174
Receivables:		
Participants' contributions	—	22,572
Employer's contribution	<u>—</u>	<u>12,124</u>
Total receivables	<u>—</u>	<u>34,696</u>
Net assets available for benefits	<u>\$ 4,918,828</u>	<u>4,418,870</u>

See accompanying notes to financial statements.

NESTLE PUERTO RICO
1165(e) EMPLOYEE SAVINGS PLAN

Statement of Changes in Net Assets Available for Benefits

Year ended December 31, 2010

Investment income (note 3):	
Interest and dividends	\$ 69,276
Net appreciation in fair value of investments	<u>266,276</u>
Total investment income	<u>335,552</u>
Contributions:	
Participants	427,101
Employer	<u>168,891</u>
Total contributions	<u>595,992</u>
Total additions	<u>931,544</u>
Deductions from net assets attributed to:	
Benefits paid to participants	429,616
Administrative expenses	<u>1,970</u>
Total deductions	<u>431,586</u>
Net increase in net assets available for benefits	499,958
Net assets available for benefits, beginning of year	<u>4,418,870</u>
Net assets available for benefits, end of year	<u><u>\$ 4,918,828</u></u>

See accompanying notes to financial statements.

NESTLE PUERTO RICO
1165(e) EMPLOYEE SAVINGS PLAN

Notes to Financial Statements

December 31, 2010 and 2009

(1) Description of the Plan

The following description of Nestle Puerto Rico 1165(e) Employee Savings Plan (the Plan) provides only general information. Participants should refer to the plan agreement for a more complete description of the Plan's provisions.

(a) General

The Plan is a defined contribution plan covering substantially all employees of Nestle Puerto Rico, Inc. (the Company). In addition, the Plan was amended effective September 1, 2007 to cover all Gerber Products Company of Puerto Rico, Inc. (Gerber Puerto Rico) employees that were participants of the Novartis Corporation Retirement Savings Plan (Novartis Plan) as of August 31, 2007. Effective August 31, 2009, Gerber Puerto Rico merged into the Company.

The Plan was established in July 1990 to provide a convenient way for employees to accumulate capital and to encourage employees to continue their careers with the Company. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). Employees may elect to become participants in the Plan after meeting the eligibility requirements set forth in the plan document.

(b) Administration

The Plan is administered by a Savings Plan Committee appointed by the Company and has UBS Financial Services Incorporated of Puerto Rico as trustee (the Trustee).

The Plan requires that participants select the investment funds into which their accounts are invested.

The participant were able to select from eleven and nine investment funds for the years ended December 31, 2010 and 2009, respectively.

(c) Contributions

The Plan provides for before-tax contributions by participants and for matching contributions by the Company based on percentages of participant contributions. Participants direct the investments of all contributions into various investment options offered by the Plan. The Plan currently offers eleven mutual funds as investment options for participants.

Act No. 186 of August 7, 2008 (Act 186) amended Section 1165(e) of the Puerto Rico Internal Revenue Code to gradually increase the maximum allowable contribution as follows:

	<u>Amount</u>
For tax years:	
Ending on or before December 31, 2009	\$ 9,000
Ending on or before December 31, 2011	10,000
Ending on December 31, 2013 and thereafter	12,000

Act 186 also eliminated the 10% of annual salary ceiling commencing with tax year 2008.

NESTLE PUERTO RICO
1165(e) EMPLOYEE SAVINGS PLAN

Notes to Financial Statements

December 31, 2010 and 2009

The Company makes matching contributions to the Plan equal to 50% of the participants' contributions up to a maximum of 6% of the participants' compensation. For the employees of Gerber Puerto Rico, the Company made matching contributions to the Plan equal to 100% of the participant's contribution, up to a maximum of 6% of the participants' compensation through August 2009. These Gerber Puerto Rico employer's contributions were for a period of two years commencing September 2007 and ending August 2009. After such period, the matching before-tax contribution for Gerber Puerto Rico employees was changed to the matching before tax contribution provided by the Company.

(d) Participant Account Balances and Vesting

Participant contributions are credited to accounts established for each participant and, along with related investment gains and losses, are fully vested and nonforfeitable. Contributions made by the Company, which are credited to a participant's matching account, and related investment gains and losses become vested based upon a participant's years of service with the Company. Each participant's account is charged with an allocation of administrative expenses.

Participants become vested in the Company's contributions, in accordance with the following schedule:

<u>Completed years of service</u>	<u>Vesting percentage</u>
1 year or less	—%
2 years	20
3 years	40
4 years	60
5 years	80
6 or more years	100

Forfeitures represent the nonvested portion of the Company's matching contributions plus earnings thereon, which are not distributable to participants who terminate employment before they are 100% vested. The amounts forfeited from a participant may be used to reduce the Plan's administrative expense or to reduce Employer Matching Contributions. Forfeited accounts at December 31, 2010 and 2009 amounted to \$14,592 and \$13,523, respectively. No forfeited amounts used to reduce the Plan's administrative expenses or Employer Matching Contributions during 2010 or 2009.

Payment of Benefits

On termination of service due to death, disability, retirement, or termination of employment a participant may elect to receive either a lump-sum amount equal to the value of the participant's vested interest in his/her account, or annual installments over a period of years certain not to exceed the lifetime of the participant or his/her beneficiary. The Plan also provides for certain withdrawals during employment. Participant contributions may be withdrawn upon the attainment of age 59½ or, in the case of hardship, subject to limitations in the plan agreement. Withdrawal of rollover amounts and Company's contributions are also provided for, subject to limitations set forth in the Plan.

NESTLE PUERTO RICO
1165(e) EMPLOYEE SAVINGS PLAN

Notes to Financial Statements

December 31, 2010 and 2009

(e) Administrative Expenses

Certain expenses of administering the Plan are funded by the Company or the Plan, as determined by the plan document, subject to limitations under ERISA.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

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

(b) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires the Plan's management to make estimates and assumptions that affect the reported amounts of assets and changes therein and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

(c) Investment Valuation and Income Recognition

The Plan's investments are stated at fair value. Quoted market prices are used to value mutual funds investments. Units of participation in mutual funds are valued at the net asset value of units held by the plan at year end. The stable value fund is valued at net asset value.

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

(d) Fair Value Measurements

The Plan adopted the provisions of Financial Accounting Standards Board Statement No. 157 (Statement 157), *Fair Value Measurements*, included in Accounting Standards Codification the Accounting Standards Codification (ASC) Topic (820), *Fair Value Measurements*, for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. Statement 157 defines fair value as the price 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. Statement 157 also establishes a framework for measuring fair value and expands disclosures about fair value measurements (note 4).

(e) Payment of Benefits

Benefits are recorded when paid.

(3) Information Certified by the Custodians (Unaudited)

The plan administrator has elected the method of compliance permitted by 29 CFR 2520.103-8 of the U.S. Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA. Accordingly, Hand Benefits & Trust Company in 2010 and Community Bank, N.A. in 2009, the

**NESTLE PUERTO RICO
1165(e) EMPLOYEE SAVINGS PLAN**

Notes to Financial Statements

December 31, 2010 and 2009

custodians of the Plan, have certified to the completeness and accuracy of all investment activity reflected on the accompanying statements of net assets available for benefits as of December 31, 2010 and 2009 and the related investment activity reflected in the statements of changes in net assets available for benefits for the years then ended, this note and that reflected on note 4.

The following table presents the fair values of investments in mutual funds, as of December 31, 2010 and 2009, all of which are participant directed:

	<u>2010</u>	<u>2009</u>
American Balanced Fund, 11,678 and 12,914 shares, respectively	\$ 208,459	208,432
American Mutual Fund, 23,637 and 23,078 shares, respectively	593,750*	530,563*
Calamos Growth Fund, 3,616 and 3,200 shares, respectively	193,043	142,286
Europacific Growth Fund, 11,496 and 9,907 shares, respectively	462,961*	370,132*
Federated Prime Oblig, 1,290,827 and 1,348,010 shares, respectively	1,290,827*	1,348,010*
Fidelity U.S. Bond Index Fund, 120,366 and 112,992 shares, respectively	1,363,742*	1,249,693*
Growth Fund of America, 12,563 and 12,039 shares, respectively	373,490*	321,556*
Lord Abnett Mid-Cap Value, 9,034 and 5,408 shares, respectively	144,087	68,955
Seligman Small-Cap Value, 13,921 and 11,481 shares, respectively	222,316*	144,547
Franklin Temp Conserv Class, 4,493 shares	61,560	—
Franklin Temp Moderate Class, 324 shares	4,593	—
Total	<u>\$ 4,918,828</u>	<u>4,384,174</u>

* Represents 5% or more of the Plan's net assets available for benefits at the end of year.

During 2010, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated by \$266,276. Additionally, interest and dividend income amounting to \$69,276 were recognized.

(4) Fair Value Measurements (Unaudited)

ASC Topic 820 defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy that prioritizes the inputs to valuation techniques. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income, or cost approach, as specified by the ASC Topic 820, are used to measure fair value. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

**NESTLE PUERTO RICO
1165(e) EMPLOYEE SAVINGS PLAN**

Notes to Financial Statements

December 31, 2010 and 2009

- Level 2 inputs are inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

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

The following tables present the Plan's assets measured at fair value on a recurring basis at December 31, 2010 and 2009 as follows:

Fair value measurements at reporting date using				
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	December 31, 2010			
Assets:				
Mutual funds:				
Bond (a)	\$ 1,363,743	1,363,743	—	—
Equity (b)	1,989,646	1,989,646	—	—
Balanced (c)	274,612	274,612	—	—
Stable value	1,290,827	—	1,290,827	—
	<u>\$ 4,918,828</u>	<u>3,628,001</u>	<u>1,290,827</u>	<u>—</u>

Fair value measurements at reporting date using				
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	December 31, 2009			
Assets:				
Mutual funds:				
Bond (a)	\$ 1,249,693	1,249,693	—	—
Equity (b)	1,578,039	1,578,039	—	—
Balanced (c)	208,432	208,432	—	—
Stable value	1,348,010	—	1,348,010	—
	<u>\$ 4,384,174</u>	<u>3,036,164</u>	<u>1,348,010</u>	<u>—</u>

NESTLE PUERTO RICO
1165(e) EMPLOYEE SAVINGS PLAN

Notes to Financial Statements

December 31, 2010 and 2009

- (a) The mutual fund in this category primarily invests at least 80% of total assets in bonds included in the Barclays Capital U.S. Aggregate Bond Index.
- (b) The mutual funds in this category primarily invest in common stocks of companies that are likely to participate in the growth of the American economy and whose dividends appear to be sustainable, securities of issuers in Europe and the Pacific Basin, in securities of issuers domiciled outside the United States and may also hold cash or money market instruments. Also, the funds may invest in countries with developing economies and/or markets.
- (c) The mutual funds in this category primarily in a broad range of securities, including stocks, bonds and securities issued and guaranteed by the U.S. government and other mutual funds.

There were no transfers into and out of Level 1 and Level 2 fair value measurements during the years ended December 31, 2010 and 2009.

(5) Related-Party Transactions

Certain administrative expenses of the Plan are paid and absorbed by the Company. Such expenses include accounting, legal, investment management, trust and record-keeping fees, and other fees of administering the Plan. Administrative expenses paid and absorbed by the Company amounted to \$31,000 and \$49,000 for the years ended December 31, 2010 and 2009, respectively.

All plan investments are shares of mutual funds managed by UBS Paine Webber, an affiliate of the Trustee, and therefore, these transactions qualify as party-in-interest transactions.

(6) Plan Termination

Although the Company has not expressed any intent to do so, it has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of plan termination, participants would become 100% vested in their employer contributions.

(7) Tax Status

The Puerto Rico Treasury Department has determined and informed the Company by determination letter dated January 18, 2002 that the Plan and related trust are designed in accordance with applicable provisions of the Code, as amended and, therefore, are exempt from income taxes. In the opinion of the plan administrator, the Plan and its related trust are designed and are currently being operated within the terms of the Plan and remain qualified under the applicable provisions of the Code.

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

NESTLE PUERTO RICO
1165(e) EMPLOYEE SAVINGS PLAN

Notes to Financial Statements

December 31, 2010 and 2009

(8) Prohibited Transaction – Participants’ Contributions Remittances

In accordance with the Department of Labor’s Regulation 2510.3-102, an employer is required to segregate participants’ contributions from its general assets as soon as practical, but in no event more than the 15th business day following the end of the month in which amounts are contributed by participants or withheld from their wages for a pension benefit plan such as the Plan. The Company failed to timely remit participants’ contributions withheld in 2 out of 24 payroll periods of the year ended December 31, 2010. In addition, the Company failed to timely remit participants’ contributions withheld in 1 out of 24 payroll periods of the year ended December 31, 2009 and Gerber Puerto Rico failed to timely remit participants’ contributions withheld in 3 out of 24 payroll periods during the year ended December 31, 2009. The Company will absorb any costs incurred by the Plan as a result of the untimely remittances of the participants’ contributions. On September 27, 2010 and October 21, 2010, the Company reimbursed the Plan for lost interest in the amount of \$830 for the interest lost on late remittances for the year ended December 31, 2009.

(9) Subsequent Events

The Plan’s management has evaluated subsequent events from the balance sheet date through September 30, 2011, the date at which the financial statements were available to be issued.

On January 31, 2011 was signed into law Act No. 1 of the New Puerto Rico Internal Revenue Code (New PR Code), which adopts new rules for qualified plans in Puerto Rico. The qualified plan provisions of the New PR Code are generally effective with respect to taxable years beginning after December 31, 2010. Among the most important changes in the New PR Code affecting the Plan are the following: (a) increase in limitation of deferred contributions by participants; (b) new definitions of highly compensated employee (HCE) and nonhighly compensated employee (NHCE); (c) the new definitions of HCE and NHCE will apply for purposes of the coverage test and general nondiscrimination test of all qualified plans in Puerto Rico; (d) limitation on annual contributions for defined contribution plans; (e) limit on annual compensation of a participant; and (f) statutory requirement for proof of exemption.

The adoption of the new rules for qualified plans in Puerto Rico will require the review and amendment of current plan documentation and procedures by employers and plan sponsors, plan fiduciaries, and service providers, in order to comply with the provisions of the New PR Code.

Supplemental Schedule 1

**NESTLE PUERTO RICO
1165(e) EMPLOYEE SAVINGS PLAN**

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

December 31, 2010

(a)	(b) Identity of issuer, borrower, lessor, or similar party	(c) Description of investments	(d) Cost	(e) Current value
		Mutual funds:		
*	UBS Paine Webber	American Balanced Fund 11,678 shares	N/A	\$ 208,459
*	UBS Paine Webber	American Mutual Fund 23,637 shares	N/A	593,750
*	UBS Paine Webber	Calamos Growth Fund 3,616 shares	N/A	193,043
*	UBS Paine Webber	Europacific Growth Fund 11,496 shares	N/A	462,961
*	UBS Paine Webber	Federated Prime Oblig 1,290,827 shares	N/A	1,290,827
*	UBS Paine Webber	Fidelity U.S. Bond Index Fund 120,366 shares	N/A	1,363,742
*	UBS Paine Webber	Growth Fund of America 12,563 shares	N/A	373,490
*	UBS Paine Webber	Lord Abbett Mid-Cap Value 9,034 shares	N/A	144,087
*	UBS Paine Webber	Seligman Small-Cap Value 13,921 shares	N/A	222,316
*	UBS Paine Webber	Franklin Temp Conserv Class 4,493 shares	N/A	61,560
*	UBS Paine Webber	Franklin Temp Moderate Class 324 shares	N/A	4,593
				<u>\$ 4,918,828</u>

* Represents a party in interest to the Plan.

N/A: Not applicable. Cost omitted for participant-directed investments.

Note: The data included above is based upon information that has been certified as complete and accurate by Hand Benefits & Trust Company, the custodian of the Plan, as permitted by 29 CFR 2520.103-8 of the U.S. Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

See accompanying independent auditors' report.

**NESTLE PUERTO RICO
1165(e) EMPLOYEE SAVINGS PLAN**

Schedule H, Line 4a – Schedule of Delinquent Participant Contributions

Year ended December 31, 2010

Year	Participant contributions transferred late to the plan	Total that Constitute Nonexempt Prohibited Transactions			Total fully corrected under VFCP and PTE 2001-51	Lost earnings
		Contributions not corrected	Contributions corrected outside VFCP	Contributions pending correction in VFCP		
2010	\$ 39,359	39,359	—	—	—	16
2009	28,661	—	28,661	—	—	830
	<u>\$ 68,020</u>	<u>39,359</u>	<u>28,661</u>	<u>—</u>	<u>—</u>	<u>846</u>

On September 27, 2010 and October 21, 2010, the Company reimbursed the Plan for lost interest in the amount of \$830 for the interest lost on late remittances for the year ended December 31, 2009

See accompanying independent auditors' report.

Schedule H/I, Line 4a
Schedule of Late Participant Contributions

Name of Plan:

► Nestle Puerto Rico 1165(e) Employee Savings Plan

Employer Identification No.: ► 66-0500550

Plan year (beginning/ending): ► 1/1/2010-12/31/2010 Plan number: ► 001

(a) Late Contributions	(b) Late Contributions not Corrected	(c) Correction outside VFCP	(d) Correction using VFCP	Pending Correction in VFCP	(f) Total Corrected
68,020	39,359	28,661	0	0	28,661

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

Name of Plan:

► Nestle Puerto Rico 1165(e) Employee Savings Plan

Employer Identification Number: ► 66-0500550

For plan year (beginning/ending): ► 1/1/2010-12/31/2010

Plan number: ► 001

(a)	(b) Identity of issue, borrower, lessor, or similar party	(c) Description of investment including maturity date, rate of interest, collateral, par or maturity value	(d) Cost	(e) Current value
	American Funds American Balanced R2	Value of Registered Investment Companies		208,459
	American Funds American Mutual R2	Value of Registered Investment Companies		593,750
	American Funds EuroPacific Gr R2	Value of Registered Investment Companies		462,961
	American Funds Growth Fund of Amer R2	Value of Registered Investment Companies		373,490
	Calamos Growth A	Value of Registered Investment Companies		193,043
	Columbia Select Smaller Cap Value A	Value of Registered Investment Companies		222,315
	Federated Prime Obligations Fund	Value of Registered Investment Companies		1,290,827
	Spartan US Bond Index Investor	Value of Registered Investment Companies		1,363,741
	Franklin Templeton Cnsrv Allocation R	Value of Registered Investment Companies		61,560
	Franklin Templeton Moderate Allc R	Value of Registered Investment Companies		4,593
	Lord Abbett Mid-Cap Value P	Value of Registered Investment Companies		144,087
	Vanguard Long-Term Treasury Inv	Value of Registered Investment Companies		2