# Underwriting

We and the selling stockholder are offering shares of common stock through a number of international underwriters. J.P. Morgan Securities Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated are acting as the representatives of the international underwriters and as joint bookrunners for the international offering. We and the selling stockholder have entered into an international underwriting agreement with the international underwriters. Subject to the terms and conditions of the international underwriting agreement, we and the selling stockholder have agreed to sell to the international underwriters, and each international underwriter has agreed to purchase, at the public offering price less the underwriting discount set forth on the cover page of this prospectus, the number of shares of our common stock listed next to its name in the following table.

| Name | Number of shares |
| --- | --- |
| J.P. Morgan Securities Inc. | |
| Merrill Lynch, Pierce, Fenner & Smith Incorporated | |
| Total | |

The international underwriters are committed to purchase all the common stock offered by us and the selling stockholder if they purchase any shares of common stock (other than those shares of common stock covered by their option to purchase additional shares as described below). The international underwriting agreement also provides that if an international underwriter defaults, the purchase commitments of non-defaulting international underwriters may also be increased or the international offering may be terminated. The international underwriting agreement also provides that the obligations of the international underwriters are subject to certain conditions precedent, including the absence of any material adverse change in our business and the receipt of certain certificates, opinions and letters from us, our counsel and our independent auditors.

We and the selling stockholder have entered into a Brazilian underwriting agreement with a syndicate of Brazilian underwriters providing for the concurrent offering in Brazil of shares of our common stock in the form of BDRs.

The closing of the Brazilian offering will be conditioned on the closing of the international offering.

The international and Brazilian underwriters have entered into an intersyndicate agreement which governs specified matters relating to the global offering. Under this agreement, each international underwriter has agreed that, as part of its distribution of our common stock and subject to permitted exceptions, it has not offered or sold, and will not offer or sell, directly or indirectly, any share of common stock or distribute any prospectus relating to our common stock to any person in Brazil or to any other dealer which does not so agree. Each Brazilian underwriter similarly has agreed that, as part of its distribution of our common stock in the form of BDRs and subject to permitted exceptions, it has not offered or sold, and will not offer to sell, directly or indirectly, any shares of common stock, whether or not in the form of BDRs, or distribute any prospectus relating to our common stock to any person outside Brazil or to any other dealer which does not so agree. These limitations do not apply to stabilization transactions or to transactions between the Brazilian and international underwriters, which have agreed that they may sell common stock or BDRs, as the case may be, between their respective underwriting syndicates. The number of common stock or BDRs, as the case may be, actually allocated to each offering may differ from the amount offered due to reallocation between the international and Brazilian offerings.

The international underwriters propose to offer the shares of common stock directly to the public at the initial public offering price set forth on the cover page of this prospectus and to certain dealers at that price less a concession not in excess of $ per share. Any such dealers may resell shares to certain other brokers or dealers at a discount of up to $ per share from the initial public offering price. After the initial public offering of the shares of common stock, the international underwriters may change the offering price and other selling terms. The representatives have advised us that the international underwriters do not intend to confirm discretionary sales in excess of 5% of the common stock offered in the offering.

The international underwriters have an option to buy up to additional shares of common stock from us to cover sales of shares by the international underwriters which exceed the number of shares specified in the table above. The international underwriters have 30 days from the date of this prospectus to exercise this over-allotment option. If any additional shares of common stock are purchased, the international underwriters will offer the additional shares on the same terms as those on which the shares are being offered.

The underwriting fee is equal to the public offering price per share of common stock less the amount paid by the international underwriters to us and the selling stockholder per share of common stock. The underwriting fee in connection with the international offering is $ per share. The following table shows the per share and total underwriting discount to be paid to the international underwriters by us and the selling stockholder assuming both no exercise and full exercise of the international underwriters' option to purchase additional shares.

**Underwriting discount:**

| | Paid by us | | Paid by the selling stockholder | |
|---|---|---|---|---|
| | **Without over-allotment exercise** | **With full over-allotment exercise** | **Without over-allotment exercise** | **With full over-allotment exercise** |
| Per share.......................... | $ | $ | $ | $ |
| Total ................................ | $ | $ | $ | $ |

We estimate that the total expenses of the international offering, including registration, filing and listing fees, printing fees and legal and accounting expenses, but excluding the underwriting discount, will be approximately $ , which includes expenses of $ incurred by the international underwriters that we have agreed to reimburse.

The international offering of our shares of common stock is made for delivery when and if accepted by the international underwriters and subject to prior sale and to withdrawal, cancellation or modification of this offering without notice. The international underwriters reserve the right to reject an order for the purchase of shares in whole or part.

A prospectus in electronic format may be made available on the websites maintained by one or more international underwriters, or selling group members, if any, participating in the offering. The international underwriters may agree to allocate a number of shares to selling group members for sale to their online brokerage account holders. Internet distributions will be allocated by the representatives to international underwriters and selling group members that may make Internet distributions on the same basis as other allocations. In addition, the international underwriters may sell shares to securities dealers who resell shares to online brokerage account holders. The information on any such website is not part of this prospectus.

We, the selling stockholder and our executive officers and directors have agreed with the underwriters prior to the commencement of this offering that we and each of these persons or entities, with limited exceptions, for a period of 180 days after the date of this prospectus, may not, without the prior written consent of the representatives, among other things:

(1) offer, pledge, announce the intention to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any shares of our common stock (including, without limitation, BDRs representing such shares, common stock or BDRs that may be deemed to be beneficially owned by such directors, executive officers, managers and members in accordance with the rules and regulations of the SEC and securities which may be issued upon exercise of a stock option or warrant), or

(2) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of our common stock, including BDRs representing such shares,

whether any such transaction described in bullet points (1) or (2) above is to be settled by delivery of common stock or such other securities, in cash or otherwise. The 180-day restricted period described above will be extended if during the last 17 days of the 180-day restricted period we issue an earnings release or material news or a material event relating to us occurs or if prior to the expiration of the 180-day restricted period, we announce that we will release earnings results during the 16-day period beginning on the last day of the 180-day period, in which case the restrictions described above will continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event, as applicable, unless the representatives waive, in writing, such extension.

The representatives have no current intent or arrangement to release any of the shares subject to the lock-up agreements prior to the expiration of the 180-day lock-up period. There is no contractually specified condition for the waiver of lock-up restrictions, and any waiver is at the discretion of the representatives.

There are no specific criteria for the waiver of lock-up restrictions, and the representatives cannot in advance determine the circumstances under which a waiver might be granted. Any waiver will depend on the facts and circumstances existing at the time. Among the factors that the representatives may consider in deciding whether to release shares may include the length of time before the lock-up expires, the number of shares involved, the reason for the requested release, market conditions, the trading price of our common stock or the BDRs, historical trading volumes of our common stock or the BDRs, and whether the person seeking the release is an officer, director or affiliate of our company. The representatives will not consider their own positions in our securities, if any, in determining whether to consent to a waiver of a lock-up agreement.

We and the selling stockholder have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act.

We expect to apply to have our common stock approved for listing on The New York Stock Exchange under the symbol “JBS.” We also expect to apply to list the BDRs on the São Paulo Stock Exchange under the symbol “ .”

In connection with the offering, the international underwriters may engage in stabilizing transactions, which involves making bids for, purchasing and selling shares of common stock in the open market for the purpose of preventing or retarding a decline in the market price of the common stock while the offering is in progress. These stabilizing transactions may include making short sales of the common stock, which involve the sale by the international underwriters of a greater number of shares of common stock than they are required to purchase in the offering, and purchasing shares of common stock on the open market to cover positions created by short sales. Short sales may be “covered” shorts, which are short positions in an amount not greater than the international underwriters’ over-allotment option referred to above, or may be “naked” shorts, which are short positions in excess of that amount. The international underwriters may close out any covered short position either by exercising their over-allotment option, in whole or in part, or by purchasing shares in the open market. In making this determination, the international underwriters will consider, among other things, the price of shares available for purchase in the open market compared to the price at which the international underwriters may purchase shares through the over-allotment option. A naked short position is more likely to be created if the international underwriters are concerned that there may be downward pressure on the price of the common stock in the open market that could adversely affect investors who purchase in the international offering. To the extent that the international underwriters create a naked short position, they will purchase shares in the open market to cover the position.

The international underwriters have advised us that, pursuant to Regulation M under the Exchange Act, they may also engage in other activities that stabilize, maintain or otherwise affect the price of the common stock, including the imposition of penalty bids. This means that if the representatives of the international underwriters purchase common stock in the open market in stabilizing transactions or to cover short sales, the representatives can require the international underwriters that sold those shares as part of the offering to repay the underwriting discount received by them.

These activities may have the effect of raising or maintaining the market price of the common stock or preventing or retarding a decline in the market price of the common stock, and, as a result, the price of the common stock may be higher than the price that otherwise might exist in the open market. If the international underwriters commence these activities, they may discontinue them at any time. The international underwriters may carry out these transactions on The New York Stock Exchange, in the over-the-counter market or otherwise.

In connection with the Brazilian offering, , acting through its brokerage house , on behalf of the Brazilian underwriters, may engage in transactions on the São Paulo Stock Exchange that stabilize, maintain or otherwise affect the price of the BDRs. In addition, it may bid for, and purchase, BDRs in the open market to cover syndicate short positions or stabilize the price of the BDRs. These stabilizing transactions may have the effect of raising or maintaining the market price of our common stock, whether or not in the form of BDRs, or preventing or retarding a decline in the market price of our common stock. As a result, the price of our common stock may be higher than the price that might otherwise exist in the absence of these transactions. These transactions, if commenced, may be discontinued at any time. Reports on stabilization activity are required to be furnished to the CVM. Stabilization activities may be carried out for up to 30 days from the day after the date of this prospectus. A stabilization activities agreement, in a form approved by the CVM, has been executed simultaneously with the execution of the Brazilian underwriting agreement.

At our request, the underwriters have reserved for sale as part of the international offering, at the initial offering price, up to shares, or approximately of the total number of shares offered in this prospectus, for our employees and directors, selected business associates and certain related persons. If purchased by these persons, these shares will be subject to a -day lock-up restriction. The number of shares of common stock available for sale to the general public will be reduced to the extent such persons purchase such reserved shares. Any reserved shares which are not so purchased will be offered by the underwriters to the general public on the same basis as the other shares offered in this prospectus.

Prior to the global offering, there has been no public market for our common stock. The initial public offering price will be determined by negotiations between us and the underwriters. In determining the initial public offering price of the common stock, we and the underwriters considered a number of factors including:

- the information set forth in this prospectus and otherwise available to the underwriters;
- our prospects and the history and prospects for the industry in which we compete;
- an assessment of our management;
- our prospects for future earnings;
- the general condition of the securities markets, and the initial public offering market in particular, at the time of the global offering;
- the recent market prices of, and demand for, publicly traded common stock of generally comparable companies; and
- other factors deemed relevant by the underwriters, the selling stockholder and us.

Neither we, the selling stockholder nor the underwriters can assure investors that an active trading market will develop for our common stock, or that the shares will trade in the public market at or above the initial public offering price.

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “Relevant Implementation Date”), no offer of shares of our common stock to the public in that Relevant Member State may be made prior to the publication of a prospectus in relation to our common stock which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that, with effect from and including the Relevant Implementation Date, an offer of our common stock may be made to the public in that Relevant Member State at any time:

- to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or
- in any other circumstances which do not require the publication by the issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

Each purchaser of shares of common stock described in this prospectus located within a relevant member state will be deemed to have represented, acknowledged and agreed that it is a “qualified investor” within the meaning of Article 2(1)(e) of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of shares to the public” in relation to any common stock in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the shares of common stock to be offered so as to enable an investor to decide to purchase or subscribe the shares of common stock, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, and the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

This prospectus is only being distributed to, and is only directed at, persons in the United Kingdom that are qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive (“Qualified Investors”) that are also (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “Order”) or (ii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as “relevant persons”). This prospectus and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other persons in the United Kingdom. Any person in the United Kingdom that is not a relevant person should not act or rely on this document or any of its contents.

## Notice to prospective investors In Switzerland

This document, as well as any other material relating to the common stock offered in the offering, do not constitute an issue prospectus pursuant to Article 652a of the Swiss Code of Obligations. The common stock will not be listed on the SWX Swiss Exchange and, therefore, the documents relating to the sale, including, but not limited to, this document, do not claim to comply with the disclosure standards of the listing rules of SWX Swiss Exchange and corresponding prospectus schemes annexed to the listing rules of the SWX Swiss Exchange.

Our shares are being offered in Switzerland by way of a private placement, i.e., to a small number of selected investors only, without any public offer and only to investors who do not purchase our shares with the intention to distribute them to the public. The investors will be individually approached by us from time to time.

This document, as well as any other material relating to the common stock offered in the global offering, are personal and confidential and do not constitute an offer to any other person. This document may only be used by those investors to whom it has been handed out in connection with the global offering described herein and may neither directly nor indirectly be distributed or made available to other persons without express consent of us. It may not be used in connection with any other offer and shall in particular not be copied and/or distributed to the public in (or from) Switzerland.

## Notice to prospective investors in the Dubai International Financial Centre

This document relates to an exempt offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority. This document is intended for distribution only to persons of a type specified in those rules. It must not be delivered to, or relied on by, any other person. The Dubai Financial Services Authority has no responsibility for reviewing or verifying any documents in connection with exempt offers. The Dubai Financial Services Authority has not approved this document nor taken steps to verify the information set out in it, and has no responsibility for it. The shares of common stock which are the subject of the global offering contemplated by this prospectus may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the common stock offered in the global offering should conduct their own due diligence on the shares. If you do not understand the contents of this document you should consult an authorized financial adviser.

## Relationships with the underwriters

The international underwriters and their affiliates have provided in the past to us and our affiliates, including the selling stockholder, and may provide from time to time in the future certain commercial banking, financial advisory, investment banking and other services for us and such affiliates in the ordinary course of their business, for which they have received and may continue to receive customary fees and commissions. Affiliates of J.P. Morgan Securities Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated are lenders under our senior secured revolving credit facility. In addition, J.P. Morgan Securities Inc. and an affiliate of Merrill Lynch, Pierce, Fenner & Smith Incorporated were initial purchasers of the 11.625% senior unsecured notes due 2014 that were issued in April 2009 by our wholly owned subsidiaries JBS USA, LLC and JBS Finance, Inc., and J.P. Morgan Securities Inc. was an initial purchaser of JBS S.A.'s 10.5% senior notes due 2016.

In addition, from time to time, the international underwriters and their affiliates may effect transactions for their own account or the account of customers, and hold on behalf of themselves or its customers, long or short positions in our debt or equity securities or loans, and may do so in the future.

# Legal matters

The validity of the shares of common stock offered hereby and certain other matters of United States law will be passed upon for us by White & Case LLP. Certain matters of United States law in connection with this offering will be passed upon for the underwriters by Simpson Thacher & Bartlett LLP. Certain matters of Brazilian law in connection with this offering will be passed upon for us by Pinheiro Neto Advogados. Certain matters of Brazilian law in connection with this offering will be passed upon for the underwriters by Mattos Filho, Veiga Filho, Marrey Jr. e Quiroga Advogados.

# Experts

Our consolidated financial statements as of and for the year ended December 28, 2008, have been audited by BDO Seidman, LLP, as stated in their report included elsewhere in this prospectus and have been so included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The consolidated financial statements as of and for (1) the 173 days from July 11, 2007 through December 30, 2007, (2) the 198 days from December 25, 2006 through July 10, 2007, and (3) the year ended December 24, 2006, included in this prospectus and elsewhere in the registration statement have been so included in reliance upon the report of Grant Thornton LLP, independent registered public accountants, upon the authority of said firm as experts in giving said reports.

The consolidated financial statements of JBS Packerland Inc. (formerly known as Smithfield Beef Group, Inc.) as of and for the year ended April 27, 2008, appearing in this prospectus and in the registration statement, have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their report thereon appearing elsewhere herein and are included in reliance upon such report given on the authority of said firm as experts in accounting and auditing.

The financial statements of Five Rivers Ranch Cattle Feeding LLC as of and for the year ended March 31, 2008, included in this prospectus have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report appearing elsewhere in this prospectus. Such financial statements are included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

Our condensed consolidated financial statements as of and for the fiscal quarter ended March 29, 2009 have been reviewed by BDO Seidman, LLP as stated in their report included elsewhere in this prospectus. This report is not considered a “report” or “part” of the prospectus within the meaning of Sections 7 and 11 of the Securities Act of 1933, and Section 11 liability under that Act does not extend to such report.

# Where you can find more information

We have filed with the SEC a registration statement on Form S-1 under the Securities Act with respect to the shares of common stock we are offering. The registration statement, including the attached exhibits and schedule, contains additional relevant information about us and our common stock. This prospectus does not contain all of the information set forth in the registration statement and the exhibits and schedule thereto. The rules and regulations of the SEC allow us to omit from this prospectus certain information included in the registration statement. When we complete this offering, we will be required to file annual, quarterly and special reports, proxy statements and other information with the SEC.

For further information about us and our common stock, you may inspect a copy of the registration statement and the exhibits and schedule to the registration statement without charge at the offices of the SEC at 100 F Street, N.E., Washington, D.C. 20549. You may obtain copies of all or any part of the registration statement from the Public Reference Section of the SEC, 100 F Street, N.E., Washington, D.C. 20549 upon the payment of the prescribed fees. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains a website at www.sec.gov that contains reports, proxy and information statements and other information regarding registrants like us that file electronically with the SEC. You can also inspect our registration statement on this website.

# Index to consolidated financial statements

BDO Seidman, LLP
Accountants and Consultants

700 North Pearl, Suite 2000
Dallas, Texas 75201
Telephone: 214-969-7007
Fax: 214-953-0722

Accountants' review report

Board of Directors
JBS USA Holdings, Inc.
1770 Promontory Circle
Greeley, CO 80634

We have reviewed the accompanying condensed consolidated balance sheet of JBS USA Holdings, Inc. and subsidiaries as of March 29, 2009, and the related condensed consolidated statements of operations, stockholder's equity, and cash flows for the thirteen week period then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of JBS USA Holdings, Inc.

A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

The 2008 financial statements of JBS USA Holdings, Inc. (Formerly JBS USA, Inc. and formerly known as Swift Foods Company) were reviewed by other accountants whose report dated May 1, 2008, stated that they were not aware of any material modifications that should be made to those statements in order for them to be in conformity with generally accepted accounting principles.

BDO Seidman, LLP

July 21, 2009

# JBS USA HOLDINGS, INC.
# An indirect subsidiary of JBS S.A.
# Condensed consolidated balance sheets

**(dollars in thousands, except per share data)**

| | December 28, 2008 | (Unaudited) March 29, 2009 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 254,785 | $ 156,737 |
| Accounts receivable, net of allowance for doubtful accounts of $4,142 and $3,291, respectively | 588,985 | 514,160 |
| Inventories, net | 649,000 | 650,026 |
| Deferred income taxes, net | 5,405 | 5,125 |
| Other current assets | 85,521 | 72,430 |
| Total current assets | 1,583,696 | 1,398,478 |
| Property, plant, and equipment, net | 1,229,316 | 1,241,055 |
| Goodwill | 147,855 | 149,093 |
| Other intangibles, net | 304,967 | 299,097 |
| Note receivable | 1,630 | 172,771 |
| Deferred income taxes, net | 15,500 | 15,745 |
| Other assets | 32,607 | 32,576 |
| Total assets | $3,315,571 | $3,308,815 |
| **Liabilities and stockholder's equity** | | |
| Current liabilities: | | |
| Short-term debt | $ 67,012 | $ 71,428 |
| Current portion of long-term debt | 4,499 | 4,103 |
| Current portion of deferred revenue | 38,219 | 23,712 |
| Accounts payable | 192,697 | 152,615 |
| Book overdraft | 160,532 | 120,932 |
| Deferred income taxes, net | 8,587 | 8,723 |
| Accrued liabilities | 283,069 | 271,256 |
| Total current liabilities | 754,615 | 652,769 |
| Long-term debt, excluding current portion | 806,808 | 901,517 |
| Deferred revenue | 163,064 | 158,723 |
| Deferred income taxes, net | 150,670 | 150,774 |
| Other non-current liabilities | 52,164 | 50,093 |
| Total liabilities | 1,927,321 | 1,913,876 |
| Commitments and contingencies | | |
| Stockholder's equity: | | |
| Common stock: par value $.01 per share, 500,000,000 authorized, 100 shares issued and outstanding | — | — |
| Additional paid-in capital | 1,400,159 | 1,400,159 |
| Retained earnings | 49,512 | 51,764 |
| Accumulated other comprehensive loss | (61,421) | (56,984) |
| Total stockholder's equity | 1,388,250 | 1,394,939 |
| Total liabilities and stockholder's equity | $3,315,571 | $3,308,815 |

*The accompanying notes are an integral part of this condensed consolidated financial statement.*

# JBS USA Holdings, Inc.
# An Indirect Subsidiary of JBS S.A.

# Condensed consolidated statements of operations

**(dollars in thousands, except per share data)**

| | (Unaudited) Thirteen weeks ended | |
|---|---|---|
| | **March 30, 2008** | **March 29, 2009** |
| Gross sales | $ 2,478,734 | $ 3,211,555 |
| Less deductions from sales | (17,077) | (15,216) |
| Net sales | 2,461,657 | 3,196,339 |
| Cost of goods sold | 2,451,413 | 3,123,358 |
| Gross profit | 10,244 | 72,981 |
| Selling, general, and administrative expenses | 31,042 | 61,598 |
| Foreign currency transaction gains | (12,614) | (5,075) |
| Other income, net | (3,782) | (1,475) |
| Loss on sales of property, plant, and equipment | 19 | 180 |
| Interest expense, net | 8,108 | 14,592 |
| Income (loss) before income tax expense | (12,529) | 3,161 |
| Income tax expense | 5,613 | 909 |
| Net income (loss) | $ (18,142) | $ 2,252 |
| *Income per common share:* | | |
| Basic | $ (181,420.00) | $ 22,520.00 |
| Diluted | $ (181,420.00) | $ 22,520.00 |
| *Weighted average shares:* | | |
| Basic | 100 | 100 |
| Diluted | 100 | 100 |

*The accompanying notes are an integral part of this condensed consolidated financial statement.*

# JBS USA Holdings, Inc.
# An Indirect Subsidiary of JBS S.A.
# Condensed consolidated statements of cash flows

**(dollars in thousands)**

| | (Unaudited) Thirteen weeks ended March 30, 2008 | (Unaudited) Thirteen weeks ended March 29, 2009 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net income (loss) | $ (18,142) | $ 2,252 |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: | | |
| Depreciation | 16,472 | 27,407 |
| Amortization of intangibles | 2,667 | 5,945 |
| Amortization of debt issuance costs | 606 | 1,123 |
| Loss on sale of property, plant, and equipment | 233 | 180 |
| Deferred income taxes | 175 | 104 |
| Foreign currency transaction gains | (11,869) | (3,311) |
| Change in operating assets and liabilities: | | |
| Restricted cash | 30,566 | — |
| Accounts receivable, net | (12,767) | 64,815 |
| Inventories | (67,030) | 2,696 |
| Other current assets | (7,198) | 3,467 |
| Accounts payable and accrued liabilities | (62,632) | (39,845) |
| Noncurrent assets | 8 | (9,975) |
| Noncurrent liabilities | — | (3,855) |
| Net cash flows provided by (used in) operating activities | (128,911) | 51,003 |
| Cash flows from investing activities: | | |
| Purchases of property, plant, and equipment | (11,676) | (35,189) |
| Proceeds from sales of property, plant, and equipment | 40 | 15 |
| Investment in bonds | (4,900) | — |
| Proceeds from sale of nonoperating real property | 1,160 | — |
| Notes receivable and other | — | (171,266) |
| Net cash flows used in investing activities | (15,376) | (206,440) |
| Cash flows from financing activities: | | |
| Net borrowings of revolver | — | 96,806 |
| Payments of short-term debt | (416,980) | (334) |
| Payments of long-term debt and capital lease obligations | (368) | (1,182) |
| Change in overdraft balances | (10,517) | (39,601) |
| Investment from parent | 450,000 | — |
| Net cash flows provided by financing activities | 22,135 | 55,689 |
| Effect of exchange rate changes on cash | 634 | 1,700 |
| Net change in cash and cash equivalents | (121,518) | (98,048) |
| Cash and cash equivalents, beginning of period | 198,883 | 254,785 |
| Cash and cash equivalents, end of period | $ 77,365 | $ 156,737 |
| Non-cash investing and financing activities: | | |
| Construction in progress under deemed capital lease | $ 8,178 | $ 135 |
| Supplemental information: | | |
| Cash paid for interest | $ 24,173 | $ 2,393 |
| Cash paid for income taxes | $ 385 | $ 3,309 |

*The accompanying notes are an integral part of this condensed consolidated financial statement.*

# JBS USA Holdings, Inc.
# An indirect subsidiary of JBS S.A.
# Condensed consolidated statements of stockholder's equity

**(dollars in thousands)**
**(Unaudited)**

## For the thirteen weeks ended March 30, 2008 and March 29, 2009

| | Common stock issued/ outstanding | Common stock | Additional paid-in capital | Retained earnings (accumulated deficit) | Accumulated other comprehensive income/(loss) | Total stockholder's equity |
|---|---|---|---|---|---|---|
| Balance at December, 30, 2007 | 100 | $— | $ 950,159 | $(111,592) | $ 251 | $ 838,818 |
| Capital contributions | — | — | 450,000 | — | — | 450,000 |
| Comprehensive income (loss): | | | | | | |
| Net income | — | — | — | (18,142) | — | (18,142) |
| Derivative financial instrument adjustment, net of tax of $143 | — | — | — | — | 446 | 446 |
| Foreign currency translation adjustment | — | — | — | — | 9,953 | 9,953 |
| Total comprehensive loss | | | | | | (7,743) |
| Balance at March 30, 2008 | 100 | $— | $1,400,159 | $(129,734) | $10,650 | $1,281,075 |

| | Common stock issued/ outstanding | Common stock | Additional paid-in capital | Retained earnings (accumulated deficit) | Accumulated other comprehensive income/(loss) | Total stockholder's equity |
|---|---|---|---|---|---|---|
| Balance at December, 28, 2008 | 100 | $— | $1,400,159 | $49,512 | $(61,421) | $1,388,250 |
| Comprehensive income (loss): | | | | | | |
| Net income | — | — | — | 2,252 | — | 2,252 |
| Derivative financial instrument adjustment, net of tax of $280 | — | — | — | — | 457 | 457 |
| Foreign currency translation adjustment | — | — | — | — | 3,980 | 3,980 |
| Total comprehensive income | | | | | | 6,689 |
| Balance at March 29, 2009 | 100 | $— | $1,400,159 | $51,764 | $(56,984) | $1,394,939 |

*The accompanying notes are an integral part of this condensed consolidated financial statement.*

# JBS USA Holdings, Inc.
# An indirect subsidiary of JBS S.A.
# Notes to condensed consolidated financial statements

## Note 1. Description of business

JBS USA Holdings, Inc. ("JBS USA Holdings" or the "Company"), formerly known as JBS USA, Inc. is a Delaware corporation. The operations of the Company and its subsidiaries constitute the operations of JBS USA Holdings as reported under accounting principles generally accepted in the United States of America ("GAAP"). JBS USA Holdings, Inc. is an indirect subsidiary of JBS S.A., a Brazilian company ("JBS"). The accompanying interim consolidated financial statements have not been audited by independent certified public accountant but in the opinion of management, reflect all normal and recurring adjustments considered necessary for a fair presentation of the financial position and results of operations. The results of operations for thirteen weeks ended March 29, 2009 are not necessarily indicative of results to be expected for the full year.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information. In addition, the Company's condensed consolidated financial statements and footnotes contained herein do not include all of the information and footnotes required by GAAP to be considered "complete financial statements". Therefore, these unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements of the Company as of and for the fifty-two weeks ended December 28, 2008.

JBS USA Holdings processes, prepares, packages, and delivers fresh, further processed and value-added beef, pork and lamb products for sale to customers in the United States and international markets. JBS USA Holdings sells its meat products to customers in the foodservice, international, further processor, and retail distribution channels. The Company also produces and sells by-products that are derived from its meat processing operations, such as hides and variety meats, to customers in various industries.

JBS USA Holdings conducts its domestic beef and pork processing businesses through its wholly owned subsidiaries Swift Beef Company ("Swift Beef"), Swift Pork Company ("Swift Pork") and JBS Packerland ("JBS Packerland"), formerly known as Smithfield Beef Group and its Australian beef business through Swift Australia Pty. Ltd. ("Swift Australia"). We have two reportable segments comprised of Beef and Pork which, for the thirteen weeks ended March 30, 2008, represented approximately 78.5% and 21.5% of net sales and for the thirteen weeks ended March 29, 2009, represented approximately 83.6% and 16.4% of net sales, respectively. The Company operates eight beef processing facilities, three pork processing facilities, one lamb slaughter facility, one value-added facility, and eleven feedlots in the United States and ten processing facilities and five feedlots in Australia. Three of the processing facilities in Australia process lamb, mutton and veal along with beef and a fourth processes only lamb, mutton and veal.

On July 11, 2007, JBS acquired the Company (the "Acquisition"). Concurrent with the closing of the Acquisition, the entity formerly known as Swift Foods Company was renamed JBS USA, Inc. During the third quarter of the 2008 fiscal year, this entity was renamed JBS USA Holdings, Inc. The aggregate purchase price for the Acquisition was $1,470.6 million (including approximately $48.5 million of transaction costs). The Company also refinanced its debt, the debt of its subsidiaries, and the outstanding debt assumed in the Acquisition which collectively were paid off using proceeds from $750 million of various debt instruments (see Note 7) and additional equity contributions from JBS. As a result of the Acquisition, the consolidated financial statements of JBS USA Holdings provided herein reflect the acquisition being accounted for as a purchase in accordance with Statement of Financial Accounting Standard ("SFAS") No. 141, *Business Combinations* ("SFAS No. 141") and push down accounting was applied in accordance with the guidance in Staff Accounting Bulletin ("SAB") No. 54 to the consolidated financial statements.

## Note 2. Acquisition of Tasman Group

On March 4, 2008, JBS Southern Australia Pty. Ltd ("JBS Southern"), an indirect subsidiary of JBS USA Holdings entered into an agreement with Tasman Group Services, Pty. Ltd. ("Tasman Group") to purchase substantially all of the assets of Tasman Group in an all cash transaction ("Tasman Acquisition") and the purchase was completed on May 2, 2008. The assets acquired include six processing facilities and one feedlot located in Southern Australia. This acquisition provides additional capacity to continue to meet customer demand. The aggregate purchase price for the Tasman Acquisition was $117.3 million (including approximately $8.6 million of transaction costs), as shown below. JBS Southern also assumed approximately $52.1 million of outstanding debt (see Note 7). The consolidated financial statements of the Company provided herein reflect the Tasman Acquisition being accounted for as a purchase in accordance with SFAS No. 141. The results of the Tasman Group are included in the Company's statement of operations from the date of acquisition.

The purchase price allocation is preliminary pending completion of independent valuations of assets and liabilities acquired in the area of identified intangibles and certain liabilities including, but not limited to deferred taxes. As such, the allocation of purchase price presented below is preliminary and subject to change. The allocation presented below reflects the estimated fair value of the individual assets and liabilities as of May 2, 2008 (in thousands).

| | |
|---|---|
| Purchase price paid to previous shareholders | $ 108,786 |
| Fees and direct expenses | 8,555 |
| Total purchase price | $117,341 |
| Purchase price allocation: | |
| Current assets and liabilities | $ (27,942) |
| Property, plant, and equipment | 157,396 |
| Deferred tax liability | (3,539) |
| Goodwill | — |
| Other noncurrent assets and liabilities, net | (8,574) |
| Total purchase price allocation | $117,341 |

## Note 3. Acquisition of Smithfield Beef Group & Five Rivers Cattle Feeding

On March 4, 2008, JBS and Smithfield Foods, Inc ("Smithfield Foods") entered into a Stock Purchase Agreement ("Smithfield Agreement"). Pursuant to the Smithfield Agreement, JBS executed through the Company the acquisition of Smithfield Beef Group, Inc. ("Smithfield Beef") for $563.2 million in cash (including $26.1 million of transaction related costs) and contributed its ownership in Smithfield Beef to the Company (Smithfield Acquisition). The purchase included 100% of Five Rivers Ranch Cattle Feeding LLC ("Five Rivers"), which was held by Smithfield Beef in a 50/50 joint venture with Continental Grain Company ("CGC," formerly ContiGroup Companies, Inc.). On October 23, 2008, the acquisition of Smithfield Beef was completed. In conjunction with the closing of this purchase Smithfield Beef was renamed JBS Packerland and Five Rivers was renamed JBS Five Rivers Cattle Feeding LLC ("JBS Five Rivers"). The assets acquired include four processing plants and eleven feedlots. This acquisition provides additional capacity to continue to meet customer demand.

The purchase excluded substantially all live cattle inventories held by Smithfield Beef and Five Rivers as of the closing date, together with the associated debt. The excluded live cattle were raised by JBS Five Rivers after closing for a negotiated fee.

The consolidated financial statements of the Company reflect the acquisition being accounted for as a purchase in accordance with SFAS No. 141. The acquired goodwill is treated as non-deductible for tax purposes. The results of JBS Packerland and JBS Five Rivers are included in the Company's statement of operations from the date of acquisition.

The purchase price allocation is preliminary pending completion of independent valuations of assets and liabilities acquired including, but not limited to deferred taxes. As such, the allocation of purchase price presented below is preliminary and subject to change. The allocation presented below reflects the estimated fair value of the individual assets and liabilities as of October 23, 2008 (in thousands).

| | |
|---|---|
| Purchase price paid to previous shareholders | $ 537,068 |
| Fees and direct expenses | 26,134 |
| Total purchase price | $563,202 |
| Purchase price allocation: | |
| Current assets and liabilities | $ 43,052 |
| Property, plant, and equipment | 423,955 |
| Deferred tax liability | (142,997) |
| Goodwill | 95,998 |
| Intangible assets (see Note 4) | 138,023 |
| Other noncurrent assets and liabilities, net | 5,171 |
| Total purchase price allocation | $563,202 |

Had the Smithfield Acquisition occurred at the beginning of fiscal 2008, the unaudited pro forma net sales, net loss and net loss per share would have been $3.3 billion, $(8.5) million, and $(85,410.00), respectively for the first quarter of 2008.

## Note 4. Basis of presentation and accounting policies

***Consolidation***

The consolidated financial statements include the accounts of the Company and its direct and indirect wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated.

***Use of estimates***

The consolidated financial statements have been prepared in conformity with GAAP using management's best estimates and judgments where appropriate. These estimates and judgments affect the reported amounts of assets and liabilities and disclosure of the contingent assets and liabilities at the date of the financial statements. The estimates and judgments will also affect the reported amounts for certain revenues and expenses during the reporting period. Actual results could differ materially from these estimates and judgments. Significant estimates made by the Company include the allowance for doubtful accounts, reserves related to inventory obsolescence or valuation, insurance accruals, and income tax accruals.

***Fiscal year***

The Company's fiscal year consists of 52 or 53 weeks, ending on the last Sunday in December. The consolidated financial statements have been prepared for the thirteen weeks ended March 30, 2008 and March 29, 2009.

***Cash and cash equivalents***

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. The carrying value of these assets approximates their fair market value. Financial instruments which potentially subject JBS USA Holdings to concentration of credit risk consist principally of cash and temporary cash investments. At times, cash balances held at financial institutions were in excess of Federal Deposit Insurance Corporation insurance limits. JBS USA Holdings places its temporary cash investments with high quality financial institutions. The Company believes no significant credit risk exists with respect to these cash investments.

***Accounts receivable and allowance for doubtful accounts***

The Company has a diversified customer base which includes some customers who are located in foreign countries. The Company controls credit risk related to accounts receivable through credit worthiness reviews, credit limits, letters of credit, and monitoring procedures.

The Company evaluates the collectability of its accounts receivable based on a general analysis of past due receivables, and a specific analysis of certain customers which management believes will be unable to meet their financial obligations due to economic conditions, industry-specific conditions, historic or anticipated performance, and other relevant circumstances. The Company continuously performs credit evaluations and reviews of its customer base. The Company will provide an allowance for an account when collectability is not reasonably assured. The Company believes this process effectively mitigates its exposure to bad debt write-offs; however, if circumstances related to changes in the economy, industry, or customer conditions change, the Company may need to subsequently adjust the allowance for doubtful accounts.

The Company adheres to customary industry terms of net seven days. The Company considers all domestic accounts over 14 days as past due and all international accounts over 30 days past due. Activity in the allowance for doubtful accounts is as follows (in thousands):

| | March 28, 2008 | March 29, 2009 |
|---|---|---|
| Balance, beginning of period | $1,389 | $4,142 |
| Bad debt expense | 155 | (379) |
| Change to purchase accounting allowance for doubtful accounts | — | (462) |
| Write-offs | 1 | — |
| Effect of exchange rates | 5 | (10) |
| Balance, end of period | $1,550 | $3,291 |

The $462 thousand of the change to purchase accounting allowance for doubtful accounts represents the resolution of a receivable which has been fully reserved on the opening balance sheet at the October 23, 2008 Smithfield Beef acquisition date.

***Inventories***

Inventories consist primarily of product, livestock, and supplies. Product inventories are considered commodities and are primarily valued based on quoted commodity prices, which approximate net realizable value less cost to complete. Due to a lack of equivalent commodity market data Australian product inventories are valued based on the lower of cost or net realizable value less cost to sell. Livestock inventories are valued on the basis of the lower of first-in, first-out cost or market. Costs capitalized into livestock inventory include cost of feeder livestock, direct materials, supplies, and feed. Cattle and hogs are reclassified from livestock to work in progress at time of slaughter. Supply inventories are carried at historical cost. The components of inventories are as follows (in thousands):

| | December 28, 2008 | March 29, 2009 |
|---|---|---|
| Livestock | $106,288 | $104,004 |
| Product inventories: | | |
| Raw material | 16,599 | 11,539 |
| Work in progress | 53,115 | 46,058 |
| Finished goods | 386,399 | 408,008 |
| Supplies | 86,599 | 80,417 |
| | $649,000 | $650,026 |

***Other current assets***

Other current assets include prepaid expenses which are amortized over the period the Company expects to receive the benefit.

***Property, plant and equipment***

Property, plant and equipment was recorded at fair value at the respective dates of the Acquisition, the Tasman Acquisition and the Smithfield Acquisition. Subsequent additions are recorded at cost. Depreciation and amortization is recorded using the straight-line method over the estimated useful lives of the assets as follows:

| | |
|---|---|
| Furniture, fixtures, office equipment and other | 5 to 7 years |
| Machinery and equipment | 5 to 15 years |
| Buildings and improvements | 15 to 40 years |
| Leasehold improvements | shorter of useful life or the lease term |

The costs of developing internal-use software are capitalized and amortized when placed in service over the expected useful life of the software. Major renewals and improvements that extend the useful life of the asset are capitalized while maintenance and repairs are expensed as incurred. The Company has historically and currently accounts for planned major maintenance activities as they are incurred in accordance with the guidance in the Financial Accounting Standards Board, (“FASB”) Staff Position (“FSP”) AUG Air-1: *Accounting for Planned Major Maintenance Activities*. Upon the sale or retirement of assets, the cost and related accumulated depreciation or amortization are eliminated from the respective accounts and any resulting gains or losses are reflected in earnings. Applicable interest charges incurred during the construction of assets are capitalized as one of the elements of cost and are amortized over the assets’ estimated useful lives. The Company capitalized $0.1 million and $0.2 million of interest charges during the thirteen weeks ended March 30, 2008 and March 29, 2009, respectively. Assets held under capital lease are classified in property, plant, and equipment and amortized over the lease term. Capital lease amortization is included in depreciation expense. As of March 29, 2009, JBS USA Holdings had $22.8 million in commitments outstanding for capital projects including $14.5 million related to the Installment Bond Purchase Agreement, as discussed in Other Assets.

In accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, the Company assesses the recoverability of long-lived assets whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. When future undiscounted cash flows of assets are estimated to be insufficient to recover their related carrying value, the Company compares the asset’s estimated future cash flows, discounted to present value using a risk-adjusted discount rate, to its current carrying value and records a provision for impairment as appropriate.

Property, plant, and equipment, net are comprised of the following (in thousands):

| | December 28, 2008 | March 29, 2009 |
|---|---|---|
| Land | $ 143,253 | $ 145,659 |
| Buildings, machinery, and equipment | 1,022,324 | 1,066,885 |
| Property and equipment under capital lease | 17,339 | 17,349 |
| Furniture, fixtures, office equipment, and other | 38,867 | 39,468 |
| Construction in progress | 88,732 | 80,383 |
| | 1,310,515 | 1,349,744 |
| Less accumulated depreciation and amortization | (81,199) | (108,689) |
| | $ 1,229,316 | $ 1,241,055 |

Accumulated depreciation includes accumulated amortization on capitalized leases of approximately $3.1 million and $3.9 million as of December 28, 2008 and March 29, 2009, respectively. For the thirteen weeks ended March 30, 2008, the Company recognized $12.9 million and $3.6 million of depreciation and capital lease amortization expense in cost of goods sold and selling, general, and administrative expenses in the statement of operations, respectively. For the thirteen weeks ended March 29, 2009, the Company recognized $25.6 million and $1.8 million of depreciation and capital lease amortization expense in cost of goods sold and selling, general, and administrative expenses in the statement of operations, respectively.

JBS USA Holdings monitors certain asset retirement obligations in connection with its operations. These obligations relate to clean-up, removal or replacement activities and related costs for “in-place” exposures only when those exposures are moved or modified, such as during renovations of its facilities. These in-place exposures include asbestos, refrigerants, wastewater, oil, lubricants and other contaminants common in manufacturing environments. Under existing regulations, JBS USA Holdings is not required to remove these exposures and there are no plans or expectations of plans to undertake a renovation that would require removal of the asbestos, nor the remediation of the other in place exposures at this time. The facilities are expected to be maintained and repaired by activities that will not result in the removal or disruption of these in place exposures. As a result, there is an indeterminate settlement date for these asset retirement obligations because the range of time over which JBS USA Holdings may incur these liabilities is unknown and cannot be reasonably estimated. Therefore, JBS USA Holdings cannot reasonably estimate and has not recorded the fair value of the potential liability.

***Other assets***

Prior to the Acquisition, Swift Beef entered into an Installment Bond Purchase Agreement (the “Purchase Agreement”) with the City of Cactus, Texas (the “City”) effective as of May 15, 2007. Under the Purchase Agreement, Swift Beef agreed to purchase up to $26.5 million of the “City of Cactus, Texas Sewer System Revenue Improvement and Refunding Bonds, Taxable Series 2007” to be issued by the City (the “Bonds”) . The Bonds are being issued by the City to finance improvements to its sewer system (the “System”) which is utilized by Swift Beef’s processing plant located in Cactus, Texas (the “Plant”) as well as other industrial users and the citizens of the community of Cactus. Swift Beef will purchase the Bonds in installments upon receipt of Bond installment requests from the City as the System improvements are completed through an anticipated completion date of June 2010. The interest rate on the Bonds is the six-month LIBOR plus 350 basis points, or 6.04% at March 29, 2009. The Bonds mature on June 1, 2032 and are subject to annual mandatory sinking fund redemption beginning on June 1, 2011. The principal and interest on the Bonds will be paid by the City from the net revenues of the System. At March 29, 2009, Swift Beef held $12.0 million of the Bonds, which fall within Level 3 of the value hierarchy in accordance with SFAS No. 157, *Fair Value Measurements* (“SFAS No. 157”).

On May 21, 2007, in connection with the purchase of the Bonds, Swift Beef entered into a Water & Wastewater Services Agreement (the “Wastewater Agreement”) with the City under which the City will provide water and wastewater services for the Plant at the rates set forth in the Wastewater Agreement. Swift Beef’s payments for the City’s treatment of wastewater from the Plant will include a capacity charge in the amount required to be paid by the City to pay the principal of, and interest on, the Bonds.

The Company has evaluated the impact of the FASB Emerging Issues Task Force (“EITF”) No. 01-08, *Determining Whether an Arrangement Contains a Lease*, as well as EITF No. 97-10, *The Effect of Lessee Involvement in Asset Construction*, and has determined that it will be required to reflect the wastewater treatment facility as a capital asset (similar to a capital leased asset) as it will be the primary user of the wastewater facility based on projections of volume of throughput. As the City spends funds to construct the facility, the Company will record construction in progress and the related construction financing. At March 29, 2009, $9.0 million had been recognized as construction in progress and construction financing by the Company.

***Debt issuance costs***

Costs related to the issuance of debt are capitalized and amortized using the straight-line method to interest expense over the period the debt is outstanding. In conjunction with the Acquisition of JBS USA Holdings, $1.8 million of fees were capitalized and included in other assets. JBS USA Holdings amortized $0.3 million of these costs during the thirteen weeks ended March 30, 2008 and none as of March 29, 2009 as the amount under the related loan agreement was repaid in full during fiscal year ended December 28, 2008 (see Note 7).

On November 5, 2008, JBS USA Holdings entered into a $400.0 million revolving credit facility (see Note 7). The $13.4 million in debt issuance cost associated with this facility is being amortized as interest expense using the straight-line method over the life of the agreement. During the thirteen weeks ended March 29, 2009, the Company amortized $1.1 million related to these costs.

***Goodwill and other intangibles***

Goodwill and other intangible assets with indefinite lives are not amortized but are tested for impairment at least on an annual basis or more frequently if impairment indicators arise, as required by SFAS No. 142, *Goodwill and Other Intangible Assets*. Identifiable intangible assets with definite lives are amortized over their estimated useful lives.

Goodwill represents the excess of the aggregate purchase price over the fair value of the net identifiable assets acquired in a purchase business combination. The goodwill impairment test is a two-step test. Under the first step, the fair value of the reporting unit is compared with its carrying value (including goodwill). If the fair value of the reporting unit is less than its carrying value, an indication of goodwill impairment exists for the reporting unit and the enterprise must perform step two of the impairment test. Under step two, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation, in accordance with SFAS No. 141, *Business Combinations*, and after December 15, 2008 in accordance with SFAS No. 141R as discussed in *Recently Issued Accounting Pronouncements*. The residual fair value after this allocation is the implied fair value of the reporting unit goodwill. The Company estimates the fair value of its reporting units using a discounted cash flow analysis. If the fair value of the reporting unit exceeds its carrying value, step two does not need to be performed.

The following is a rollforward of goodwill by segment for the thirteen weeks ended March 29, 2009 (in thousands):

| | December 28, 2008 | Adjustments | Translation gain | March 29, 2009 |
|---|---|---|---|---|
| Beef | $133,825 | $1,094 | $144 | $135,063 |
| Pork | 14,030 | — | — | 14,030 |
| Total | $147,855 | $1,094 | $144 | $149,093 |

The adjustments to goodwill are a result of the change in purchase price allocation for the Smithfield Acquisition.

Other identifiable intangible assets consist of the following (in thousands):

| | December 28, 2008 | | | |
|---|---|---|---|---|
| | Initial gross carrying amount | Adjustments | Accumulated amortization | Net carrying amount |
| Amortizing: | | | | |
| Customer relationships | $129,000 | $ 69,000 | $(18,104) | $179,896 |
| Customer contracts | 15,400 | 6,078 | (2,004) | 19,474 |
| Patents | 5,200 | (2,300) | (282) | 2,618 |
| Rental contract | 3,507 | — | (573) | 2,934 |
| Deferred revenue | 1,483 | — | (459) | 1,024 |
| Mineral rights | 742 | — | (65) | 677 |
| Subtotal amortizing intangibles | 155,332 | 72,778 | (21,487) | 206,623 |
| Non-amortizing: | | | | |
| Trademark | $ 33,300 | $ 50,800 | $ — | $ 84,100 |
| Water rights | 2,100 | 12,144 | — | 14,244 |
| Subtotal non-amortizing intangibles | 35,400 | 62,944 | — | 98,344 |
| Total intangibles | $190,732 | $135,722 | $(21,487) | $304,967 |

The adjustments to intangible assets result primarily from the Smithfield Acquisition (see Note 3). The adjustment to patents of $2.3 million reflects the impairment of a patent that has no future use.

| | March 29, 2009 | | | |
|---|---|---|---|---|
| | Initial gross carrying amount | Adjustments | Accumulated amortization | Net carrying amount |
| Amortizing: | | | | |
| Customer relationships | $198,000 | $ — | $(23,126) | $174,874 |
| Customer contracts | 21,478 | — | (2,619) | 18,859 |
| Patents | 2,900 | — | (330) | 2,570 |
| Rental contract | 3,507 | — | (670) | 2,837 |
| Deferred revenue | 1,483 | — | (537) | 946 |
| Mineral rights | 742 | — | (75) | 667 |
| Subtotal amortizing intangibles | 228,110 | — | (27,357) | 200,753 |
| Non-amortizing: | | | | |
| Trademark | $ 84,100 | $ — | $ — | $ 84,100 |
| Water rights | 14,244 | — | — | 14,244 |
| Subtotal non-amortizing intangibles | 98,344 | — | — | 98,344 |
| Total intangibles | $326,454 | $ — | $(27,357) | $299,097 |

The customer relationships intangible and customer contracts intangible resulting from the Acquisition are amortized on an accelerated basis over 12 and 7 years, respectively. The customer relationships and customer contracts intangibles resulting from the Smithfield Acquisition are amortized on an accelerated basis over 21 and 10 years, respectively. These represent management's estimates of the period of expected economic benefit and annual customer profitability. Patents consist of exclusive marketing rights and are being amortized over the life of the related agreements on a straight line basis, which range from 6 to 20 years. For the thirteen weeks ended March 30, 2008 and March 29, 2009, the Company recognized $2.7 million and $5.9 million of amortization expense, respectively.

Based on amortizing intangible assets recognized in JBS USA Holdings balance sheet as of March 29, 2009, amortization expense for each of the next five years is estimated as follows (in thousands):

| For the fiscal years ending: | |
|---|---|
| 2009 (remaining) | $15,325 |
| 2010 | 19,879 |
| 2011 | 18,964 |
| 2012 | 17,400 |
| 2013 | 15,299 |

### *Overdraft balances*

The majority of JBS USA Holdings bank accounts are zero balance accounts where cash needs are funded as checks are presented for payment by the holder. Checks issued pending clearance that result in overdraft balances for accounting purposes are classified as current liabilities, and the change in the related balance is reflected in financing activities on the statement of cash flows.

### *Insurance*

JBS USA Holdings is self-insured for employee medical and dental benefits and purchases insurance policies with deductibles for certain losses relating to worker's compensation and general liability. The Company has purchased stop-loss coverage in order to limit its exposure to any significant levels of certain claims. Self-insured losses are accrued based upon periodic assessments of estimated settlements for known and anticipated claims, any resulting adjustments to previously recorded reserves are reflected in current period earnings. JBS USA Holdings has recorded a prepaid asset with an offsetting liability to reflect the amounts estimated as due for insured claims incurred and accrued but not yet paid to the claimant by the third party insurance company in accordance with SFAS No. 140 *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*.