Note 8. Long-term debt and loan agreements

JBS USA Holdings and its direct and indirect subsidiaries have entered into various debt agreements in order to finance the Acquisition, the Tasman Acquisition, the Smithfield Acquisition, and provide liquidity to operate the business on a go forward basis. As of December 28, 2008, debt outstanding consisted of the following (in thousands):

Short-term debt	
Secured credit facilities	$36,186
Unsecured credit facilities	30,826
Total short-term debt	67,012
Current portion of long-debt:	
Installment note payable	1,264
Capital lease obligations	3,235
Total current portion of long-term debt	4,499
Long-term debt:	
Loans payable to JBS	658,588
Installment note payable	10,025
Secured credit facilities	114,673
Capital lease obligations	23,522
Long-term debt, less current portion	806,808
Total debt	$878,319

The aggregate minimum principal maturities of debt for each of the five fiscal years and thereafter following December 28, 2008, are as follows (in thousands):

For the fiscal years ending December	**Minimum principal maturities**
2009	$ 71,807
2010	662,866
2011	118,263
2012	3,185
2013	8,990
Thereafter	13,208
Total minimum principal maturities	$878,319

As of December 28, 2008, JBS USA Holdings had approximately $161.8 million of secured debt outstanding and approximately $20.9 million of outstanding letters of credit.

A summary of the components of interest expense, net is presented below (in thousands):

	The fifty-two weeks ended December 28, 2008
Interest on:	
Unsecured bank loans	$13,781
Unsecured credit facility	104
Loans payable to JBS	19,038
Capital lease interest	1,487
Bank fees	493
Other miscellaneous interest charges (i)	2,220
Debt issuance cost amortization	2,306
Secured credit facility	2,796
Less:	
Capitalized interest	(976)
Interest income	(4,891)
Total interest expense, net	$36,358

(i) Includes installment note interest expense of $0.53 million.

Description of indebtedness

Senior credit facilities—On November 5, 2008, JBS USA entered into a secured revolving loan credit agreement (the "Credit Agreement") that allows borrowings up to $400 million, and terminates on November 5, 2011. Up to $75 million of the revolving credit facility is available for the issuance of letters of credit. Borrowings that are index rate loans will bear interest at the prime rate plus a margin of 2.25% (5.50% at December 28, 2008) while LIBOR rate loans will bear interest at the applicable LIBOR rate plus a margin of 3.25% (4.66% at December 28, 2008). At December 28, 2008, the borrowings totaled $114.7 million. Upon approval by the lender, LIBOR rate loans may be taken for one, two, or three month terms, (or six months at the discretion of the Agent).

Availability. Availability under the Credit Agreement is subject to a borrowing base. The borrowing base is based on certain of JBS USA domestic wholly owned subsidiaries' assets as described below, with the exclusion of JBS Five Rivers Cattle Feeding. The borrowing base consists of percentages of eligible accounts receivable, inventory, and supplies and less certain eligibility and availability reserves.

Security and guarantees. Borrowings made by JBS USA are guaranteed by JBS Holdings and all domestic subsidiaries except Five Rivers are collateralized by a first priority perfected lien and interest in accounts receivable, inventory, and supplies.

Covenants. The Credit Agreement contains customary representations and warranties and a financial covenant that requires a minimum fixed charge coverage ratio of not less than 1.15 to 1.00. This ratio is only applicable if borrowing availability falls below the minimum threshold which is the greater of 20% of the aggregate commitments or $70 million. The Credit Agreement also contains negative covenants that limit the ability of JBS USA and its subsidiaries to, among other things:

- have capital expenditures greater than $175 million per year;
- incur additional indebtedness;
- create liens on property, revenue, or assets;
- make certain loans or investments;
- sell or dispose of assets;
- pay certain dividends and other restricted payments;
- prepay or cancel certain indebtedness;
- dissolve, consolidate, merge, or acquire the business or assets of other entities;
- enter into joint ventures other than certain permitted joint ventures or create certain other subsidiaries;
- enter into new lines of business;
- enter into certain transactions with affiliates and certain permitted joint ventures;
- agree to restrictions on the ability of the subsidiaries to make dividends;
- agree to enter into negative pledges in favor of any other creditor; and
- enter into sale/leaseback transactions and operating leases.

The Credit Agreement also contains customary events of default, including failure to perform or observe terms, covenants or agreements included in the Credit Agreement, payment of defaults on other indebtedness, defaults on other indebtedness if the effect is to permit acceleration, entry of unsatisfied judgments or orders against a loan party or its subsidiaries, failure of any collateral document to create or maintain a priority lien, and certain events related to bankruptcy and insolvency or environmental matters. If an event of default occurs the lenders may, among other things, terminate their commitments, declare all outstanding borrowings to be immediately due and payable together with accrued interest, and fees and exercise remedies under the collateral documents relating to the Credit Agreement. At December 28, 2008, JBS USA was in compliance with all covenants.

Certain covenants of our indebtedness and debt guarantee terms include restrictions on our ability to pay dividends. As of December 28, 2008 the Company had $22.7 million of retained earnings available to pay dividends.

Installment note payable—The installment note payable relates to JBS USA Holdings' financing of a capital investment. The note bears interest at LIBOR, the rate as of December 28, 2008 was 2.46% plus a fixed margin of 1.75% per annum with payments due on the first of each month and matures on August 1, 2013.

Unsecured credit facility—Swift Australia entered into an Australian dollar ("A") denominated $120 million unsecured credit facility on February 26, 2008 to fund working capital and letter of credit requirements. Under this facility A$80 million can be borrowed for cash needs and A$40 million is available to fund letters of credit. Borrowings are made at the cash advance rate (BBSY) plus a margin of 0.98%. The credit facility contains certain financial covenants which require the Company to maintain predetermined ratio levels related to interest coverage, debt coverage and tangible net worth. As of December 28, 2008, the Company is in compliance with all covenants and has USD $30.8 million outstanding. This facility has an evergreen renewal term with review periods each June, commencing in 2009.

Secured credit/ multi-option bridge facility—JBS Southern entered into an Australian dollar denominated $80 million secured multi-option bridge facility on July 2, 2008 to fund working capital and letter of credit requirements. JBS Southern property and plant assets secure this bridge facility. Under this facility A$65 million can be borrowed for cash needs and to fund letters of credit. The remaining A$15 million is used to facilitate daily transactional limits. Borrowings are made at the cash advance rate (BBSY) plus a margin of 1.60%. The multi-option bridge facility contains covenants and obligations which require the company to comply. As of December 28, 2008, the Company is in compliance with all covenants and has USD $36.2 million outstanding. This facility has a fixed term and expired on December 31, 2008.

The following four loan agreements sum to the $750 million described as debt related to the Acquisition in Note 2. As indicated below, as of December 28, 2008, there were no outstanding balances with respect to these four loan agreements.

$250 million loan agreement—In connection with the Acquisition, JBS USA Holdings entered into a one year unsecured loan agreement with interest payable semi-annually based on six month LIBOR plus a margin of 1.50% with a maturity date of June 30, 2008. The loan agreement contained customary representations and warranties. The loan agreement was guaranteed by JBS SA. On February 22, 2008, this debt was repaid by the Company using cash received from its parent which has been reflected as an additional capital contribution.

$150 million loan agreement—In connection with the Acquisition, JBS USA Holdings entered into a one year unsecured loan agreement with interest payable semi-annually based on six month LIBOR plus a margin of 0.75%. The loan matured on June 30, 2008. The loan agreement contained customary representations, warranties and covenants. The loan agreement was guaranteed by JBS. On February 27, 2008 this debt was repaid by the Company using cash received from its parent which has been reflected as an additional capital contribution.

$250 million credit agreement—In connection with the Acquisition, JBS USA Holdings entered into a one year unsecured credit agreement with interest payable quarterly based on three month LIBOR plus a margin of 0.75%. The agreement matured on July 7, 2008. The credit agreement contained customary representations, warranties and negative covenants. There were no maintenance financial covenants but the agreement contained an incurrence Consolidated Net Indebtedness to EBITDA ratio of 3.75 to 1.00 prior to December 31, 2007 and 3.60 to 1.00 commencing on January 1, 2008 and ending on the Maturity Date. The credit agreement was guaranteed by JBS. On July 3, 2008 this credit agreement was repaid with funds received from JBS through a loan repayable to JBS.

$100 million loan agreement—In connection with the Acquisition, JBS USA Holdings entered into a one year unsecured loan agreement. The original 182 day loan agreement with interest payable at maturity based on six month LIBOR plus a margin of 0.8% matured on January 7, 2008. On January 3, 2008, an extension and modification agreement was signed changing the maturity date to July 7, 2008 and increasing the margin to 1.50%. The loan agreement contained customary representations, warranties and covenants. The loan agreement was guaranteed by JBS. On July 7, 2008 this loan agreement was repaid with funds received from JBS through a loan repayable to JBS.

The five loan agreements listed below sum to $750 million and are reflected in the line item "Loans Payable to JBS" in the table at the beginning of this footnote. After issuance, the Company repaid $91.4 million leaving a remaining balance owed as of December 28, 2008 of $658.6 million.

$100 million loan payable to JBS—On April 28, 2008, the Company entered into an unsecured loan agreement with its parent, JBS, for $100 million with a maturity date of April 28, 2011. Interest payments are due semi-annually at a rate of six month LIBOR plus a margin of 3%, the rate as of December 28, 2008 was 6.03%; however the parties have reached an agreement to defer the 2008 interest payment. The funds received from this loan were used to fund the purchase of Tasman Group (see Note 3).

$25 million loan payable to JBS—On May 5, 2008, the Company entered into an unsecured loan agreement with JBS for $25 million with a maturity date of May 5, 2009. Interest payments are due semi-annually at a rate of six month LIBOR plus a margin of 3%, the rate of as of December 28, 2008 was 6.15%; however the parties have reached an agreement to defer the 2008 interest payment. The funds received were used to fund operations.

$25 million loan payable to JBS—On June 10, 2008, the Company entered into an unsecured loan agreement with JBS for $25 million with a maturity date of June 10, 2009. Interest payments are due semi-annually at a rate of six month LIBOR plus a margin of 3%, the rate as of December 28, 2008 was 5.94%; however the parties have reached an agreement to defer the 2008 interest payment. The funds received from this loan were used to fund operations.

$350 million loan payable to JBS—On June 30 2008, the Company entered into an unsecured loan agreement with JBS totaling $350 million with a maturity date of June 30, 2011. Interest payments are due semi-annually at a rate of six month LIBOR plus a margin of 3%, for $250 million the rate as of December 28, 2008 was 6.12% and for $100 million the rate as of December 28, 2008 was 6.13%. The funds received were used to pay outstanding unsecured bank debt.

$250 million loan payable to JBS—On October 21, 2008, the Company entered into an unsecured loan agreement with JBS for $250 million with a maturity date of October 21, 2011. Interest payments are due semi-annually at a rate of six month LIBOR plus a margin of 3%. As of December 28, 2008 this rate was 4.13%. The funds received were used for the acquisition of Smithfield Beef and Five Rivers (see Note 4).

See Note 16 regarding subsequent event issuance of $700 million 11.625% senior unsecured notes by a subsidiary in April 2009.

Capital and operating leases—JBS USA Holdings and certain of its subsidiaries lease the corporate headquarters in Greeley, Colorado under capital lease; six distribution facilities located in New Jersey, Florida, Nebraska, Arizona, Colorado and Texas; marketing liaison offices in the US, Korea, Japan, Mexico, China, and Taiwan; its distribution centers and warehouses in Australia; and a variety of equipment under operating lease agreements that expire in various years between 2008 and 2019. Future minimum lease payments at December 28, 2008, under capital and non-cancelable operating leases with terms exceeding one year are as follows (in thousands):

	Capitalized lease obligations	Noncancellable operating lease obligations
For the fiscal years ending December		
2009	$ 4,639	$17,431
2010	4,166	13,426
2011	3,571	11,016
2012	2,955	4,850
2013	2,874	4,054
Thereafter	13,432	5,113
Net minimum lease payments	31,637	$55,890
Less: Amount representing interest	(4,880)	
Present value of net minimum lease payments	$26,757	

Rent expense associated with operating leases was $23.2 million for the fifty-two weeks ended December 28, 2008.

Note 9. Deferred revenue

On October 22, 2008 we received a deposit in cash from a customer of $175 million for the customer to secure an exclusive right to collect a certain byproduct of the beef fabrication process in all of our US beef plants. This agreement was formalized in writing as the Raw Material Supply agreement on February 27, 2008. The customer advance payment was recorded as deferred revenue. As byproduct is delivered to the customer over the term of the agreement the deferred revenue is recognized as revenue in the statement of operations. To provide the customer with security, in the unlikely event the Company was to default on our commitment, the payment is evidenced by a note which bears interest at 2 month LIBOR plus 200 basis points. In the event of default the note provides for a conversion into shares of common stock of JBS USA Holdings based on a formula stipulated in the note agreement. Assuming default had occurred on December 28, 2008 the conversion rights under the promissory note would have equaled 11.65% of the outstanding common stock, equal to 11.65 shares. The note also contains affirmative and negative covenants which require the Company to among other things: maintain defined market share; maintain certain tangible net worth levels; and comply in all material respects with the raw material supply agreement. The unamortized balance at December 28, 2008 was approximately $173 million.

Note 10. Defined contribution plans

Defined contribution plans

The Company sponsors two tax-qualified employee savings and retirement plans (the "401(k) Plans") covering its US based employees, both union and non-union. Pursuant to the 401(k) Plans, eligible employees may elect to reduce their current compensation by up to the lesser of 75% of their annual compensation or the statutorily prescribed annual limit and have the amount of such reduction contributed to the 401(k) Plans. The 401(k) Plans provide for additional matching contributions by the Company, based on specific terms contained in the 401(k) Plans. On July 8, 2008, the Company amended its 401(k) Plans described above by eliminating the immediate vesting and instituting a five year vesting schedule for all non-production employees and reducing the maximum Company match to an effective 2% from the former rate of 5%. The trustee of the 401(k) Plans, at the direction of each participant, invests the assets of the 401(k) Plans in participant designated investment options. The 401(k) Plans are intended to qualify under Section 401 of the Internal Revenue Code. The Company's expenses related to the matching provisions of the 401(k) Plans totaled approximately $6.3 million for the fifty-two weeks ended December 28, 2008. One of the Company's facilities participates in a multi-employer pension plan. The Company's contributions to this plan, which are included in cost of goods sold in the statement of operations, were $0.3 million for the fifty-two weeks ended December 28, 2008. The Company also made contributions totaling $0.6 million for the fifty-two weeks ended December 28, 2008, to a multiemployer pension related to former employees at the former Nampa, Idaho plant pursuant to a settlement agreement. As these payments are made, they are recorded as a reduction of the pre-acquisition contingency established during the Acquisition (see Note 2).

Employees of Swift Australia do not participate in the Company's 401(k) Plans. Under Australian law, Swift Australia contributes a percentage of employee compensation to a superannuation fund. This contribution approximates 9% of employee cash compensation as required under the Australian "Superannuation Act of 1997". As the funds are administered by a third party, once this contribution is made to the fund, Swift Australia has no obligation for payments to participants or oversight of the fund. The Company's expenses related to contributions to this fund totaled $16.6 million for the fifty-two weeks ended December 28, 2008.

Note 11. Related party transactions

JBS USA Holdings enters into transactions in the normal course of business with affiliates of JBS. Sales to affiliated companies included in net sales in the statement of operations for the fifty-two weeks ended December 28, 2008 were $48.5 million. Amounts owed to JBS USA Holdings by affiliates as of December 28, 2008 totaled approximately $20.2 million. Purchases from affiliated companies included in the statement of operations for the fifty-two weeks ended December 28, 2008 were $0.9 million. No amounts were due to affiliates by JBS USA Holdings at December 28, 2008 related to these purchases.

The Company had a $0.6 million receivable from an unconsolidated affiliate at December 28, 2008 related to the funding of debt issuance costs on behalf of the affiliate.

For the fifty-two weeks ended December 28, 2008, the Company recorded $26 thousand of rental income related to real property leased to two of its executive officers. At December 28, 2008 no balances were due to the Company related to these transactions.

The Company had a $25 thousand receivable from an executive officer at December 28, 2008 (see Note 16).

JBS USA Holdings guarantees, on an unsecured basis, $300.0 million of 10.5% notes due 2016 issued by its parent, JBS. JBS USA Holdings meets the definition of a significant subsidiary contained in the indentures and therefore the board of directors of JBS USA Holdings approved the guarantee.

JBS USA Holdings received capital contributions from its parent of $450.0 million during the fifty-two weeks ended December 28, 2008, $50 million was used to fund operations and $400.0 million was used to repay debt. During the fifty-two weeks ended December 28, 2008, the Company entered into various intercompany loans with JBS. These were contributed to JBS USA and used to fund operations and complete the Tasman Acquisition and Smithfield Acquisition (see Notes 3, 4, and 8).

Guarantees—JBS SA has notes payable outstanding of approximately $300 million at December 28, 2008 that are due in 2016. The indenture governing the 2016 Notes requires any significant subsidiary (any subsidiary constituting at least 20% of JBS S.A.'s total assets or annual gross revenues, as shown on the latest financial statements of JBS S.A.) to guarantee all of JBS S.A.'s obligations under the 2016 Notes. The 2016 Notes are guaranteed by JBS Hungary Holdings Kft. (a wholly owned, indirect subsidiary of JBS S.A.), our company and our subsidiaries, JBS USA Holdings, Inc., JBS USA, LLC and Swift Beef Company. Additional subsidiaries of JBS S.A. (including our subsidiaries) may be required to guarantee the 2016 Notes in the future.

Covenants. The indentures for the 2016 Notes contain customary negative covenants that limit the ability of JBS S.A. and its subsidiaries (including us) to, among other things:

- incur additional indebtedness;
- incur liens;
- sell or dispose of assets;
- pay dividends or make certain payments to JBS S.A.'s shareholders;
- permit restrictions on dividends and other restricted payments by its subsidiaries;
- enter into related party transactions;
- enter into sale/leaseback transactions; and
- undergo changes of control without making an offer to purchase the notes.

Events of default. The indentures for the 2016 Notes also contain customary events of default, including for failure to perform or observe terms, covenants or other agreements in the indenture, defaults on other indebtedness if the effect is to permit acceleration, failure to make a payment on other indebtedness waived or extended within the applicable grace period, entry of unsatisfied judgments or orders against the issuer or its subsidiaries, and certain events related to bankruptcy and insolvency matters. If an event of default occurs, the trustee or the holders of at least 25% in aggregate principal amount of the notes then outstanding may declare such principal and accrued interest on the notes to be immediately due and payable.

Cattle supply and feeding agreement—Five Rivers is party to a cattle supply and feeding agreement with an unconsolidated affiliate ("the Unconsolidated Affiliate"). Five Rivers feeds and takes care of cattle owned by the Unconsolidated Affiliate. The Unconsolidated Affiliate pays Five Rivers for the cost of feed and medicine at cost plus a yardage fee on a per head per day basis. Beginning on June 23, 2009 or such earlier date on which Five Rivers' feed yards are at least 85% full of cattle and ending on October 23, 2011, the Unconsolidated Affiliate agrees to maintain sufficient cattle on Five Rivers' feed yards so that such feed yards are at least 85% full of cattle at all times. The agreement commenced on October 23, 2008 and continues until the last of the cattle on Five Rivers' feed yards as of October 23, 2011 are shipped to the Unconsolidated Affiliate, a packer or another third party.

Cattle purchase and sale agreement—The Company is party to a cattle purchase and sale agreement with the Unconsolidated Affiliate. Under this agreement, the Unconsolidated Affiliate agrees to sell to JBS USA, LLC, and JBS USA, LLC agrees to purchase from the Unconsolidated Affiliate, at least 500,000 cattle during each year from 2009 through 2011. The price paid by JBS USA, LLC is determined pursuant to JBS USA, LLC's pricing grid in effect on the date of delivery. The grid used for the Unconsolidated Affiliate is identical to the grid used for unrelated third parties. If the cattle sold by the Unconsolidated Affiliate in a quarter result in a breakeven loss (selling price below accumulated cost to acquire the feeder animal and fatten it to delivered weight) then JBS USA LLC will reimburse 40% of the average per head breakeven loss incurred by the Unconsolidated Affiliate on up to 125,000 head delivered to JBS USA, LLC in that quarter. If the cattle sold by the Unconsolidated Affiliate in a quarter result in a breakeven gain (selling price above the accumulated cost to acquire the feeder animal and fatten it to delivered weight), then JBS USA LLC will receive from the Unconsolidated Affiliate an amount of cash equal to 40% of that per head gain on up to 125,000 head delivered to JBS USA, LLC in that quarter. There were no payments under the loss/profit sharing provisions of this agreement in fiscal 2008.

Guarantee of unconsolidated affiliate's revolving credit facility—The Unconsolidated Affiliate has a $600.0 million secured revolving credit facility with a commercial bank. Its parent company has entered into a keepwell agreement with its subsidiary (the Unconsolidated Affiliate) whereby it will make contributions to the Unconsolidated Affiliate if the Unconsolidated Affiliate is not in compliance with its financial covenants under this credit facility. If the Unconsolidated Affiliate defaults on its obligations under the credit facility and such default is not cured by its parent under the keep-well agreement, Five Rivers is obligated for up to $250.0 million of guaranteed borrowings plus certain other obligations and costs under this credit facility. This credit facility and the guarantee thereof are secured by the assets of the Unconsolidated Affiliate and the net assets of Five Rivers. This credit facility matures on October 7, 2011. This credit facility is used to acquire cattle which are then fed in the Five Rivers feed yards pursuant to the cattle supply and feeding agreement described above. The finished cattle are sold to JBS USA, LLC under the cattle purchase and sale agreement discussed above.

Credit facility to the unconsolidated affiliate—Five Rivers is party to an agreement with the Unconsolidated Affiliate pursuant to which Five Rivers has agreed to loan up to $200.0 million in revolving loans to the Unconsolidated Affiliate. The loans are used by the Unconsolidated Affiliate to acquire feeder animals which are placed in Five Rivers feed yards for finishing. Borrowings accrue interest at a per annum rate of LIBOR plus 2.25% or base rate plus 1.0% and interest is payable at least quarterly. This credit facility matures October 7, 2011. During the period October 23, 2008 (when Five Rivers was acquired) through December 28, 2008, average borrowings were approximately $131.0 million, and total interest accrued was approximately $663,000 and was recognized as interest income on the statement of operations. As of December 28, 2008 the balance on the note was $90 thousand.

Variable interest entities—As of December 28, 2008 the Company holds variable interests in the Unconsolidated Affiliate, which is considered a variable interest entity under FASB Interpretation No. 46(R), *Consolidation of Variable Interest Entities*. The Company has determined that it is not the primary beneficiary of the Unconsolidated Affiliate but has significant variable interests in the entity. The Company's significant variable interests are listed below and discussed further above:

- Five Rivers has agreed to provide up to $200 million in loans to the Unconsolidated Affiliate;
- Five Rivers' guarantee of up to $250 million of the Unconsolidated Affiliate's borrowings under its revolving credit facility plus certain other obligations and costs, which is secured by and limited to the net assets of Five Rivers; and
- JBS USA, LLC's rights and obligations under the cattle purchase and sale agreement.

The Company's maximum exposure to loss related to these variable interests is limited to the lesser of the net assets of Five Rivers (including loans made to the Unconsolidated Affiliate), or $250 million plus certain other obligations and costs. As of December 28, 2008, the carrying value of Five Rivers' net assets is $332.1 million. Potential losses under the terms of the cattle purchase and sale agreement depend on future market conditions.

Note 12. Income taxes

The pre-tax income (loss) on which the provision for income taxes was computed is as follows (in thousands):

	For the Fifty-Two Weeks Ended December 28, 2008
Domestic	$199,555
Foreign	(7,164)
Total	$192,391

Income tax expense (benefit) includes the following current and deferred provisions (in thousands):

	For the Fifty-Two Weeks Ended December 28, 2008
Current provision:	
Federal	$3,024
State	3,159
Foreign	19,418
Total current tax expense	25,601
Deferred provision:	
Federal	23,886
State	6,369
Foreign	(24,569)
Total deferred tax expense.	5,686
Total income tax expense	$31,287

The principal differences between the effective income tax rate, and the US statutory federal income tax rate, were as follows:

	For the Fifty-Two Weeks Ended December 28, 2008
Expected tax rate	35.0%
State income taxes (net of federal benefit)	3.3
Change in the valuation allowance due to a change in facts	(18.7)
Other, net	(3.3)
Effective tax rate	16.3%

Temporary differences that gave rise to a significant portion of deferred tax assets (liabilities) were as follows (in thousands):

	December 28, 2008
Inventory	$(10,874)
Depreciation and amortization	(283,598)
Derivatives	(2,786)
All other current	(7,716)
All other long-term	(941)
Gross deferred tax liability	(305,915)
Accounts receivable reserve	2,026
Inventory	4,509
Interest	557
Accrued liabilities	16,625
Deferred revenue	329
Loss carryforwards	141,025
Tax credit carryforwards	14,322
Derivatives	225
All other long-term	30,771
Total deferred tax asset	210,389
Valuation allowance	(42,826)
Net deferred tax assets	167,563
Net deferred tax liability	$(138,352)

At December 28, 2008, JBS USA Holdings has recorded deferred tax assets of $141.0 million for loss carryforwards expiring in the years 2009 through 2029. In addition, JBS USA Holdings has $14.3 million of tax credits of which $10.3 million will expire in the years 2009 through 2028 and $4.0 million will carryforward indefinitely.

Section 382 of the Internal Revenue Code of 1986, as amended, imposes an annual limit on the ability of a corporation that undergoes an “ownership change” to use its net operating losses to reduce its tax liability. JBS USA Holdings experienced an ownership change in January of 2007 and July of 2007. JBS USA Holdings believes that its net operating losses exceed the Section 382 limitation in the amount of $14 million.

The valuation allowance for deferred tax assets as of December 31, 2007 was $127 million. The net change in the total valuation allowance was a decrease of $84 million in 2008. The valuation allowance as of December 28, 2008 was primarily related to loss and credit carryforwards that, in the judgment of management, are not more likely than not to be realized. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities (including the impact of available carryback and carryforward periods), projected future taxable income, and tax-planning strategies in making this assessment.

Subsequently recognized tax benefits relating to the valuation allowance for deferred tax assets as of December 28, 2008 will be allocated to income tax expense pursuant to FAS No. 141R.

JBS USA Holdings deems all of its foreign investments to be permanent in nature and does not provide for taxes on permanently reinvested earnings. It is not practicable to determine the amount of incremental taxes that might arise were these earnings to be remitted.

JBS USA Holdings follows the provisions of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* ("FIN 48"). JBS USA's unrecognized tax benefits are $8.1 million, the recognition of which would not have a material impact on the effective rate.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in thousands):

Balance at December 30, 2007	$8,300
Additions based on tax positions related to the current period	—
Additions for tax positions of prior years	—
Reductions for tax positions of prior years	—
Settlements	(200)
Balance at December 28, 2008	$8,100

JBS USA Holdings recognizes both interest and penalties related to uncertain tax positions as part of the income tax provision. As of December 30, 2007, accrued interest and penalties were $187 thousand. As of the year ended December 28, 2008, interest and penalty amounts related to uncertain tax positions were reduced to $5 thousand as a result of a reduction in the amount recorded as uncertain tax positions. The unrecognized tax benefit and related penalty and interest balances at December 28, 2008 are expected to decrease by $35 thousand within the next twelve months.

JBS USA Holdings files income tax returns in the U.S. and in various states and foreign countries. JBS USA Holdings is no longer subject to audit for US Federal income tax purposes for years prior to 2004. In other major jurisdictions where JBS USA Holdings operates, it is generally no longer subject to income tax examinations by tax authorities for years before 2002.

Note 13. Commitments and contingencies

On July 1, 2002, a lawsuit entitled Herman Schumacher et al v. Tyson Fresh Meats, Inc., et al was filed against a predecessor company, Tyson Foods, Inc., Excel Company, and Farmland National Beef Packing Company, L.P. in the United States District Court for the District of South Dakota seeking certification of a class of all persons who sold cattle to the defendants for cash, or on a basis affected by the cash price for cattle, during the period from April 2, 2001 through May 11, 2001 and for some period up to two weeks thereafter. The complaint alleges that the defendants, in violation of the Packers and Stockyards Act of 1921, knowingly used, without correction or disclosure, incorrect and misleading boxed beef price information generated by the USDA to purchase cattle offered for sale by the plaintiffs at a price substantially lower than was justified by the actual and correct price of boxed beef during this period. On April 12, 2006, the jury returned a verdict against three of the four defendants, including a $2.3 million verdict against Swift Beef.

On February 15, 2007, a judgment was entered on the verdict by the court and on March 12, 2007 Swift Beef Company filed a notice of appeal. Nevertheless, a liability for the amount of the verdict was recorded during the final thirteen weeks of Smithfield Beef's fiscal year ended May 28, 2006. ConAgra Foods will indemnify Swift & Company against any judgments for monetary damages or settlements arising out of this litigation or any future litigation arising from the same facts to the extent such damages together with any other indemnifiable claims under the acquisition agreement entered into the purchase of Swift Foods from ConAgra Foods, Inc. in 2002 exceed a minimum threshold of $7.5 million. On January 29, 2008, Swift Beef was notified that the appeals court ruled in favor of the defendants on all counts. Swift Beef is now seeking the recovery of a portion of the legal fees it expended in this matter. As the claimants rights to appeal expired during the third quarter ended December 28, 2008 the reversal of the previously accrued trial court verdict amount was recorded as an adjustment to the Acquisition, not as a reduction of expenses on the Consolidated Statement of Operations.

Swift Beef is a defendant in a lawsuit entitled United States of America, ex rel, Ali Bahrani v. ConAgra, Inc., ConAgra Foods, Inc., ConAgra Hide Division, ConAgra Beef Company and Monfort, Inc., filed in the United States District Court for the District of Colorado in May 2000 by the relator on behalf of the United States of America and himself for alleged violations of the False Claims Act. Under the False Claims Act, a private litigant, termed the "relator," may file a civil action on the United States government's behalf against another party for violation of the statute, which, if proven, would entitle the relator to recover a portion of any amounts recovered by the government. The lawsuit alleges that the defendants violated the False Claims Act by forging and/or improperly altering USDA export certificates used from 1991 to 2002 to export beef, pork, poultry and bovine hides to foreign countries. The lawsuit seeks to recover three times the actual damages allegedly sustained by the government, plus per-violation civil penalties.

On December 30, 2004, the United States District Court granted the defendants' motions for summary judgment on all claims. The United States Court of Appeals for the Tenth Circuit reversed the summary judgment on October 12, 2006 and remanded the case to the trial court for further proceedings consistent with the court's opinion. Defendants filed a Motion for Rehearing En Banc on October 26, 2006. On May 10, 2007, the Tenth Circuit denied that motion.

The case is now before the trial court. Issues in the case have been bifurcated. From April 28, 2008, to April 29, 2008 a jury trial was held on key significant issues. On May 1, 2008, a verdict was returned ruling in favor of the Company on all counts. If the verdict is not overturned on appeal the Relator's claims will be greatly limited and the issues in the case will be focused solely on bovine hides. This result significantly reduces the Company's possible liability from the original lawsuit. Swift Beef is unable to estimate what liability, if any, it may have in connection with this lawsuit or to reasonably estimate the amount or range of any loss that may result from this lawsuit at this time. In accordance with SFAS No. 5, *Accounting for Contingencies*, Swift Beef has not established a loss accrual for this claim. Pursuant to the acquisition agreement by which Swift Foods separated from ConAgra Foods in 2002, Swift Foods Company agreed to indemnify ConAgra Foods against all direct liabilities and damages relating to this lawsuit, including the costs and expenses of defending the lawsuit.

The Company is also a party to a number of other lawsuits and claims arising out of the operation of its businesses. Management believes the ultimate resolution of such matters should not have a material adverse effect on the Company's financial condition, results of operations, or liquidity. Attorney fees are expensed as incurred.

Commitments

JBS USA Holdings enters into purchase agreements for livestock which require the purchase of either minimum quantities or the total production of the facility over a specified period of time. At December 28, 2008, the Company had commitments to purchase 33 million hogs through 2014 and approximately 29% or approximately 7.5 million of our estimated cattle needs through short-term contracts. As the final price paid cannot be determined until after delivery, the Company has estimated market prices based on Chicago Mercantile Exchange traded futures contracts and applied those to either the minimum quantities required per the contract or management's estimates of livestock to be purchased under certain contracts to determine its estimated commitments for the purchase of livestock, which are as follows (in thousands):

Estimated livestock purchase commitments for fiscal year ended:	
2009	$3,395,206
2010	1,035,072
2011	862,430
2012	710,159
2013	483,723
Thereafter	99,087

Through use of these contracts, the Company purchased approximately 70% of its hog slaughter needs during the fifty-two weeks ended December 28, 2008.

Note 14. Business segments

JBS USA Holdings is organized into two operating segments, which are also the Company's reportable segments: Beef and Pork. In the Beef segment, we conduct our domestic and international beef processing business, including the beef operations we acquired in the JBS Packerland Acquisition in 2008 and the beef, lamb, and sheep operations we acquired in the Tasman Acquisition in 2008. In the Pork segment, we conduct our domestic pork and lamb processing business. Segment operating performance is evaluated by the Chief Operating Decision Maker ("CODM"), as defined in SFAS No. 131, *Disclosure about Segments of an Enterprise and Related Information*, based on Earnings before Interest, Taxes, Depreciation, and Amortization ("EBITDA"). EBITDA is not intended to represent cash from operations as defined by GAAP and should not be considered as an alternative to cash flow or operating income as measured by GAAP. JBS USA Holdings believes EBITDA provides useful information about operating performance, leverage, and liquidity. The accounting policies of the segments are consistent with those described in Note 5. All intersegment sales and transfers are eliminated in consolidation.

On November 5, 2008, the Company entered into a new asset based revolving credit facility (see Note 8). The definition of EBITDA contained in that agreement requires EBITDA to be calculated as net income adding back taxes, depreciation, amortization and interest and the excluding certain non-cash items which affect net income. The Company has changed its definition of EBITDA to align with the definition contained in that agreement and as such the amounts below reflect the new definition.

Beef—The majority of Beef's revenues are generated from US and Australian sales of fresh meat, which include chuck cuts, rib cuts, loin cuts, round cuts, thin meats, ground beef, and other products. In addition, Swift Beef also sells beef by-products to the variety meat, feed processing, fertilizer, automotive and pet food industries. Furthermore, Australia's Foods Division produces value-added meat products including toppings for pizzas. On May 2, 2008, JBS Southern completed the Tasman Acquisition and now operates six processing facilities and one feedlot which are reported in the Beef segment (see Note 3). On October 23, 2008, the Company completed the Smithfield Acquisition adding four plants and eleven feedlots which are reported in the Beef segment (see Note 4).

Pork—A significant portion of Pork's revenues are generated from the sale of products predominantly to retailers of fresh pork including trimmed cuts such as loins, roasts, chops, butts, picnics, and ribs. Other pork products, including hams, bellies, and trimmings are sold predominantly to further processors who, in turn, manufacture bacon, sausage, and deli and luncheon meats. The remaining sales are derived from by-products and from further-processed, higher-margin products. The lamb slaughter facility is included in Pork and accounts for less than 1% of total net sales.

Corporate and other—Includes certain revenues, expenses, and assets not directly attributable to the primary segments, as well as eliminations resulting from the consolidation process.

(in thousands)	The fifty-two weeks ended December 28, 2008
Net sales	
Beef	$ 9,975,510
Pork	2,438,049
Corporate and other.	(51,278)
Total	$12,362,281
Depreciation and amortization	
Beef	$ 68,721
Pork	23,653
Total	$ 92,374
EBITDA	
Beef	$ 284,527
Pork	113,673
Total	398,200
Depreciation and amortization	(92,374)
Interest expense, net	(36,358)
Foreign currency transaction losses	(75,995)
Loss on fixed assets	(1,082)
Income before income tax expense	$ 192,391
Capital expenditures	
Beef	$ 89,237
Pork	29,083
Total	$ 118,320

Total assets by segment (in thousands):

(in thousands)	December 28, 2008
Total assets	
Beef	$ 2,838,619
Pork	519,995
Corporate and other	(43,043)
Total	$ 3,315,571

Sales by geographical area based on the location of the facility recognizing the sale (in thousands):

	The fifty-two weeks ended December 28, 2008
Net sales	
United States	$ 10,561,484
Australia	1,800,797
Total	$ 12,362,281

Sales to unaffiliated customers by location of customer (in thousands):

	The fifty-two weeks ended December 28, 2008
United States	$ 8,789,407
Japan	792,678
Australia	521,085
Mexico	296,680
China	77,623
Other	1,884,808
Total	$ 12,362,281

Long-lived tangible assets by location of assets (in thousands):

	December 28, 2008
Long-lived assets:	
United States	$ 906,044
Australia	360,400
Other	83
Total	$ 1,266,527

No single customer or supplier accounted for more than 10% of net sales or cost of goods sold, respectively, during the fifty-two weeks ended December 28, 2008.

Long-lived assets consist of property, plant, and equipment, net of depreciation, and other assets less debt issuance costs, net, of $12.5 million as of December 28, 2008.

Note 15. Terminated acquisition

On February 29, 2008, JBS USA Holdings entered into an agreement with National Beef to acquire all of the outstanding membership interests for a combination of approximately $465.0 million cash, $95.0 million in JBS common stock (the purchase price) and the assumption of debt.

On October 20, 2008, the United States Department of Justice (“DOJ”) filed an injunction to stop the Company’s planned acquisition of National Beef.

On February 18, 2009 an agreement was reached with the sellers of National Beef whereby JBS USA Holdings will terminate the acquisition process of National Beef. All related litigation with the DOJ will also be terminated. As a result of the agreement JBS USA Holdings has agreed to reimburse the seller’s shareholders a total $19.9 million as full and final settlement of any and all liabilities related to the potential acquisition.

Note 16. Subsequent events

On December 29, 2008, JBS USA, Inc., was renamed JBS USA, LLC. and converted from a C corporation to a limited liability company.

On January 12, 2009, the Company received $25 thousand; including principal plus interest from an executive officer (see Note 11).

On January 27, 2009, the Company reached agreement with Smithfield Foods for final settlement of the working capital component of the purchase price pursuant to the Stock Purchase Agreement. The settlement calls for a payment of $4.5 million from Smithfield Foods to the Company as full and final settlement of the working capital delivered at October 23, 2008. The Company recorded the settlement as a reduction of purchase price upon receipt.

On March 27, 2009, JBS S.A. assigned its five separate intercompany notes with JBS USA Holdings to JBS HU Liquidity Management LLC, a subsidiary of JBS, which is organized in the country of Hungary.

On April 27, 2009, JBS USA Holdings refinanced its five separate intercompany notes with JBS HU Liquidity Management LLC into one note with a stated interest rate of 12% and a 10 year maturity (see Note 8).

On April 27, 2009 the Credit Agreement was amended to allow the execution of the senior unsecured note offering of JBS USA, LLC described below. Under the amendment, the existing limitation on distributions between JBS USA, LLC and JBS USA Holdings was amended to allow for the proceeds of the senior unsecured bond offering, less transaction expenses and $100 million retained by JBS USA, LLC to be remitted to JBS USA Holdings as a one time distribution. Also, the unused line fee was increased from 37.5 basis points to 50 basis points.

On April 27, 2009, JBS USA, LLC, a wholly owned subsidiary, issued $700 million of senior unsecured notes. Interest on these notes accrues at a rate of 11.625% per annum and is payable semi-annually in arrears on May 1 and November 1 of each year, beginning on November 1, 2009. The principal amount of these notes is payable in full on May 1, 2014. The proceeds net of expenses were $650.8 million and were used to repay $100 million on the Credit Agreement and the balance was used to repay intercompany debt and accrued interest owed to JBS S.A. These notes are guaranteed by JBS S.A., us, JBS Hungary Holdings Kft. (a wholly owned, indirect subsidiary of JBS S.A.), and each of our U.S. restricted subsidiaries that guarantee our senior secured revolving facility (subject to certain exceptions).

Covenants. The indenture for the 11.625% senior unsecured notes due 2014 contains customary negative covenants that limit our and our restricted subsidiaries’ ability to, among other things:

- incur additional indebtedness based on net debt to EBITDA ratio;
- incur liens;
- sell or dispose of assets;
- pay dividends or make certain payments to our shareholders;
- permit restrictions on dividends and other restricted payments by its restricted subsidiaries;
- enter into related party transactions;
- enter into sale/leaseback transactions; and
- undergo changes of control without making an offer to purchase the notes.

Events of default. The indenture also contains customary events of default, including failure to perform or observe terms, covenants or other agreements in the indenture, defaults on other indebtedness if the effect is to permit acceleration, failure to make a payment on other indebtedness waived or extended within the applicable grace period, entry of unsatisfied judgments or orders against the issuer or its subsidiaries, and certain events related to bankruptcy and insolvency matters. If an event of default occurs, the trustee or the holders of at least 25% in aggregate principal amount of the notes then outstanding may declare such principal and accrued interest on the notes to be immediately due and payable.

Beginning in mid-April 2009 the world press began publicizing the occurrence of regionalized influenza outbreaks which were linked on a preliminary basis to a hybrid avian/swine/human virus. As a result commencing on April 14, 2009 several foreign countries including Russia, Thailand, Ukraine, Communist China, and the Philippines closed their borders to some or all pork produced in the affected states in the USA or other affected regions in the world. The company is not able to assess whether or when the influenza outbreak might lessen or whether or when additional countries might impose restrictions on the importation of pork products from the USA, nor whether or when the existing import bans might be lifted.

On April 24, 2009, the Company issued a forgivable promissory note in the amount of $235 thousand to an officer of the Company. The note bears interest at 5.25% and will be forgiven in four equal installments on the anniversary date of the loan as long as the executive continues to be an employee. If the employee is terminated for cause the entire note balance plus accrued interest will be due and payable on the termination date.

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Audit • Tax • Advisory

Grant Thornton LLP
200 S 6th Street, Suite 500
Minneapolis, MN 55402-1459

T 612.332.0001
F 612.332.8361
www.GrantThornton.com

Report of independent certified public accountants

Board of Directors
JBS USA Holdings, Inc. (formerly Swift Foods Company):

We have audited the accompanying consolidated balance sheets of JBS USA Holdings, Inc. (formerly Swift Foods Company) and subsidiaries (the Company) as of December 24, 2006 and July 10, 2007 and the related consolidated statements of operations, stockholders' equity, and cash flows for the fiscal year ended December 24, 2006 and the 198 days ended July 10, 2007 (Predecessor) and the consolidated balance sheet as of December 30, 2007 and the related consolidated statements of operations, stockholder's equity, and cash flows for the 173 days ended December 30, 2007 (Successor). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of JBS USA Holdings, Inc. and subsidiaries as of December 24, 2006 and July 10, 2007 and the results of their operations and cash flows for the fiscal year ended December 24, 2006 and the 198 days ended July 10, 2007 (Predecessor) and as of December 30, 2007 and the results of their operations and cash flows for the 173 days ended December 30, 2007 (Successor) in conformity with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Minneapolis, Minnesota
July 1, 2009

JBS USA Holdings, Inc.
A wholly owned subsidiary of JBS S.A.
Consolidated balance sheets
(dollars in thousands)

	Predecessor		Successor
	December 24, 2006	July 10, 2007	December 30, 2007
Assets			
Current assets:			
Cash and cash equivalents	$ 83,420	$ 44,673	$ 198,883
Restricted cash	—	—	30,014
Accounts receivable, net of allowance for doubtful accounts of $1,030, $1,466 and $1,389, respectively	334,341	365,642	417,375
Inventories	457,829	487,598	466,756
Deferred income taxes, net	11,149	7,784	4,493
Other current assets	34,864	48,629	35,492
Total current assets	921,603	954,326	1,153,013
Property, plant, and equipment, net	487,427	505,172	708,056
Goodwill	6,811	—	96,345
Other intangibles, net	103,993	92,606	185,573
Deferred income taxes, net	—	—	5,434
Other assets	18,763	26,246	17,394
Total assets	$1,538,597	$1,578,350	$2,165,815
Liabilities and stockholders' equity			
Current liabilities:			
Short-term debt	$ —	$ —	$ 776,287
Current portion of long-term debt	1,950	1,937	1,998
Accounts payable	179,939	122,821	179,650
Book overdraft	73,314	70,639	92,289
Deferred income taxes, net	6,696	9,323	12,885
Accrued liabilities	194,932	234,681	186,494
Total current liabilities	456,831	439,401	1,249,603
Long-term debt, excluding current portion	1,065,553	1,201,975	32,433
Deferred income taxes, net	38,914	23,878	19,688
Other non-current liabilities	17,389	11,914	25,273
Total liabilities	1,578,687	1,677,168	1,326,997
Commitments and contingencies (see Note 10)			
Stockholders' equity (deficit):			
Common stock: par value $.01 per share, shares authorized, issued and outstanding of 221,359,000, 221,359,000 and 100, respectively	2,212	2,212	—
Additional paid-in capital	49,552	50,741	950,159
Treasury stock at cost, 1,784,584 shares at December 24, 2006 and July 10, 2007	(1,814)	(1,814)	—
Accumulated deficit	(143,946)	(226,611)	(111,592)
Accumulated other comprehensive income	53,906	76,654	251
Total stockholders' equity (deficit)	(40,090)	(98,818)	838,818
Total liabilities and stockholders' equity	$1,538,597	$1,578,350	$2,165,815

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

JBS USA Holdings, Inc.
A wholly owned subsidiary of JBS S.A.
Consolidated statements of operations
(dollars in thousands)

	Predecessor		Successor
	Fiscal year ended December 24, 2006	**198 days ended July 10, 2007**	**173 days ended December 30, 2007**
Gross sales	$9,747,029	$5,000,046	$5,014,381
Less deductions from sales	(55,597)	(29,422)	(25,397)
Net sales	9,691,432	4,970,624	4,988,984
Cost of goods sold	9,574,715	4,920,594	5,013,084
Gross profit (loss)	116,717	50,030	(24,100)
Selling, general, and administrative expenses	158,783	92,333	60,727
Foreign currency transaction gains	(463)	(527)	(5,201)
Other income, net	(4,937)	(3,821)	(3,581)
(Gain) loss on sales of property, plant, and equipment	(666)	(2,946)	182
Interest expense, net	118,754	66,383	34,340
Loss before income tax expense	(154,754)	(101,392)	(110,567)
Income tax (benefit) expense	(37,348)	(18,380)	1,025
Net loss	$ (117,406)	$ (83,012)	$ (111,592)

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

JBS USA Holdings, Inc.
A wholly owned subsidiary of JBS S.A.
Consolidated statements of cash flows
(dollars in thousands)

	Predecessor		Successor
	Fiscal year ended December 24, 2006	**198 days ended July 10, 2007**	**173 days ended December 30, 2007**
Cash flows from operating activities:			
Net loss	$(117,406)	$(83,012)	$(111,592)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation	73,611	38,904	30,085
Amortization of intangibles	11,023	5,934	5,159
Goodwill impairment charge	4,488	—	—
Amortization of debt issuance costs	9,991	6,226	883
PIK interest (Seller Note, Convertible Senior Note and Senior Notes due 2010)	37,994	21,333	—
(Gain) loss on sales of property, plant and equipment	(666)	(2,946)	182
Deferred income taxes	(38,324)	(22,078)	(177)
Stock based compensation	853	1,189	—
Foreign currency transaction gains on intercompany note	—	—	(4,457)
Other non-cash	(279)	—	—
Change in assets and liabilities, net of impact of acquisition:			
Restricted cash	—	—	(30,014)
Accounts receivable, net	46,613	(24,781)	(57,625)
Inventories	47,919	(10,327)	32,851
Other current assets	9,202	3,979	19,414
Accounts payable and accrued liabilities	(18,080)	(45,009)	7,171
Noncurrent assets	884	(73)	336
Net cash flows provided by (used in) operating activities	67,823	(110,661)	(107,784)
Cash flows from investing activities:			
Purchases of property, plant and equipment	(47,294)	(33,700)	(33,461)
Proceeds from disposal of NonFed Plants	29,648	—	—
Proceeds from sales of property, plant, and equipment	5,607	5,203	379
Proceeds from sales of water rights	—	2,872	—
Investment in bonds	—	(11,000)	—
Purchase of nonoperating real property	—	—	(2,629)
Notes receivable and other	116	8,848	—
Costs associated with acquisition by parent, net of cash acquired $44,673	—	—	(3,698)
Net cash flows used in investing activities	(11,923)	(27,777)	(39,409)
Cash flows from financing activities:			
Net borrowings (payments) of revolver	(7,779)	104,316	—
Net payments of short-term debt	—	—	(296,550)
Proceeds from debt issuance	—	—	750,000
Payments of debt	(2,653)	(1,149)	(851,736)
Change in overdraft balances	(15,265)	(2,675)	21,650
Investment from parent	—	—	950,159
Repurchase of common stock	(250)	—	—
Payment to previous shareholders in conjunction with acquisition by parent	—	—	(225,000)
Debt issuance costs	—	—	(1,812)
Net cash flows provided by (used in) financing activities	(25,947)	100,492	346,711
Effect of exchange rate changes on cash	1,403	(801)	(635)
Net change in cash and cash equivalents	31,356	(38,747)	198,883
Cash and cash equivalents, beginning of period	52,064	83,420	—
Cash and cash equivalents, end of period	$ 83,420	$ 44,673	$ 198,883
Non-cash investing and financing activities:			
Construction in process under deemed capital lease	$ —	$ 7,559	$ 664
Supplemental information:			
Cash paid for interest	$ 74,887	$ 45,707	$ 26,270
Cash paid/(received) for income taxes	$ 4,317	$ (3,150)	$ 1,022

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

JBS USA Holdings, Inc.
A wholly owned subsidiary of JBS S.A.

Consolidated statements of stockholders' equity

(dollars in thousands)

	Common stock issued	Treasury shares	Common stock	Additional paid-in capital	Treasury stock	Accumulated deficit	Accumulated other comprehensive income	Total stockholders' equity
Predecessor								
Balance at December 25, 2005	221,359,000	(1,537,151)	$2,212	$ 48,699	$(1,564)	$ (26,540)	$39,775	$ 62,582
Repurchase of common stock	—	(247,433)	—	—	(250)	—	—	(250)
Stock based compensation	—	—	—	853	—	—	—	853
Comprehensive loss:								
Net loss	—	—	—	—	—	(117,406)	—	(117,406)
Derivative adjustment, net of tax of $1,169	—	—	—	—	—	—	(1,267)	(1,267)
Foreign currency translation adjustment	—	—	—	—	—	—	15,398	15,398
Total comprehensive loss								(103,275)
Balance at December 24, 2006	221,359,000	(1,784,584)	2,212	49,552	(1,814)	(143,946)	53,906	(40,090)
Stock based compensation	—	—	—	1,189	—	—	—	1,189
Cumulative effect of adoption of FIN 48	—	—	—	—	—	347	—	347
Comprehensive loss:								
Net loss	—	—	—	—	—	(83,012)	—	(83,012)
Derivative adjustment, net of tax of $217	—	—	—	—	—	—	1,959	1,959
Foreign currency translation adjustment	—	—	—	—	—	—	20,789	20,789
Total comprehensive loss								(60,264)
Balance at July 10, 2007	221,359,000	(1,784,584)	$2,212	$ 50,741	$(1,814)	$(226,611)	$76,654	$ (98,818)
Successor								
Investment from parent	100	—	$ —	$950,159	$ —	$ —	$ —	$950,159
Comprehensive loss:								
Net loss	—	—	—	—	—	(111,592)	—	(111,592)
Derivative adjustment, net of tax of $186	—	—	—	—	—	—	(422)	(422)
Foreign currency translation adjustment	—	—	—	—	—	—	673	673
Total comprehensive loss								(111,341)
Balance at December 30, 2007	100	—	$ —	$950,159	$ —	$(111,592)	$ 251	$838,818

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

JBS USA Holdings, Inc.
A wholly owned subsidiary of JBS S.A.

Notes to consolidated financial statements

Note 1. Description of business

JBS USA Holdings, Inc. ("JBS USA Holdings" or the "Company" or "we"), formerly known as Swift Foods Company ("Swift Foods") and JBS USA, Inc., is a Delaware corporation and a wholly owned subsidiary of JBS S.A., a Brazilian company ("JBS"). JBS USA Holdings owns all of JBS USA, Inc. ("JBS USA") which is the operating entity (See Note 12). JBS USA 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 is the leading beef processor and one of the leading pork processing companies in the world. The Company 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 in international markets. The Company also provides services to its customers designed to help them develop more sophisticated and profitable sales programs. JBS USA 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 conducts its domestic beef and pork processing businesses through Swift Beef Company ("Swift Beef") and Swift Pork Company ("Swift Pork") and its Australian beef business through Swift Australia Pty. Ltd. ("Swift Australia"). The Company has two reportable segments comprised of Beef and Pork which, for the fiscal year ended December 24, 2006, the 198 days ended July 10, 2007 and the 173 days ended December 30, 2007, represented approximately 78.1% and 21.9%, 75.5% and 24.5% and 78.9% and 21.1% of net sales, respectively. During the periods covered by these financial statements, the Company operated four beef processing facilities, three pork processing facilities, one lamb slaughter facility, and one value-added facility in the United States and four beef processing facilities and four feedlots in Australia (See Note 12).

Note 2. Acquisition and refinancing of JBS USA Holdings, Inc.

On July 11, 2007, JBS acquired Swift Foods (the "Acquisition"). Concurrent with the closing of the Acquisition, the entity formerly known as Swift Foods was renamed JBS USA, Inc. and later 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), as shown below. JBS USA Holdings also refinanced its debt and the outstanding debt assumed at the date of the Acquisition was paid off using proceeds from $750 million of various debt instruments and additional equity contributions from JBS (See Note 6). As a result of the Acquisition, the financial statements of JBS USA Holdings 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").

The purchase price allocation is based on an independent valuation of assets and liabilities acquired. The allocation presented below reflects the preliminary fair value of the individual assets and liabilities of JBS USA Holdings as of July 11, 2007 (in thousands). Subsequent to the completion of the December 2007 balance sheet the preliminary purchase price allocation was finalized in September 2008 (See Note 12).

Purchase price paid to previous shareholders	$ 225,000
Debt assumed including accrued interest of $22,872	1,197,124
Fees and direct expenses	48,490
Total purchase price	$1,470,614
Preliminary purchase price allocation:	
Current assets and liabilities	$583,833
Property, plant, and equipment	693,672
Identified intangibles	190,732
Deferred tax liability	(110)
Goodwill	97,194
Other noncurrent assets and liabilities, net	(94,707)
Total purchase price allocation	$1,470,614

The debt refinancing in conjunction with the acquisition was financed in part using the following sources (in thousands):

Loan Agreements due June 30, 2008	$400,000
Credit Agreement due July 6, 2008	250,000
Loan Agreement due July 7, 2008	100,000
	$750,000

The impact of the Acquisition on the financial statements of JBS USA Holdings was the identification of intangible assets, adjustment of assets and liabilities to fair value, and an equity investment from its parent and payoff of certain outstanding debt. Although certain of the outstanding debt of JBS USA Holdings was paid off or refinanced in conjunction with the Acquisition and replaced with an equity investment from its parent, the parent does have debt outstanding and JBS USA Holdings could be called upon to provide funding to meet debt service requirements.

Note 3. Basis of presentation and accounting policies

Consolidation

The consolidated financial statements include the accounts of JBS USA Holdings and its direct and indirect wholly-owned subsidiaries. All intercompany 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 tax accruals.

Restricted cash

JBS USA Holdings has outstanding letters of credit, supporting current liabilities, which are collateralized by cash. As this cash is not available for operations and is not considered highly liquid it is classified as restricted cash.

Cash and cash equivalents

JBS USA Holdings considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. The carrying value of these assets approximates the 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. JBS USA Holdings believes no significant concentration of credit risk exists with respect to these cash investments.

Investment in auction rate securities

During the 173 days ended December 30, 2007, JBS USA Holdings invested in auction rate securities based on its cash needs and available cash balances. As of December 30, 2007 the Company held no investments in auction rate securities. The Company considered these investments to be available-for-sale in accordance with SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, and, as such, the cash flows associated with these investments have been reflected in investing activities. Realized gains recorded in interest income for the period July 11 through December 30, 2007 totaled $2.7 million.

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 write-off 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):

	Predecessor		Successor
	Fiscal year ended December 24, 2006	**198 days ended July 10, 2007**	**173 days ended December 30, 2007**
Balance, beginning of period	$1,701	$1,030	$1,466
Bad debt provision (decrease)	(793)	512	(115)
Write-offs, net of recoveries	122	(76)	36
Effect of exchange rates	—	—	2
Balance, end of period	$1,030	$1,466	$1,389

Inventories

Inventories consist primarily of product, livestock, and supplies. Product inventories are considered commodities and are primarily valued based on quoted commodity prices. Australian product inventories are valued based on the lower of cost or net realizable value. 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, hogs, and lamb are reclassified from livestock to work in process at time of slaughter. Supply inventories are carried at historical cost. The components of inventories, net of reserves, are as follows (in thousands):

	Predecessor		Successor
	December 24, 2006	**July 10, 2007**	**December 30, 2007**
Livestock	$105,033	$122,853	$96,851
Product inventories:			
Work in progress	29,561	43,671	37,127
Finished goods	277,433	277,348	292,157
Supplies	45,802	43,726	40,621
	$457,829	$487,598	$466,756

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 cost and was adjusted to fair value at the date of the Acquisition. Subsequent additions are recorded at cost. Depreciation 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 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. 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. During the fiscal year ended December 24, 2006, the 198 days ended July 10, 2007 and the 173 days ended December 30, 2007, JBS USA Holdings capitalized $0.3 million, $0.4 million and $0.4 million of interest charges, respectively. Assets held under capital lease are classified in property, plant, and equipment and amortized over the lease term. Lease amortization is included in depreciation expense. As of December 24, 2006, July 10, 2007 and December 30, 2007, JBS USA Holdings had $3.7 million, $6.1 million and $6.8 million in commitments outstanding for capital projects, respectively. At December 30, 2007, the Company also had a commitment to purchase $15.5 million of bonds, as discussed in other assets.

JBS USA Holdings 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 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):

	Predecessor		Successor
	December 24, 2006	**July 10, 2007**	**December 30, 2007**
Land	$ 54,058	$ 58,580	$ 59,832
Buildings, machinery, and equipment	628,844	657,681	596,954
Property and equipment under capital lease	21,130	20,893	16,776
Furniture, fixtures, office equipment, and other	55,259	58,269	32,527
Construction in progress	18,473	41,477	30,915
	777,764	836,900	737,004
Less accumulated depreciation	(290,337)	(331,728)	(28,948)
	$ 487,427	$ 505,172	$708,056

Accumulated depreciation includes accumulated amortization on capitalized leases of approximately $7.1 million, $7.8 million and $0.9 million as of December 24, 2006, July 10, 2007 and December 30, 2007, respectively. For the fiscal year ended December 24, 2006, the Company recognized $63.9 million and $9.7 million of depreciation expense in cost of goods sold and selling, general, and administrative expenses in the statement of operations, respectively. For the 198 days ended July 10, 2007, the Company recognized $33.8 million and $5.2 million of depreciation expense in cost of goods sold and selling, general, and administrative expenses in the statement of operations, respectively. For the 173 days ended December 30, 2007, the Company recognized $23.9 million and $6.2 million of depreciation 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 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 estimated. Therefore, JBS USA Holdings cannot reasonably estimate the fair value of the potential liability.

Other Assets

Other assets at December 24, 2006 include notes receivable totaling $7.6 million, from the City of Cactus, Texas (the "City"). In December 2002, Swift Beef loaned $2.3 million to the City for use by the City to secure acreage for the construction of the City's new wastewater treatment plant. JBS USA Holdings owns a beef processing facility, as well as a wet blue hide processing facility which will be served by the new treatment plant. The loan was for an original two-year term and accrued interest at 6%. The loan was amended in December 2004 to extend the maturity for up to one year and was extended for an additional year in December 2005 and again for an additional year in December 2006. An additional loan was made by Swift Beef to the City in the amount of $3.5 million in January 2005 to secure additional acreage and was amended in December 2005 and again in December 2006 to extend the maturity for up to one year. A final loan in the amount of $1.8 million was made to the City to secure final acreage in September 2005 and was amended in September 2006 to extend the maturity for up to one year. In March 2007, the maturity dates of the notes receivable were amended to be on the demand of Swift Beef to the extent that debt securities have been issued by the City in amounts sufficient to repay the loans but in no event later than December 31, 2012. Interest income on the notes is recognized as an offset to interest expense and is payable upon maturity of the notes. In August 2006, the State of Texas approved the issuance of a wastewater treatment permit which was issued on November 9, 2006.

Effective May 15, 2007, Swift Beef entered into an Installment Bond Purchase Agreement (the "Purchase Agreement") with the City. 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. 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 December 30, 2007, $8.2 million had been recognized as construction in process and construction financing by the Company. At the date of the Acquisition and at December 30, 2007, Swift Beef held $11.0 million of the Bonds.

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.

On June 1, 2007, Swift Beef purchased the initial installment of Bonds in the amount of $11.0 million. The City repaid the former notes receivable of $7.6 million and accrued interest totaling $1.3 million on June 1, 2007.

The Company has evaluated the impact of 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 process and the related construction financing. Construction in progress and construction financing by the Company at July 10, 2007 and December 30, 2007 was $7.6 million and $8.2 million, respectively.

Debt issuance costs

Costs related to the issuance of debt are capitalized and amortized to interest expense over the period the debt is outstanding. Amortization of debt issuance costs for the fiscal year ended December 24, 2006, the 198 days ended July 10, 2007 and the 173 days ended December 30, 2007 was $10.0 million, $6.2 million and $0.9 million, respectively.

In addition the Company recognized $12.7 million in interest expense for the period ended December 30, 2007 for debt not issued.

Goodwill and other intangible assets

Goodwill and other intangible assets with indefinite lives are not amortized and 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* ("SFAS No. 142"). Identifiable intangible assets with definite lives are amortized over their estimated useful lives. On an annual basis, JBS USA Holdings performs testing for impairment using a fair-value based approach and, if there is impairment, the carrying amount of goodwill and other non-amortizing intangible assets are written down to the implied fair value. Before the Acquisition, the Company's annual impairment testing date was in May and was subsequently changed to December in May 2008. Goodwill resulting from the preliminary purchase price allocation from the Acquisition totaled $97.2 million (See Note 12).

For the fiscal year ended December 24, 2006, the Company completed its annual impairment testing of goodwill and identifiable intangible assets with indefinite lives in May 2006. As a result of this testing, the Company recorded an impairment charge totaling $4.5 million related to the goodwill of its Beef segment in the cost of goods sold line in the Statement of Operations.

During the 198 day period ended July 10, 2007, the Company recorded an adjustment to goodwill of $6.8 million related to the reversal of tax reserves which were established as part of the predecessor original 2002 purchase accounting transaction. Under EITF 93-7, the reversal of tax contingencies related to purchase accounting are recognized as reductions of book goodwill when it is determined that the original reserve is no longer needed.

The table below shows a roll forward of goodwill by segment for the periods ended December 24, 2006, July 10, 2007 and December 30, 2007 (in thousands). The “other” category included in the roll forward is comprised of translation and other adjustments made to goodwill.

Predecessor

	December 25, 2005	Additions	Impairments	Other	December 24, 2006
Beef	$ 4,318	$—	$(4,488)	$170	$ —
Pork	6,811	—	—	—	6,811
Total	$11,129	$—	$(4,488)	$170	$6,811

	December 24, 2006	Additions	Impairments	Other	July 10, 2007
Beef	$ —	$—	$—	$ —	$—
Pork	6,811	—	—	(6,811)	—
Total	$6,811	$—	$—	$(6,811)	$—

Successor

	July 11, 2007	Additions	Impairments	Other	December 30, 2007
Beef	$—	$53,414	$—	$(849)	$52,565
Pork	—	43,780	—	—	43,780
Total	$—	$97,194	$—	$(849)	$96,345

Other identifiable intangible assets as of December 24, 2006, July 10, 2007 and December 30, 2007 are as follows (in thousands):

	Predecessor		
	December 24, 2006		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortizing:			
Patents	$ 3,429	$ (1,696)	$ 1,733
Customer relationships	124,640	(36,861)	87,779
Mineral rights	810	(95)	715
Subtotal amortizing intangibles	128,879	(38,652)	90,227
Non-amortizing:			
Water rights	3,628	—	3,628
Trademark	10,138	—	10,138
Subtotal non-amortizing intangibles	13,766	—	13,766
Total intangibles	$142,645	$(38,652)	$103,993

	Predecessor			
	July 10, 2007			
	Gross carrying amount	Adjustments	Accumulated amortization	Net carrying amount
Patents	$ 3,429	$ —	$ (1,904)	$ 1,525
Customer relationships	129,366	(5,640)	(43,783)	79,943
Mineral rights	813	—	(115)	698
Subtotal amortizing intangibles	133,608	(5,640)	(45,802)	82,166
Non-amortizing:				
Water rights	3,628	(3,326)	—	302

	Predecessor			
	July 10, 2007			
	Gross carrying amount	Adjustments	Accumulated amortization	Net carrying amount
Trademarks	10,138	—	—	10,138
Subtotal non-amortizing intangibles	13,766	(3,326)	—	10,440
Total intangibles	$147,374	$(8,966)	$(45,802)	$92,606

Patents consist of exclusive marketing rights and are being amortized over the life of the related agreements, which range from 10 to 16 years. The Customer relationship intangible is being amortized on an accelerated basis over its expected useful life of 20 years representing management's estimate of the period of expected economic benefit. Mineral rights are being amortized over its expected useful life of 20 years. For the fiscal year ended December 24, 2006 and the 198 days ended July 10, 2007, JBS USA Holdings, Inc. recognized $11.0 million and $5.9 million of amortization expense, respectively.

As part of the EITF 93-7 tax adjustment discussed above, the Company also recorded an adjustment of $5.6 million to reverse tax reserves established in the 2002 purchase accounting transaction.

The adjustment to non-amortizing intangibles reflects the sale of water rights at a carrying value of $3.3 million during the period ended July 10, 2007.

	Successor		
	December 30, 2007		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortizing:			
Customer relationships	$129,000	$(4,137)	$124,863
Customer contracts	15,400	(441)	14,959
Patents	5,200	(227)	4,973
Rental contract	3,507	(185)	3,322
Deferred revenue	1,483	(148)	1,335
Mineral rights	742	(21)	721
Subtotal amortizing intangibles	155,332	(5,159)	150,173
Non-amortizing:			
Trademark	33,300	—	33,300
Water rights	2,100	—	2,100
Subtotal non-amortizing intangibles	35,400	—	35,400
Total intangibles	$190,732	$(5,159)	$185,573

The customer relationship intangible and customer contract intangible are amortized on an accelerated basis over 12 and 7 years respectively, representing management's estimate of the period of expected economic benefit and yearly customer profitability.

Patents consist of exclusive marketing rights and are being amortized over the life of the related agreements, which range from 6 to 20 years. For the 173 days ended December 30, 2007, JBS USA Holdings, Inc. recognized $5.2 million of amortization expense. Based on amortizing assets recognized as of December 30, 2007, amortization expense for each of the next five years is estimated as follows (in thousands):

Estimated amortization expense for fiscal years ending (in thousands):	
2008	$16,126
2009	19,857
2010	19,232
2011	18,317
2012	16,740

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 result in overdraft balances for accounting purposes and the change in the related balance is reflected in financing activities on the statement of cash flows.

Self-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 third party actuarial reports of the aggregate uninsured claims incurred using actuarial assumptions accepted in the insurance industry and the Company's historical experience rates. JBS USA Holdings has recorded a prepaid asset with an offsetting liability to reflect the amounts estimated as due for 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*.

Environmental expenditures and remediation liabilities

Environmental expenditures that relate to current or future operations and which improve operational capabilities are capitalized at time of incurrence. Expenditures that relate to an existing or prior condition caused by past operations, and which do not contribute to current or future revenue generation, are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are probable and the costs can be reasonably estimated.

Foreign currency translation

For foreign operations, the local currency is the functional currency. Translation into US dollars is performed for assets and liabilities at the exchange rates as of the balance sheet date. Income and expense accounts are translated at average exchange rates for the period. Adjustments resulting from the translation are reflected as a separate component of other comprehensive income. Translation gains and losses on US dollar denominated revolving intercompany borrowings between the Australian subsidiaries and the US parent are recorded in earnings. Translation gains and losses on US dollar denominated intercompany borrowings between the Australian subsidiary and the US parent and which are deemed to be part of the investment in the subsidiary are recorded in other comprehensive income. The balance of foreign currency translation, net of tax in other comprehensive income at December 24, 2006, July 10, 2007 and December 30, 2007 was $55.3 million, $76.1 million and $0.7 million, respectively.

Income taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Beginning with the adoption of FASB Interpretation No. 48 *Accounting for Uncertainty in Income Taxes* ("FIN 48") as of December 25, 2006, the Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. JBS USA Holdings has a pre-acquisition tax year ending in May and its post-acquisition tax year ending in December.

Fair value of financial instruments

The carrying amounts of JBS USA Holdings' financial instruments, including cash and cash equivalents, short-term trade receivables, and payables, approximate their fair values due to the short-term nature of the instruments. Long-term debt, including the $750 million of unsecured loans, installment notes payable and capital lease obligations, were recorded at fair value at the time of the Acquisition (See Note 2) and JBS USA Holdings believes this approximates its fair value at December 30, 2007 subject to adjustments for any payments.

Revenue recognition

The Company's revenue recognition policies are based on the guidance in Staff Accounting Bulletin ("SAB") No. 104, *Revenue Recognition in Financial Statements*. Revenue on product sales is recognized when title and risk of loss are transferred to customers (upon delivery based on the terms of sale), when the price is fixed or determinable, and when collectibility is reasonably assured. The Company recognizes sales net of applicable provisions for discounts, returns and allowances which are accrued as product is invoiced to customers who participate in such programs based on contract terms and historical and current purchasing patterns.

Advertising costs

Advertising costs are expensed as incurred. Advertising costs for the fiscal year ended December 24, 2006, the 198 days ended July 10, 2007 and the 173 days ended December 30, 2007 were $7.6 million, $2.9 million and $2.2 million, respectively.

Research and development

The Company incurs costs related to developing new beef and pork products. These costs include developing improved packaging, manufacturing, flavor enhancing, and improving consumer friendliness of meat products. The costs of these research and development activities are less than 1% of total consolidated annual sales and are expensed as incurred.

Shipping costs

Pass-through finished goods delivery costs reimbursed by customers are reported in net sales while an offsetting expense is included in cost of goods sold.

Comprehensive income

Comprehensive income consists of net income, foreign currency translation, and derivative adjustments. JBS USA Holdings deems all of its foreign investments to be permanent in nature and does not provide for taxes on permanently reinvested earnings or on currency translation adjustments arising from converting the investment in a foreign currency to US dollars. It is not practical to determine the amount of incremental taxes that might arise were these foreign earnings to be remitted.

Facility closure

In August 2005, the Company closed its Nampa, Idaho non-fed cattle processing facility. The closure was due to continued difficulty of sourcing older non-fed cattle for slaughter in the Northwestern US and the uncertainty surrounding the opening of the Canadian border to the importation of livestock older than 30 months of age. On May 26, 2006, the Company completed the sale of the idled Nampa facility as well as the operating Omaha, Nebraska non-fed cattle processing facility. Due to significant continuing involvement with the non-fed processing facilities through a raw material supply agreement, the operating results related to these plants for all periods presented have been reflected in continuing operations.

Derivatives and hedging activities

JBS USA Holdings accounts for its derivatives and hedging activities in accordance with SFAS No. 133, *Accounting for Derivative Financial Instruments and Hedging Activities,* ("SFAS No. 133"), and its related amendment, SFAS No. 138, *Accounting for Certain Derivative Instruments and Certain Hedging Activities*. The Company uses derivatives (e.g., futures and options) for the purpose of mitigating exposure to changes in commodity prices and foreign currency exchange rates. The fair value of each derivative is recognized in the balance sheet within current assets or current liabilities. Changes in the fair value of derivatives are recognized immediately in the statement of operations for derivatives that do not qualify for hedge accounting. For derivatives designated as a hedge and used to hedge an existing asset or liability, both the derivative and hedged item are recognized at fair value within the balance sheet with the changes in both of these fair values being recognized immediately in the statement of operations. For derivatives designated as a hedge and used to hedge an anticipated transaction, changes in the fair value of the derivatives are deferred in the balance sheet within accumulated other comprehensive income to the extent the hedge is effective in mitigating the exposure to the related anticipated transaction. Any ineffectiveness is recognized immediately in the statement of operations. Amounts deferred within accumulated other comprehensive income are recognized in the statement of operations upon the completion of the related underlying transaction.

Adoption of new accounting pronouncements

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities* ("SFAS No. 161"), which provides for enhanced disclosures about the use of derivatives and their impact on a Company's financial position and results of operations. The Company adopted SFAS No. 161 on the first day of their 2008 calendar year and the adoption of the standard did not have a material impact on its financial position, results of operations, or cash flows.

In December 2007, the FASB issued SFAS No. 141(R) *Business Combinations* ("SFAS No. 141(R)"). SFAS No. 141(R) is intended to provide greater consistency in the accounting and reporting of business combinations. SFAS 141(R) requires the acquiring entity in a business combination to recognize all assets acquired and liabilities assumed in the transaction and any non-controlling interest in the acquiree at the acquisition date, measured at fair value at that date. This includes the measurement of the acquirer's shares issued as consideration in a business combination, the recognition of contingent consideration, the accounting for pre-acquisition gains and loss contingencies, the recognition of capitalized in-process research and development, the accounting for acquisition related restructuring cost accruals, the treatment of acquisition related transaction costs and the recognition of changes in the acquirer's income tax valuation allowance and deferred taxes. One significant change in this statement is the requirement to expense direct costs of the transaction, which under existing standards are included in the purchase price of the acquired company. This statement also established disclosure requirements to enable the evaluation of the nature and financial effect of the business combination. SFAS No. 141(R) is effective for business combinations consummated after December 31, 2008. Also effective, as a requirement of the statement, after December 31, 2008 any adjustments to uncertain tax positions from business combinations consummated prior to December 31, 2008 will no longer be recorded as an adjustment to goodwill, but will be reported in income. During the thirteen weeks ended December 28, 2008, the Company expensed $1.9 million of cost previously capitalized related to the pending acquisition of National Beef Packing Company ("National Beef") as the transaction did not close prior to December 15, 2008.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* ("SFAS No. 157"). This statement provides a single definition of fair value, a framework for measuring fair value, and expanded disclosures concerning fair value. This Statement is effective for JBS USA Holdings for the fiscal year ending December 28, 2008. The adoption of SFAS No. 157 did not have a material impact on the Company's financial position, results of operations, or cash flows.

Note 4. Accrued liabilities

Accrued liabilities consist of the following (in thousands):

	Predecessor		Successor
	December 24, 2006	**July 10, 2007**	**December 30, 2007**
Accrued self insurance reserves	$ 48,504	$ 48,895	$ 30,183
Accrued salaries	38,944	58,838	41,678
Accrued taxes	9,857	7,542	8,538
Accrued freight	22,027	21,781	23,863
Accrued interest	16,793	18,095	18,157
Other	58,807	79,530	64,075
Total	$194,932	$234,681	$186,494

Other accrued liabilities consist of items that are individually less than 5% of total current liabilities.

Note 5. Derivative financial instruments

The fair value of derivative assets is recognized within other current assets while the fair value of derivative liabilities is recognized within accrued liabilities. At December 24, 2006, July 10, 2007 and December 30, 2007, the fair value of derivatives recognized within other current assets was $5.8 million, $23.7 million and $13.9 million, respectively. At December 24, 2006, July 10, 2007 and December 30, 2007, the fair value of derivatives recognized within accrued liabilities was $3.9 million, $11.3 million and $1.4 million, respectively.

As of December 24, 2006, July 10, 2007 and December 30, 2007, the net deferred amount of derivative gains and losses recognized in accumulated other comprehensive income was $1.4 million, $0.6 million and $0.4 million net of tax, respectively. The Company anticipates these amounts will be transferred out of accumulated other comprehensive income and recognized within earnings over the 12 month period following each respective balance sheet date.

The Company utilizes various raw materials in its operations, including cattle, hogs, and energy, such as natural gas, electricity, and diesel fuel, which are all considered commodities. The Company considers these raw materials generally available from a number of different sources and believes it can obtain them to meet its requirements. These commodities are subject to price fluctuations and related price risk due to factors beyond its control, such as economic and political conditions, supply and demand, weather, governmental regulation, and other circumstances. Generally, the Company purchases derivatives in an attempt to mitigate price risk related to its anticipated consumption of commodity inputs for periods of up to 12 months. The Company may enter into longer-term derivatives on particular commodities if deemed appropriate. As of December 30, 2007, the Company had derivative positions in place covering approximately 1% of its anticipated need for livestock through December 2008.

Note 6. Long-term debt and loan agreements

As of December 24, 2006, July 10, 2007 and December 30, 2007, debt consisted of the following (in thousands):

	Predecessor		Successor
	December 24, 2006	July 10, 2007	December 30, 2007
Short-term debt			
Unsecured bank loans	$ —	$ —	$750,000
Unsecured credit facility	—	—	26,287
Total short-term debt	—	—	776,287
Current portion of long-debt:			
Installment notes payable	468	468	619
Capital lease obligations	1,482	1,469	1,379
Total current portion of long-term debt	1,950	1,937	1,998
Long-term debt:			
Senior credit facility	217,552	323,529	—
Senior notes due 2009, including unamortized premium	273,909	272,903	—
Senior subordinated notes, including unamortized premium	158,462	157,482	—
Senior notes due 2010	117,809	124,916	—
Convertible senior subordinated notes	89,167	94,183	—
Seller PIK Note, net of accretion discount	182,086	195,971	—
Installment notes payable	10,910	10,637	10,291
Capital lease obligations	15,658	22,354	22,142
Long-term debt, less current portion	1,065,553	1,201,975	32,433
Total debt	$1,067,503	$1,203,912	$810,718

The aggregate minimum principal maturities of the long-term debt for each of the five fiscal years and thereafter following December 30, 2007, are as follows (in thousands):

For the fiscal years ending December	Minimum principal maturities
2008	$778,285
2009	2,604
2010	2,541
2011	2,767
2012	3,098
Thereafter	21,423
Total minimum principal maturities	$810,718

As of December 30, 2007, we had approximately $34.4 million of secured debt outstanding and approximately $29.9 million of outstanding letters of credit.

A summary of the components of interest expense, net is presented below (in thousands):

	Predecessor		Successor
	Fiscal year ended December 24, 2006	**198 days ended July 10, 2007**	**173 days ended December 30, 2007**
Interest on:			
Unsecured bank loans	$ —	$ —	$22,966
Unsecured credit facility	—	—	1,311
Senior credit facility (approximately 7.18% and 7.47%)(i)	22,799	12,288	—
Senior notes due 2009 (10.125% rate)	27,068	14,773	50
Senior subordinated notes (12.50% rate)	18,706	10,207	194
Senior notes due 2010 (approximately 11.5%)	13,182	7,646	—
Convertible senior subordinated notes (approximately 11.25%)	9,382	5,408	—
Seller PIK Note	15,772	9,236	—
Amortization of deferred financing costs(ii)	6,394	3,538	—
Amortization of deferred financing costs(iii)	—	—	883
Accretion of original issue discount(iv)	2,542	1,383	—
Accretion of discount on Seller PIK note(v)	7,802	5,289	—
Amortization of premium(vi)	(6,747)	(3,983)	
Capital lease interest	1,572	855	697
Interest rate swap	1,022	368	31
Other miscellaneous interest charges(vii)	561	524	404
Bank fees	—	—	731
Debt issuance cost on debt not executed(viii)	—	—	12,664
Less:			
Capitalized interest	(304)	(430)	(420)
Interest income	(997)	(719)	(5,171)
Total interest expense, net	$118,754	$66,383	$34,340

(i) Represents interest on the outstanding balance of the amount drawn on the revolving credit facility, plus a 0.375% commitment fee on the unused portion of the revolving credit facility and other fees associated with the revolving credit facility.

(ii) Represents amortization utilizing an average maturity of 7 years.

(iii) Represents amortization over the life of the unsecured bank loans.

(iv) Represents accretion of the original issue discount on the notes utilizing the effective interest method

(v) Represents accretion of the discount on the Seller PIK Note calculated using the effective interest method.

(vi) Represents amortization of premium associated with the increased fair value of debt recorded to the extent of the approximate 45% interest acquired in the Call Option using the effective interest method.

(vii) Includes installment notes interest expense of $0.7 million, $0.5 million and $0.3 million for the fiscal year ended December 24, 2006, the 198 days ended July 10, 2007 and the 173 days ended December 30, 2007, respectively, the remainder is expense for other miscellaneous items.

(viii) Fees incurred with debt refinancing intended as part of the Acquisition. The debt facilities associated with these fees were not consummated and therefore these fees were expensed immediately.

Description of indebtedness

Predecessor

Senior credit facilities—On May 26, 2005, the Company entered into an Amended and Restated Credit Agreement (the “Amended Credit Agreement”) providing senior credit facilities which allowed borrowings up to $550.0 million, consisting entirely of a revolving credit facility of $550.0 million that was to terminate May 26, 2010. Up to $125.0 million of the revolving credit facility was available for the issuance of letters of credit or Australian bank guarantees and up to $65.0 million of the revolving credit facility was available for borrowings in Australian dollars by the Company’s Australian subsidiaries. US dollar denominated borrowings that were euro dollar rate loans would initially bear interest at rates of 1.75% per annum plus the applicable euro dollar rate, or (ii) base rate loans would initially bear interest at rates of 0.75% per annum plus the highest of Citibank’s base rate, the three-month certificate of deposit rate plus 0.5%, and the federal funds effective rate plus 0.5%. Australian dollar denominated borrowings that were (i) bill rate loans would initially bear interest at rates of 1.375% per annum plus the applicable bid rate for Australian bills for the applicable interest period or (ii) short-term loans would initially bear interest at rates of 1.375% per annum plus the Reserve Bank of Australia Official Cash Rate. The revolver balance under the Company's Amended Credit Agreement included $195.0 million that was financed as a term loan under the Company's original credit facility. Based on management's review of cash flow expectations the Company classified all revolver borrowings as long-term as of December 24, 2006 and July 10, 2007. At the closing of the Acquisition on July 11, 2007 this debt was repaid.

Senior notes due 2009—On September 19, 2002, the Company purchased the original business from ConAgra Foods. As a result, the Company issued $268.0 million of its 10 1/8% senior notes due 2009. The senior notes were issued with original issue discount and generated gross proceeds to the Company of approximately $250.5 million. The senior notes were to mature on October 1, 2009. Interest was payable semi-annually in arrears on April 1 and October 1 of each year, commencing on April 1, 2003. On August 15, 2003, the Company completed an exchange offer in which it exchanged new notes that were registered under the Securities Act for the notes. The senior notes were guaranteed by the Company and all of the Company's domestic subsidiaries. At the closing of the Acquisition on July 11, 2007 this debt was repaid.

On July 16, 2003, the Company entered into a $100 million (notional) interest rate swap that converted a portion of the fixed rate 10 1/8% notes into a floating rate obligation. The swap, which had an original maturity of October 1, 2007, was utilized to achieve a target fixed/floating capital structure appropriate for the business. In connection with the exercise of the Call Option, the carrying value for the notes was adjusted to reflect 45% of the excess of fair value over book value resulting in a premium of $218 million being recorded. On July 13, 2007, the Company cancelled its interest rate swap for a payment of $1.1 million since the underlying debt was repaid at the closing of the Acquisition.

Senior subordinated notes—The Company issued to the former owner, ConAgra Foods ("Former Shareholder"), $150.0 million aggregate principal amount of its 12.5% senior subordinated notes due January 1, 2010. The Company completed an exchange of offer in which it exchanged new notes that were registered under the Securities Act of 1933 for Senior subordinated notes. ConAgra Foods subsequently sold all $150.0 million aggregate principal amount of the senior subordinated notes. Interest was payable semi-annually in arrears on April 1 and October 1 of each year, commencing on April 1, 2003. The senior subordinated notes were guaranteed by the Company and all of its domestic subsidiaries. At the closing of the Acquisition on July 11, 2007 this debt was repaid.

Senior notes due 2010—On March 11, 2005, the Company issued $105.0 million of 11% senior notes due 2010. The notes were issued with original issue discount and generated gross proceeds to the Company of $104.7 million. The notes were to mature on March 11, 2010. Interest was payable semi-annually in arrears on May 1 and November 1 of each year commencing on November 1, 2005. Interest could have been paid in cash or as in kind and capitalized to the loan balance, or a combination thereof at the option of the Company. If interest was paid in kind and capitalized and not paid in cash on the semi-annual due dates, the interest rate increased to 12.0%. Interest capitalized to the original issuance amount was $13.0 million as of December 24, 2006 and $20.1 million as of July 10, 2007. Accretion of debt discount totaled $28 thousand for the 198 days ended July 10, 2007 and $52 thousand for the fiscal year ended December 24, 2006. The senior notes were guaranteed by the Company. At the closing of the Acquisition on July 11, 2007 this debt was repaid.

Convertible senior subordinated notes—On March 11, 2005, the Company issued $75.0 million of 10.25% convertible senior subordinated notes. The convertible notes were to mature on March 11, 2010. Interest was payable semi-annually in arrears on May 1 and November 1 each year commencing on November 1, 2005 at the rate of 10.25% per annum, if paid in cash, or 11.25% per annum, if paid in kind and capitalized. Interest capitalized to the original issuance amount was $14.2 million as of December 24, 2006 and $20.1 million as of July 10, 2007. At the closing of the Acquisition on July 11, 2007 this debt was repaid.

Seller PIK note—On September 19, 2002, the Company issued a $150 million promissory note to the Former Shareholder. The stated interest rate was an increasing rate from 8.0% to 10.0% over the 7.5 year life of the note. To record the note at fair value, it was discounted at an estimated market rate at September 19, 2002 of 14.95% resulting in a discount of $54.8 million. Accrued interest was capitalized to the note balance and both the face amount of the note and all accrued interest would have been payable on the due date March 19, 2010. In connection with the acquisition of the minority interest, the carrying value of the note was adjusted to reflect 45% of the excess of fair value over book value, resulting in a premium of $7.6 million. Accretion of debt discount was approximately $5.3 million for the 198 days ended July 10, 2007 and $7.8 million for the fiscal year ended December 24, 2006. Amortization of the premium discussed above was $0.6 million for the 198 days ended July 10, 2007 and $0.9 million for the fiscal year ended December 24, 2006. Accrued interest was capitalized to the note balance and both the face amount of the note and all accrued interest was to be payable on the due date in 2010. At the closing of the Acquisition on July 11, 2007 this debt was repaid.

Successor

Unsecured credit facility—On August 15, 2007 Swift Australia entered into an unsecured credit facility for Australian Dollar borrowings up to a maximum of AUD $70 million to fund working capital and letter of credit requirements. The initial 90 day term expired on November 17, 2007 and the facility was subsequently extended to February 29, 2008. This facility was replaced with a new agreement on February 26, 2008 when Swift Australia entered into an AUD $120 million unsecured credit facility of which AUD $80 million can be borrowed for cash needs and AUD $40 million is available to fund letters of credit (See Note 12). Borrowings are made at either the cash advance rate (BBSY) plus a margin of 0.35% or a market rate advance (RBA cash rate) plus a margin of 0.50%.

Unsecured bank loans

The following unsecured bank loans were all repaid between April 28, 2008 and June 30, 2008. These loans were repaid with additional paid in capital of $400 million and $350 million in intercompany notes payable (See Note 12).

$250 million loan agreement—In connection with the Acquisition, JBS USA entered into a one year unsecured loan agreement with interest payable semi-annually based on six month LIBOR plus a margin of 1.50%. The loan was to mature on June 30, 2008. The loan agreement contained customary representations and warranties. The loan agreement was guaranteed by JBS. S.A.

$150 million loan agreement—In connection with the Acquisition, JBS USA entered into a one year unsecured loan agreement with interest payable semi-annually based on six month LIBOR plus a margin of 0.75%. The loan was to mature on June 30, 2008. The loan agreement contained customary representations, warranties and covenants. The loan agreement was guaranteed by JBS. S.A.

$250 million credit agreement—In connection with the Acquisition, JBS USA entered into a one year unsecured credit agreement with interest payable quarterly based on three month LIBOR plus a margin of 0.75%. The agreement was to mature on July 7, 2008. The credit agreement contained customary representations, warranties and negative covenants. There were no maintenance financial covenants but the agreement contained an incurrence of Consolidated Net Indebtedness to EBITDA ratio of 3.75 to 1.00 prior to December 31, 2007 and 3.60 to 1.00 commencing on January 1, 2008 and ending on the maturity date. The credit agreement was guaranteed by JBS. S.A.

$100 million loan agreement—In connection with the Acquisition, JBS USA entered into a one year unsecured loan agreement. The original 182 day loan agreement with interest payable at maturity based on six month LIBOR plus a margin of 0.8%. The loan was to mature on January 7, 2008. On January 3, 2008, an extension and modification agreement was signed changing the maturity date to July 7, 2008 and increasing the margin to 1.5% (See Note 12). The loan agreement contained customary representations, warranties and covenants. The loan agreement was guaranteed by JBS S.A.

Secured debt

Installment notes payable—The installment note payable relates to the Company's financing of a capital investment and was assumed at the Acquisition. The note bears interest at LIBOR plus a fixed margin of 1.75% per annum with payments due on the first of each month and matures on August 1, 2013.

Capital and operating leases—JBS USA Holdings and certain of its subsidiaries lease the corporate headquarters in Greeley, Colorado under capital lease; six distribution facilities located in New Jersey, Florida, Nebraska, Arizona, Colorado and Texas; marketing liaison offices in the US, Korea, Japan, Mexico, China, and Taiwan; its distribution centers and warehouses in Australia; and a variety of equipment under operating lease agreements that expire in various years between 2008 and 2019 which were assumed in the Acquisition. Future minimum lease payments at December 30, 2007, under capital and non-cancelable operating leases with terms exceeding one year are as follows (in thousands):

	Capitalized lease obligations	Noncancellable operating lease obligations
For the fiscal years ending December		
2008	$ 2,573	$11,924
2009	2,850	9,200
2010	2,644	5,334
2011	2,721	4,628
2012	2,874	2,732
Thereafter	15,646	6,128
Net minimum lease payments	29,308	$39,946
Less: Amount representing interest	(5,787)	
Present value of net minimum lease payments	$23,521	

Rent expense associated with operating leases for the fiscal year ended December 24, 2006, the 198 days ended July 10, 2007 and the 173 days ended December 30, 2007, was $16.2 million, $9.6 million and $8.1 million, respectively.

Note 7. Stock option and defined contribution plans

Predecessor

Stock purchase plans

We had a stock purchase plan pursuant to which eligible employees and non-employees (including non-employee directors) of the Company and its subsidiaries could purchase shares of common stock of Swift Foods. A total of 4,657,095 shares of common stock of the predecessor were authorized for purchase at a price per share as determined by the board of directors on the date of purchase. As of July 10, 2007, certain members of Swift Foods' management and non-employee directors held an aggregate of (i) 1,410,000 shares purchased under the 2002 stock purchase plan at a purchase price of $1.00 per share, (ii) 500,000 shares under the 2002 stock purchase plan at a purchase price of $1.01 per share and (iii) 286,940 shares purchased under the 2005 stock purchase plan at a purchase price of $1.32 per share. At July 10, 2007, there were 1,440,000 shares available for purchase under the 2002 stock purchase plan and 334,584 shares available for purchase under the 2005 stock purchase plan. Purchases under the 2002 plan were at the estimated fair market value of such shares on the date of purchase. Purchases under the 2005 plan were at less than fair market value in order to allow management to share in the economic benefit arising from the exercise of the Call Option. The Plan was terminated immediately prior to the closing of the Acquisition on July 11, 2007.

2002 Stock Option Plan

We adopted the Swift Foods Company 2002 Stock Option Plan (the "Option Plan"), pursuant to which options were granted at the sole discretion of the Board of Directors to the predecessor employees and eligible non-employees of Swift Foods or subsidiaries for the purchase of shares of common stock of Swift Foods. Due to acceleration of vesting of outstanding options and the termination of the Option Plan immediately prior to the closing of the Acquisition on July 11, 2007 the remaining unrecognized expense was recorded as a component of earnings prior to July 10, 2007.

Stock based compensation expense recognized in the statements of earnings was $0.9 million for the fiscal year ended December 24, 2006 and $1.2 million for the 198 days ended July 10, 2007.

Predecessor & Successor

Defined contribution plans

The Company sponsors two tax-qualified employee savings and retirement plans (the "401(k) Plans") covering its US based employees, both union and non-union. Pursuant to the 401(k) Plans, eligible employees may elect to reduce their current compensation by up to the lesser of 75% of their annual compensation or the statutorily prescribed annual limit and have the amount of such reduction contributed to the 401(k) Plans. The 401(k) Plans provide for additional matching contributions by the Company, based on specific terms contained in the 401(k) Plans. On July 8, 2008 the Company amended its 401(k) Plans described above by eliminating the immediate vesting and instituting a five year vesting schedule for all non-production employees and reducing the maximum Company match to an effective 2% from the former rate of 5%. The trustee of the 401(k) Plans, at the direction of each participant, invests the assets of the 401(k) Plans in participant designated investment options. The 401(k) Plans are intended to qualify under Section 401 of the Internal Revenue Code. The Company's expenses related to the matching provisions of the 401(k) Plans for the fiscal year ended December 24, 2006, the 198 days ended July 10, 2007 and the 173 days ended December 30, 2007 totaled approximately $7.1 million, $4.1 million and $3.3 million, respectively.

One of the Company's facilities had participated in a multi-employer pension plan. The Company's contributions to this plan, which are included in cost of goods sold in the statement of operations for the fiscal year ended December 24, 2006, the 198 days ended July 10, 2007 and the 173 days ended December 30, 2007, were $0.4 million, $0.1 million, and $0.1 million, respectively. The Company also made contributions for the 198 days ended July 10, 2007 and the 173 days ended December 30, 2007 totaling $26 thousand dollars for each period to a multiemployer pension related to former employees at the former Nampa, Idaho plant pursuant to a settlement agreement. The Company recognized $0.7 million of contribution expense in costs of goods sold for the fiscal year ended December 24, 2006. As the future payments are made they are recorded as a reduction of the pre-acquisition contingency established during the Acquisition. (See Note 2).

Employees of Swift Australia do not participate in the Company's 401(k) Plans. Under Australian law, Swift Australia contributes a percentage of employee compensation to a superannuation fund. This contribution approximates 9% of employee cash compensation as required under the Australian "Superannuation Act of 1997". As the funds are administered by a third party, once this contribution is made to the fund, Swift Australia has no obligation for payments to participants or oversight of the fund. The Company's expenses related to contributions to this fund for the fiscal year ended December 24, 2006, the 198 days ended July 10, 2007 and the 173 days ended December 30, 2007 totaled $14.0 million, $7.1 million and $7.2 million, respectively.

Note 8. Related party transactions

JBS USA Holdings was formerly known as Swift Foods Company ("Swift Foods"). Swift Foods was acquired from ConAgra Foods in a two-step process, 54.7% on September 18, 2002 and 45.3% on September 23, 2004 (collectively "The Transaction"). Swift Foods majority shareholders were HM Capital Partners ("Hicks Muse") and Booth Creek Investments ("Booth Creek").

Predecessor

Stockholders' agreement—ConAgra Foods, Hicks Muse, other holders of Swift Foods common stock, and Swift Foods were parties to a Stockholders Agreement that included provisions regarding, among others, the election of directors, registration rights, restrictions on transfer, and other rights regarding sales of Swift Foods stock by Hicks Muse.

The Stockholders Agreement required the holders of Swift Foods common stock that were subject to the agreement, subject to certain conditions, to vote their shares in favor of the election to Swift Foods board of directors of five individuals as may be designated by Hicks Muse and its affiliates. Under the HMTF Rawhide Partnership Agreement, Hicks Muse had agreed to cause an individual designated by an affiliate of George N. Gillett, Jr., our then Chairman of the Board, to be included in the five individuals designated for election to Swift Foods board of directors by Hicks Muse for as long as Mr. Gillett or his affiliates continued to own at least 25% of the limited partnership interest in Rawhide owned by such parties at the closing of the Transaction.

Monitoring and oversight agreement—In connection with the Transaction, Swift Foods and certain of its direct and indirect subsidiaries entered into a ten-year agreement (the "Monitoring and Oversight Agreement") with an affiliate of HM Capital Partners, LLC (formerly known as Hicks, Muse, Tate & Furst, Incorporated) pursuant to which Swift Foods, as the assignee of this agreement in November 2004, would pay Hicks Muse Partners an annual fee for ongoing oversight and monitoring services provided to it. The annual fee would be adjusted at the beginning of each fiscal year to an amount equal to the greater of (a) $2 million or (b) 1% of the budgeted consolidated annual EBITDA of Swift Foods and its subsidiaries. The annual fee would also be adjusted in the event that Swift Foods or any of its subsidiaries acquired another entity or business during the term of the agreement. This expense was paid in advance quarterly and $2.2 million and $1.3 million are included in selling, general, and administrative expense for the fiscal year ended December 24, 2006 and the 198 days ended July 10, 2007.

Swift Foods had agreed to indemnify Hicks Muse, its affiliates and their respective directors, officers, controlling persons, if any, agents, independent contractors, and employees from and against all claims, liabilities, damages, losses, and expenses arising out of or in connection with the services rendered by Hicks Muse pursuant to the Monitoring and Oversight Agreement. One of Swift Foods' directors, Mr. Muse, was a limited partner of Hicks Muse and a director, officer, and stockholder of the general partner of Hicks Muse.

The Monitoring and Oversight Agreement made available the resources of Hicks Muse concerning a variety of financial and operational matters. Swift Foods believed the services that were to be provided by Hicks Muse could not otherwise be obtained by it without the addition of personnel or the engagement of outside professional advisors. In management's opinion, the fees provided for under the Monitoring and Oversight Agreement reasonably reflected the benefits received by Swift Foods.

Hicks Muse had agreed to pay to Gillett Greeley, LLC, an affiliate of George N. Gillett, Jr., the then Chairman of the Board, 25% of the annual fees payable to it under the Monitoring and Oversight Agreement pursuant to a consulting agreement between Hicks Muse and Booth Creek, which was ultimately controlled by Mr. Gillett. Booth Creek had agreed to provide consulting services to Hicks Muse.

Financial advisory agreement—In connection with the Transaction, Swift Foods and certain of its direct and indirect subsidiaries also entered into a ten-year agreement (the "Financial Advisory Agreement") pursuant to which an affiliate of Hicks Muse received a cash financial advisory fee equal to $15.0 million upon the closing of the Transaction as compensation for its services as financial advisor for the Transaction. The Financial Advisory Agreement also provided for Hicks Muse to receive an expense reimbursement of $2.0 million upon the closing of the Transaction. These fees were included as part of the expenses of the Transaction. The expense reimbursement was agreed upon in the purchase agreement to reimburse Swift Foods' chairman for normal due diligence costs incurred in evaluating and analyzing the acquisition. The agreement provided for a defined reimbursement of $2.0 million to cover due diligence expenses without having to provide Swift Foods with detailed expense records. These fees were included as part of the expenses of the Transaction.

Hicks Muse also was entitled to receive a fee equal to 1.5% of the transaction value for any subsequent transaction in which Swift Foods, as the assignee of the agreement in November, 2004, was involved that was consummated during the term of the Financial Advisory Agreement.

The Financial Advisory Agreement made available the investment banking, financial advisory, and other similar services of Hicks Muse. Swift Foods believed the services that were provided by Hicks Muse could not otherwise be obtained by it without the addition of personnel or the engagement of outside professional advisors. In management's opinion, the fees provided for under the Financial Advisory Agreement reasonably reflect the benefits received by Swift Foods.

Swift Foods had agreed to indemnify Hicks Muse, its affiliates and their respective directors, officers, controlling persons, if any, agents, independent contractors and employees from and against all claims, liabilities, damages, losses and expenses arising out of or in connection with the services rendered by Hicks Muse pursuant to the Financial Advisory Agreement. One of Swift Foods' directors, Mr. Muse, is a limited partner of Hicks Muse and a director, officer, and shareholder of the general partner of Hicks Muse Partners.

Hicks Muse had agreed to pay to Booth Creek, an affiliate of George N. Gillett, Jr., the Company's then Chairman of the Board, 25% of the annual fees payable to it under the Financial Advisory Agreement. Booth Creek Management Company did not receive any portion of the $15.0 million cash financial advisory fee paid to Hicks Muse upon the closing of the Transaction. Hicks Muse paid to Gillett Greeley, LLC, an affiliate of George N. Gillett, Jr., all of the $2.0 million expense reimbursement described above.

Indemnification and release agreement—At the closing of the Transaction, Swift Foods and certain of its direct and indirect subsidiaries entered into an indemnification and release agreement with ConAgra Foods pursuant to which Swift Foods agreed to be bound by the post-closing indemnification obligations set forth in the purchase agreement and, following the closing, to release ConAgra Foods from all liabilities and actions for environmental costs or liabilities other than that which are set forth in the purchase agreement.

Tax Sharing Agreement—In connection with the closing of the Transaction, Swift Foods and certain of its direct and indirect subsidiaries entered into a tax sharing agreement assumed by Swift Foods in November 2004 pursuant to which the Company is obligated, among other things, to distribute to Swift Foods any taxes attributable to it and its subsidiaries and under which the Company will be indemnified for any taxes paid by it or its subsidiaries on behalf of any other member of Swift Foods' consolidated tax group.

Contribution Agreement—In connection with the closing of the Transaction, Swift Foods, with its direct and indirect subsidiaries entered into a contribution agreement assumed by Swift Foods in November 2004 pursuant to which these entities will contribute or otherwise pay over, or cause any of their subsidiaries to contribute or otherwise pay over, to the Company any amounts they receive from ConAgra Foods or its affiliates pursuant to indemnification claims under the purchase agreement and any amounts obtained from other sources which are applied to offset any indemnification claims that the Company could otherwise make under the purchase agreement.

Indemnity Side Letter—In connection with the closing of the Transaction, ConAgra Foods agreed to reimburse the Company to the extent recall costs incurred after the Transaction exceed the accrual made for estimated recall costs pursuant to the purchase agreement relating to the Transaction, and the Company agreed to reimburse ConAgra Foods to the extent the accrual exceeds the recall costs. ConAgra Foods had further agreed to indemnify the Company for liabilities, costs, and expenses that it may incur with respect to third parties in connection with product liability claims or personal injury causes of action arising from the consumption of the products subject to the recall. The Company has a $1.6 million receivable from ConAgra Foods at December 24, 2006, July 10, 2007 and December 30, 2007 for reimbursement of amounts in excess of the accrual which represents additional claims from customers seeking reimbursement for recall related costs from the Company. The balance of the receivable was subsequently collected in 2008.

Transactions with affiliated companies

During the fiscal year ended December 24, 2006 and the 198 days ended July 10, 2007, the Company purchased $3.9 million and $2.5 million in cattle hides, respectively and $368 thousand and $334 thousand of commodity product from Coleman Natural Meats ("Coleman"), an independent meat packing company controlled by the then chairman of the Board of Swift Foods and its subsidiaries, respectively. In addition, it provided certain further processing capabilities to Coleman in the amount of $118 thousand for the fiscal year ended December 24, 2006. There were no amounts for the 198 days ended July 10, 2007 for these services.

During the 198 days ended July 10, 2007, the Company paid commissions totaling $27 thousand to Swett & Crawford, an intermediary insurance broker owned by HMSC Investments, L.P., an affiliate of Hick Muse Partners, one of the Company's then equity sponsors. The commissions were earned by Swett & Crawford for placing insurance coverage with third-party carriers at market rates.

Successor

JBS USA Holdings enters into transactions in the normal course of business with affiliates of JBS S.A. Sales to affiliated companies included in net sales on the statement of operations for the 173 days ended December, 2007 were $6.3 million. Amounts owed to JBS USA Holdings by affiliates as of December 30, 2007 totaled approximately $5.6 million.

For the 173 days ended December 30, 2007, the Company recorded $26 thousand of rental income related to real property leased to two of its executive officers. At December 30, 2007 the receivable balance related to this income was $26 thousand.

Indemnification and release agreement—A predecessor entity of JBS USA Holdings and certain of its direct and indirect subsidiaries entered into an indemnification and release agreement with ConAgra Foods pursuant to which JBS USA Holdings is bound by the post-closing indemnification obligations set forth in the purchase agreement and to release ConAgra Foods from all liabilities and actions for environmental costs or liabilities other than that which are set forth in the purchase agreement.

Guarantees—JBS S.A. has notes payable outstanding of approximately $300 million at December 30, 2007 that were issued in July 2006 and are due in 2016. The notes payable indenture requires each of JBS's significant subsidiaries, at the time of issuance or any time in the future, to be a guarantor on the notes payable. The Company has determined that they meet the definition of a significant subsidiary and are a guarantor on those notes payable issued by JBS.

Note 9. Income taxes

The pre-tax loss on which the provision for income taxes was computed is as follows (in thousands):

	Predecessor		Successor
	Fiscal year ended December 24, 2006	198 days ended July 10, 2007	173 days ended December 30, 2007
Domestic	$(139,170)	$ (66,499)	$(112,074)
Foreign	(15,584)	(34,893)	1,507
Total	$(154,754)	$(101,392)	$(110,567)

Income tax expense (benefit) includes the following current and deferred provisions (in thousands):

	Predecessor		Successor
	Fiscal year ended December 24, 2006	198 days ended July 10, 2007	173 days ended December 30, 2007
Current provision:			
Federal	$ (132)	$ (1,855)	$ (2)
State	231	943	313
Foreign	877	4,610	891
Total current tax expense	976	3,698	1,202
Deferred benefit:			
Federal	(26,000)	(9,435)	92
State	(4,613)	(1,170)	(63)
Foreign	(7,711)	(11,473)	(206)
Total deferred tax benefit	(38,324)	(22,078)	(177)
Total income tax (benefit) expense	$(37,348)	$(18,380)	$1,025

The principal differences between the effective income tax rate, and the US statutory federal income tax rate, were as follows:

	Predecessor		Successor
	Fiscal year ended December 24, 2006	198 days ended July 10, 2007	173 days ended December 30, 2007
Expected tax rate	35.0%	35.0%	35.0%
State income taxes (net of federal benefit)	4.1	3.5	5.0
Non-deductible expense	(0.7)	(1.0)	—
Benefit from export sales	1.5	—	—
Valuation allowance	(7.9)	(29.0)	(42.4)
Unremitted earnings	(8.6)	7.2	—
Reclass of reserve	0.4	2.4	—
Other, net	0.4	0.1	1.5
Effective tax rate	24.2%	18.2%	(0.9)%

Temporary differences that gave rise to a significant portion of deferred tax assets (liabilities) were as follows (in thousands):

	Predecessor		Successor
	December 24, 2006	July 10, 2007	December 30, 2007
Inventory	$(13,634)	$(18,329)	$(13,812)
Derivatives	(21)	(149)	—
Interest	—	—	(1,417)
Depreciation and amortization	(82,123)	(58,590)	(138,633)
Undistributed earnings	(60,198)	(78,125)	—
Long term debt discount	(14,791)	(11,400)	—
All other current	(9,579)	(6,348)	(5,866)
All other long-term	—	—	(75)
Gross deferred tax liability	(180,346)	(172,941)	(159,803)
Accounts receivable reserve	544	698	649
Depreciation and amortization	4,310	1,896	857
Inventory	488	572	33
Long term debt premium	12,409	9,294	—
Interest	—	—	13,379
Accrued liabilities	25,563	24,550	21,507
Deferred revenue	—	602	505
Net operating loss/capital loss	113,559	147,539	215,812
Tax credit carryforwards	4,827	6,197	6,775
Derivatives	—	—	148
All other current	317	587	—
All other long-term	2,618	7,594	4,468
Total deferred tax asset	164,635	199,529	264,133
Valuation allowance	(18,750)	(52,005)	(126,976)
Net deferred tax assets	145,885	147,524	137,157
Net deferred tax liability	$(34,461)	$(25,417)	$(22,646)
Financial statement classification:			
Current deferred tax asset	$11,149	$7,784	$4,493
Current deferred tax liability	(6,696)	(9,323)	(12,885)
Long-term deferred tax asset	—	—	5,434
Long-term deferred tax liability	(38,914)	(23,878)	(19,688)
Net deferred tax liability	$(34,461)	$(25,417)	$(22,646)

At December 24, 2006, July 10, 2007 and December 30, 2007, JBS USA Holdings has recorded net deferred tax assets of $109.4 million, $142.9 million and $192.8 million respectively for federal and state net operating loss carryforwards expiring in the years 2007 through 2028.

Section 382 of the Internal Revenue Code of 1986, as amended, imposes an annual limit on the ability of a corporation that undergoes an “ownership change” to use its net operating losses to reduce its tax liability. JBS USA Holdings experienced an ownership change in January of 2007 and July of 2007. JBS USA Holdings believes that its net operating losses exceed the Section 382 limitation in the amount of $14.0 million.

The valuation allowance for deferred tax assets as of December 24, 2006, July 10, 2007 and December 31, 2007 was $18.8 million, $52.0 million, and $127.0 million respectively. The net change in the total valuation allowance was an increase of $33.2 million and an increase of $75.0 million as of July 10, 2007 and December 30, 2007 respectively. The valuation allowance as of all dates presented was primarily related to loss and credit carryforwards that, in the judgment of management, are not more likely than not to be realized. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities (including the impact of available carryback and carryforward periods), projected future taxable income, and tax-planning strategies in making this assessment.

Subsequently recognized tax benefits relating to the valuation allowance for deferred tax assets as of December 30, 2007 will be allocated to income tax expense pursuant to FAS 141(R). Prior to the adoption of FAS 141(R), $79.8 million of any subsequent tax benefits would be allocated to reduce goodwill related to the acquisition of JBS USA Holdings by JBS SA.

JBS USA Holdings (predecessor) has provided $60.2 million and $78.1 million for taxes on unremitted earnings of foreign subsidiaries. However as of December 24, 2006 and July 10, 2007, $57.1 million and $64.9 million, respectively, were considered indefinitely reinvested.

JBS USA Holdings (successor) deems all of its foreign investments to be permanent in nature and does not provide for taxes on permanently reinvested earnings. It is not practical to determine the amount of incremental taxes that might arise were these earnings to be remitted.

JBS USA Holdings adopted the provisions of Financial Accounting Standards Board Interpretation No. 48, Accounting for Uncertainty in Income Taxes ("FIN 48"), on December 25, 2006. Upon adoption of FIN 48, JBS USA Holdings recognized a $347 thousand increase in its retained earnings balance. After adoption of FIN 48, JBS USA Holding's unrecognized tax benefits were $776 thousand, the recognition of which would have no net impact on the effective rate.

A reconciliation of the beginning and ending amount of gross unrecognized tax benefits is as follows (in thousands):

Balance at December 25, 2006	$ 776
Additions based on tax positions related to the current period	—
Additions for tax positions of prior years	—
Reductions for lapses of statute of limitations	—
Reductions for settlements	—
Balance at July 10, 2007	$ 776
Balance at Acquisition	$8,286
Additions based on tax positions related to the current period	14
Additions for tax positions of prior years	—
Reductions for lapses of statute of limitations	—
Reductions for settlements	—
Balance at December 30, 2007	$8,300

JBS USA Holdings recognizes both interest and penalties related to uncertain tax positions as part of the income tax provision. Accrued interest and penalties were $161 thousand and $187 thousand as of July 10, 2007 and December 30, 2007 respectively.

JBS USA Holdings files income tax returns in the US and in various other states and foreign countries. JBS USA Holdings is no longer subject to audit for US Federal income tax purposes for years before 2004. In the other major jurisdictions where JBS USA Holdings operates, it is generally no longer subject to income tax examinations by tax authorities for years before 2002.

JBS USA Holdings and its subsidiaries have various income tax returns in the process of examination. The unrecognized tax benefit and related penalty and interest balances at December 30, 2007 are expected to decrease by $0.4 million within the next twelve months.

Note 10. Commitments and contingencies

On July 1, 2002, a lawsuit entitled Herman Schumacher et al v. Tyson Fresh Meats, Inc., et al was filed against a predecessor company, Tyson Foods, Inc., Excel Company, and Farmland National Beef Packing Company, L.P. in the United States District Court for the District of South Dakota seeking certification of a class of all persons who sold cattle to the defendants for cash, or on a basis affected by the cash price for cattle, during the period from April 2, 2001 through May 11, 2001 and for some period up to two weeks thereafter. The complaint alleges that the defendants, in violation of the Packers and Stockyards Act of 1921, knowingly used, without correction or disclosure, incorrect and misleading boxed beef price information generated by the USDA to purchase cattle offered for sale by the plaintiffs at a price substantially lower than was justified by the actual and correct price of boxed beef during this period. On April 12, 2006, the jury returned a verdict against three of the four defendants, including a $2.3 million verdict against Swift Beef. On February 15, 2007 a judgment was entered on the verdict by the court and on March 12, 2007 Swift Beef Company filed a notice of appeal. Although Swift Beef Company had begun the process of appealing this judgment, a liability for the amount of the verdict was recorded on May 28, 2006. ConAgra Foods will indemnify Swift & Company against any judgments for monetary damages or settlements arising out of this litigation or any future litigation arising from the same facts to the extent such damages together with any other indemnifiable claims under the acquisition agreement entered into the