



## Material Fact - Incorporation of Vigor

JBS S.A. ("Company"), in compliance with the provisions of Brazilian Securities Commission (Comissão de Valores Mobiliários – "CVM") Instructions No. 358/2002 and 319/1999, informs, to whom this may concern, that it shall be submitted to the Company's shareholders a proposal regarding the merger, by the Company, of S/A Fábrica de Produtos Alimentícios Vigor, a company with headquarters in the City of São Paulo, State of São Paulo, at Rua Joaquim Carlos, 396, enrolled with the Federal Taxpayers Registry (CNPJ/MF) under No. 61.116.331/0001-86 ("Vigor"), as described below ("Merger").

1. Reasons for the Merger and interest of the companies in its accomplishment.

1.1. The Merger is part of a process of simplification of the corporate structure of which the Company and Vigor are a part. The Merger will result, among other advantages, in operational simplification and costs reduction on transactions between the companies.

1.2. In addition, the goodwill registered by the Company at the time of the acquisition of Vigor, based on expectation of future gains, in the amount of R\$132,110,261.40, shall be, after the Merger, used by the Company for tax purposes, as set forth in the applicable law, without the issuance of new shares.

2. Acts preceding the Merger.

2.1. The management of the Company approved the Merger on September 14, 2010, pursuant to the terms set forth in the Protocol and Justification entered into by the management of the companies on September 13, 2010 ("Protocol and Justification"), and approved the summoning of an Extraordinary General Shareholders' Meeting to be held on September 30, 2010 to resolve on such matter.

3. Ratio of substitution, number and type of shares to be assigned to the Company's shareholders and withdrawal rights

3.1. It is intended that, on the date of the Merger, the Company will hold 100% of the shares issued by Vigor and, therefore, Vigor will have no shareholder other than the Company itself. As a consequence, the Merger will not result in any change to the Company's net equity, neither in the issuance of new shares, reason why the establishment of any ratio of substitution will not be necessary.

3.2. Besides, since there will not be any shareholder in Vigor other than the Company itself, no reimbursement of dissenting shareholders will be due.

3.3. Although the merger of Vigor into the Company is subject, in principle, to the provisions of Section 264 of Law No. 6,404/76, the management of the Company has requested CVM to confirm its understanding that the presentation of the comparative appraisal reports, as required by the aforementioned legal provision, shall not be applicable in this case, since, as already mentioned above, on the date in which the companies intend to approve the Merger, there will be (i) no other shareholder in the merged company other than the Company itself, reason why there is no need for the Company to determine reimbursement value due to exercise of withdrawal right; and (ii) no change to the Company's net equity and, therefore, no issuance of new shares. Such request is still under review by CVM.

3.4. Since the Merger involves controlling and controlled companies, the totality of shares representing the share capital of Vigor held by the Company on the date of the Merger will be cancelled, as set forth in Article 226, paragraph 1 of Law No. 6,404/76.

3.5. Vigor does not hold any shares issued by the Company.

4. Criteria for the appraisal of Vigor's equity and treatment of equity changes.

4.1. The net equity of Vigor will be merged into the Company taking into account its book value on December 31, 2009 ("Reference Date").

4.2. The management of the Company, ad referendum of the General Meeting that will examine the Protocol and Justification, has appointed Apsis Consultoria Empresarial Ltda., enrolled with the Federal Taxpayers Registry (CNPJ/MF) under nº 27.281.922/0001-70, with headquarters in the City of Rio de Janeiro, State of Rio de Janeiro, at Rua da Assembleia, 35, 12th floor ("APSIS") to perform the appraisal of the net equity of Vigor to be transferred to the Company as a consequence of the Merger. As a result of its work, APSIS has delivered the corresponding appraisal report to the Company ("Appraisal Report").

4.3. All equity variations verified from the Reference Date until the date in which the Merger becomes effective will be allocated to the Company.

4.4. All real properties owned by Vigor, as well as all movable assets, inventory and equipments in its establishments, will be owned by the Company as a result of the Merger.

4.5. APSIS represented that (i) there is no conflict or interest, whether actual or potential, with shareholders of Vigor or of the Company or with

regard to the Merger; and (ii) shareholders or officers of Vigor or of the Company have not influenced, limited, made it difficult or performed any acts that compromised or may have compromised access to, use or knowledge of information, properties, documents or work methodology relevant to the quality of its conclusions.

5. Absence of capital increase and effects on the equity of the Company after the Merger.

5.1. As there will be no increase in the net equity of the Company, and, consequently, no issuance of new shares as a result of the Merger, the corporate capital of the Company will remain unchanged.

6. Transaction acts.

6.1. Consummation of the Merger requires the following acts to be performed:

- (a) Extraordinary General Shareholders' Meeting of Vigor in order to approve the Protocol and Justification and the Merger; and
- (b) Extraordinary General Shareholders' Meeting of the Company in order to (i) approve the Protocol and Justification; (ii) confirm the appointment of APSIS; and (iii) approve the Appraisal Report and the Merger.

7. Costs.

7.1. It is estimated that the costs of the Merger shall be up to R\$50,000.00, including expenses with publications, auditors, appraisers, lawyers and other technical professionals to be hired to assist in the transaction.

8. Other information concerning the transaction.

8.1. Upon completion of the Merger, Vigor will be extinguished and succeeded by the Company in all of its assets, rights and obligations.

8.2. The management of the Company shall perform all acts deemed necessary for the implementation of the Merger, including the cancellation of the enrollment of Vigor with any federal, state and municipal authorities, as well as the maintenance, for the legal term, of its accounting books. The costs and expenses arising from the implementation of the Merger shall be borne by the Company.

9. Transaction documents.

9.1. The Protocol and Justification, the Appraisal Report and other documents referred to herein are available to the shareholders as from this date in the Company's headquarters, and in the websites of the Company ([www.jps.com.br/ri/](http://www.jps.com.br/ri/)), of CVM ([www.cvm.gov.br](http://www.cvm.gov.br)) and of BM&FBOVESPA S.A. – Bolsa de Valores, Mercadorias e Futuros ([www.bmfbovespa.com.br](http://www.bmfbovespa.com.br)).

[Click here to view the Protocol and Justification \(Portuguese Only\)](#)

[Click here to view the Appraisal Report \(Portuguese Only\)](#)

[Click here to view the Call Notice \(Portuguese Only\)](#)

**São Paulo, September 15, 2010**

**Jeremiah O'Callaghan**  
**Investors Relations Officer**