



Mandatorily Convertible Debentures - An Update

MATERIAL FACT

JBS S.A. (JBSS3), in accordance with its good corporate governance and with CVM Rule n. 358, in relation to the Company's Convertible Debentures, communicates to its shareholders, debenture holders and the market in general that the Company has notified Planner Trustee DTVM Ltda. ("Trustee") to extend the Due Date for the Liquidity Event to December 31st, 2011, and that it has paid a premium in the gross amount of R\$ 260,97 (two hundred, sixty reais and ninety seven centavos) for each debenture issued by the Company, totaling R\$ 521.940.000,00 (five hundred, twenty one million, nine hundred and forty thousand reais), as set forth in sections III.16.1.2. and III.21.a.vi. of the Indenture of the 1st Issuance of Convertible Debenture ("1st Issuance of Debentures"). The Administrative Agent (Banco Bradesco S.A.) has initiated payment to Debenture Holders on December 23rd, 2010.

Additionally, the Company communicates that it is in advanced stages of negotiation with its main debenture holder for the 2nd issuance of mandatorily convertible debentures ("2nd Issuance of Debentures") aiming at fully substituting the 1st Issuance of Debentures. The placement of the 2nd Issuance of Debentures will be private, and current shareholders (as of the issuance date) will have preemptive rights. The Debenture will have the following characteristics:

- Amount: R\$4 billion
- Period: 5 years
- Interest: 8.5% per annum, paid quarterly
- Mandatorily convertible into JBS S.A. shares at the end of the fifth year Conversion price of R\$9.50 per share (JBSS3), plus interest paid on the debentures, net of taxes, minus the remuneration paid to shareholders in the period (dividends, interest on equity, etc)
- Option to subscribe using 1st issuance of debentures.

Among the advantages of the new issuance are the elimination of the obligation to make the IPO of JBS USA in 2011 and the optimization of the tax and financial structure of the Company. The terms and characteristics of the new debenture issuance will be detailed in the near future and will be subject to the necessary approvals.

São Paulo, 26th of December, 2010

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