



Material Fact 12/23/2009

JBS S.A. ("JBS" or "Company"), in accordance with the provisions of CVM Ruling 358/02, as amended, informs its shareholders and the market at large that it has received, on December 22, 2009, a letter from BNDES Participações S.A. – BNDESPAR ("BNDESPAR"), communicating the approval of an investment in the Company through subscription of subordinated debentures, convertible into shares and with a clause of exchange ("Debentures"), of the first private issue of the Company, to be effected in a single series ("Issue"). The Debentures shall be mandatorily exchangeable for sponsored level II or III Brazilian depository receipts, representing voting common shares issued by JBS USA Holdings, Inc. ("JBS USA") ("BDRs") ("Swap"), or mandatorily convertible into shares of the Company ("Conversion into Shares"), in the event that the Company does not effect the Liquidity Event defined below.

1. BNDESPAR Investment . The Company's controlling shareholders, as well as the Company itself, have entered into an Investment Agreement with BNDESPAR ("Investment Agreement"), whereby the relevant parties have formalized BNDESPAR's commitment to subscribe for and pay up Debentures, which are described in details below, subject to fulfillment of the applicable conditions under the terms of the Investment Agreement. The total amount of the Debentures shall be the equivalent, in Brazilian currency on the date of issue of Debentures, to US\$ 2,000,000,000.00 ("Investment"), as provided for below and according to the respective indenture ("Indenture"). BNDESPAR, by the Investment Agreement, undertook to subscribe for a number of Debentures equivalent to up to the entire Investment (including any unsubscribed Debentures), less any Debentures acquired by the other shareholders of the Company by virtue of the exercise of the preemptive right described below. The Board of Directors approved the execution of the Investment Agreement by the Company in a resolution taken on December 7, 2009.

2. Preemptive Right . Since the Debentures are convertible into shares, the Company's shareholders shall have the preemptive right to subscribe for the Debentures, in accordance with Article 109, IV of the Corporation Law, ratably to the number of the Company shares held by them, as per the shareholding position on the date immediately prior to the date of the extraordinary general meeting that approves the execution of the Indenture ("Meeting"), for a period that begins on the date of the Meeting and is extended for thirty (30) days counted from the first business day following the publishing of the notice to the shareholders related to the Debentures. The shareholders, upon the subscription of Debentures, shall manifest their interest (or lack of interest) for the subscription of unsubscribed Debentures . Pursuant to the Investment Agreement, the JBS controlling shareholders shall assign the respective preemptive rights to BNDESPAR. The dispositions of item 7 below are applicable to the U.S. Persons or persons located in the U.S. (as defined in the Regulation S regulated under the 1933 Securities Act).

3. Application of Funds . The funds shall be fully allocated to pay up the capital increase of JBS USA, with the purpose of (a) completing the transaction reflected in the Stock Purchase Agreement whereby JBS USA, after subscription of new shares, will become the owner of shares representing sixty-four percent (64%) of the total voting capital of Pilgrim's Pride Corporation; and (b) reinforcing the Company's consolidated capital structure, for execution of investment plans and expansion projects, in addition to making feasible the completion of the project of integrating the Company's transactions with Bertin S.A. For the purposes of verification of the payment of the capital increase of JBS USA, occasional capital payments made in cash from December 1st, 2009 until ten (10) days after the closing of the placement of the Debentures shall be considered.

4. General Aspects of the Issue and Debentures . Up to two million (2,000,000) exchangeable or convertible book Debentures for private placement, in the total amount of the Investment, shall be issued.

(a) Form of Payment.

The unit par value of the Debentures shall be paid in full through: (i) the Swap, after occurrence of the Event of Liquidity; or (ii) the Conversion into Shares, in the case of non-occurrence of the Event of Liquidity, within the period and subject to the conditions established in the Indenture, according to item "d" below.

For the purposes of the Indenture, "Event of Liquidity" means, cumulatively: the completion of a public offering of shares of JBS USA, with primary placement of at least 50%, whether through an initial offering or through follow-on, for an amount of at least the equivalent of one billion and five hundred million United States dollars (US\$ 1,500,000,000.00), at which time JBS USA (a) will become a reporting company at the Securities and Swap Commission, (b) will have listed shares at the New York Stock Swap or NASDAQ, (c) will have a minimum free float (excluding the potential participation of the Debenture holders) of fifteen percent (15%), and (d) that the capital stock of JBS USA, issued on the date of the Event of Liquidity, be made up of shares of a single series and class, therefore having the same rights and advantages , provided that the issue of classes of preferred shares with different political rights, after the Liquidity Event, shall be permitted, exclusively for the defense against hostile takeovers.

(b) Exchangeability.

Upon the occurrence of the Liquidity Event, each Debenture shall mandatorily be exchanged by BDRs representing common shares of JBS USA. The number of BDRs to be exchanged by each Debenture shall consider that if all Debentures are subscribed and paid in (that is, the existence of 2,000,000 Debentures) the Debentures shall be exchanged by a percentage ("Percentage") of shares of JBS USA in its pre-Event of Liquidity shareholding base, as per the formula below:

$$\text{Percentage} = (\text{US\$ } 2,000,000,000 / V) * 100$$

V = shall mean the valuation of JBS USA in light of the offer made at the Liquidity Event, with the exclusion of the funds arising out as a result of the Liquidity Event (pre money valuation), calculated as follows:

$$V = Ba * Va$$

Ba = Number of JBS USA immediately prior to the Liquidity Event.

Va = Price per share (grossed up in relation to any occasional assessed commissions, charges or taxes) of JBS USA at the Liquidity Event, as determined in the cover of the definitive prospectus related to the Liquidity Event.

If the result of the Percentage is superior to 25%, such result shall be considered as 25%, for the purposes of the Swap. If the result of the Percentage is smaller than 20%, such result shall be considered as 25%, for the purposes of the Swap.

The BDRs resulting from the Swap: (i) shall have the same characteristics and conditions and shall fully use the same rights and advantages to be attributed to the shares issued and listed by JBS USA within the Liquidity Event context; and (ii) shall be a part of the Sponsored Level II or III BDRs Program. For the purposes of compliance with the demands set forth in the Securities Act of the United States of America, the BDRs shall be deposited in a custodian, on behalf of the debenture holders, which shall only make the BDRs available to the Debenture holders after the termination of a 195 day-term following the Liquidity Event. During such period, (A) the custodian shall be obliged to maintain the BDRs on behalf of the Debenture holders, being prohibited to transfer the ownership, loan or any form of assignment of the BDRs; (B) the Debenture holders, at that time BDRs holders, may exercise all rights inherent to the BDRs (except for its possibility of assignment), including, without limitation, the voting right and the receipt of Profits (defined); and (C) the custodian shall be obliged to make the BDRs available to the Debenture holders on the first business day after the end of the period established above.

The Percentage (duly adjusted, in accordance with the provisions established two paragraphs above) is based on the following premises: (i) the payment of the Issue in the total amount of the Issue, and (ii) non-occurrence, from December 1, 2009 up to the date of the Event of Liquidity, of any additional capitalization in JBS USA or public or private issuance of securities convertible into JBS USA (except (a) for the utilization of the proceeds of this Issuance for the capitalization of JBS USA, (b) for the Liquidity Event, or (c) by the capitalization of reserves in JBS USA), including, without limitation, amalgamation, merger, corporate reorganization or any other, without prejudice to the provisions of the Indenture, as well as occasional employees' shares acquisition program. If such premises are not materialized, such percentage will be equitably adjusted by the Issuer in good faith, and shall be evaluated and approved by the debenture holders. The debenture holder shall only be able to effect the full Swap of the Debentures held by such debenture holder, with the prohibition of the partial Swap.

(c) Convertibility.

With due regard for the other provisions of the Indenture, the Debentures shall be mandatorily converted, solely and exclusively in the cases of (i) non-occurrence of the Event of Liquidity within the period and on the conditions established in the Indenture, as per item "d" below; (ii) non-fulfillment of certain requisites related to some specific characteristics of the BDRs, as described in the Indenture; or (iii) Early Maturity contemplated by the Indenture, for a number of common shares issued by the Company as a result of the division of (a) their unit par value, plus a premium of ten percent (10%); and (b) the conversion price determined based on the weighted average per volume of the price of common share issued by the Company being traded at BM&FBovespa under the "JBSS3" ticker in the sixty (60) trading sessions immediately preceding the date of actual conversion of the Debentures, which average is adjusted as to declared profits, limited to a floor of six reais and fifty centavos (R\$ 6.50) per share and a ceiling of twelve reais and fifty centavos (R\$12.50) per share. The common shares issued by the Company as a result of the Conversion into Shares will have the same characteristics and conditions and will enjoy the same statutory rights and advantages, attributed at the present moment and in the future, as the common shares issued by the Company.

(d) Date of Occurrence of the Liquidity Event.

The Event of Liquidity is to take place until December 31, 2010 (the "Deadline"), under penalty of mandatory Conversion into Shares. Notwithstanding the provisions in the immediately preceding sentence, JBS may, up until 5 days before the Deadline, notify the fiduciary agent that it intends to extend the Deadline until December 31, 2011 (the "Extended Deadline"), in which case it shall pay, at the notification date and in Brazilian currency, to the Debenture Holders, a premium in the amount of fifteen percent (15%) over the unit par value of all of the then outstanding Debentures.

(e) Maturity.

The maturity date for the Debentures will be 60 years counted from the issue date.

(f) Profits.

The Debenture holders, upon the Swap, shall be entitled to receive dividends and capital compensations, bonuses, or else, any other profits, deducted from any occasional applicable taxes ("Profits"), declared by JBS USA and distributed to the Company since the date of issue of the Debentures until the actual date of receipt of the BDRs, proportionally to the number of BDRs arising from the Swap to be held by each Debenture

holder. The shares represented by BDRs resulting from the Swap shall be entitled, in any event, to the respective Profits declared even if such Profits are not paid in by JBS USA, as of the date of Issue. The rights related to Profits declared by JBS USA and not paid in to the Company shall be assigned, by the Company, to the Debenture holders. Upon the occurrence of the Conversion into Shares, the Debenture holders shall be entitled to receive dividends declared by the Company after the Conversion into Shares.

(g) Payment in Brazilian Currency.

Except for item "d" above, in the event of solicitation of the Extended Deadline by the Company, no payment in Brazilian currency of any amounts related to the Debentures shall be made, in any case, by the Company to the Debenture holders. The Debentures shall not be construed by the Debenture holders as the JBS debt, and for such reason, the issue of Debentures will not disqualify or violate any financial covenant of JBS.

5. Condition for Issue . To perform the transaction informed herein, under the terms and on the conditions above, the Company shall submit, to the shareholders' meeting called to take place on December 29, 2009, the approval of the Issue and of the Indenture.

6. Additional Information . Further information about the transaction will be available in the Company's website ([www.jbs.com.br /ri](http://www.jbs.com.br/ri)).

7. RESTRICTIONS APPLICABLE TO U.S. PERSONS OR PERSONS LOCATED IN THE USA. PERSONS LOCATED IN THE USA OR U.S. PERSONS (AS DEFINED IN THE REGULATIONS REGULATED UNDER THE 1933 SECURITIES ACT), INCLUDING INDIVIDUALS OR CORPORATIONS WITH ADDRESSES IN THE USA OR PERSONS THAT NEGOTIATE SECURITIES OR ACT AS AGENTS ON BEHALF OF SUCH PERSONS, WILL NOT BE ABLE TO, UNDER ANY CIRCUMSTANCE, USE PREEMPTIVE RIGHTS FOR THE SUBSCRIPTION OF DEBENTURES OR, IN ANY OTHER FORM, THE ACQUISITION OF DEBENTURES. THE SHAREHOLDERS WITH DOUBTS RELATED TO THE QUALIFICATION OF THEMSELVES OR OF THE CORPORATIONS REPRESENTED BY THEM AS PERSONS LOCATED IN THE USA OR U.S. PERSONS, AS PER THE CRITERIA OF REGULATION S, SHALL CONSULT THEIR ATTORNEYS.

THIS MATERIAL FACT does not CONSTITUTE a sale offer OF DEBENTURES OR PREEMPTIVE RIGHTS IN THE US. NEITHER THE DEBENTURES NOR THE PREEMPTIVE RIGHTS CAN BE OFFERED OR SOLD IN THE US WITHOUT THE APPLICABLE REGISTRY OR REGISTRY EXEMPTION, UNDER THE TERMS OF THE SECURITIES ACT.

São Paulo, December 23, 2009

Jeremiah O'Callaghan
Investors' Relations Manager