

**UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK**

In Re SADIA S.A. SECURITIES  
LITIGATION

Case No. 1:08-CV-09528 (SAS)

JURY TRIAL DEMANDED

**CONSOLIDATED AMENDED COMPLAINT**

Westchester Putnam Counties Heavy & Highway Laborers Local 60 Benefit Funds, Alan Hyman, Phil Carey, Steve Geist and Peter Stricker (“Lead Plaintiffs” or “Plaintiffs”), individually and on behalf of all other persons and entities who purchased or otherwise acquired Sadia, S.A., (“Sadia” or the “Company”) American Depository Receipts (“ADRs”) from April 30, 2008 to September 26, 2008, inclusive (the “Class Period”), by their undersigned attorneys for the Consolidated Class Action Complaint (the “Complaint”), allege the following upon personal knowledge as to themselves and their own acts, and upon information and belief as to all other matters.

Plaintiffs’ information and belief is based on their investigation (made by and through their attorneys), which included, *inter alia*, a review and analysis of: (1) public documents pertaining to Sadia and the Individual Defendants; (2) Sadia’s filings with the Securities and Exchange Commission (“SEC”); (3) press releases, earnings releases and public statements published by Sadia; (4) Sadia press conferences, analyst conference calls, and the Company’s website; (5) analyst reports concerning the Company; (6) newspaper and magazine articles (and other media coverage) regarding Sadia, its business or the Individual Defendants (as defined

below); and (7) confidential sources comprised of former employees of the Company and/or its subsidiaries.

Many of the facts supporting the allegations contained herein are known only to the Defendants or are exclusively within their custody and/or control. Plaintiffs believe that further substantial evidentiary support will exist for the allegations in this Complaint after a reasonable opportunity for discovery.

### **NATURE OF THE ACTION**

1. This is a securities fraud class action alleging violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the “Exchange Act”) and Rule 10b-5 promulgated thereunder, against the Company and certain of its current or former directors and/or officers (“Defendants”).

2. Sadia, a major Brazilian food and beverages company whose principal activities include production, distribution, exporting and marketing of refrigerated and frozen food products, was founded in 1944 by Attilio Fontana (“Sadia’s Founder”). The Company sells its products through retail shops and food service chains throughout Latin America, the Middle East, Asia and Europe.

3. During the Class Period, Sadia entered into undisclosed currency derivative contracts to purportedly hedge against the Company’s U.S. dollar exposure. The Company characterized the amounts of these contracts as “nominal.” However, these contracts violated Company policy in that they were far larger than necessary. In fact, the contracts covered export-forward exposure for *twelve months*’ worth of sales when the Company’s internal hedge policy called for only *six months*’ worth of coverage. Simply put, and as discussed in more detail below, the currency derivative contracts amounted to little more than a high-stakes gamble that went undisclosed to the Company’s shareholders.

4. The magnitude of the scheme and the resulting exposure was astounding. According to Sadia's Audited Financial Statements for the year ended December 31, 2007 included in its Form 20-F filing, the Company's Futures contracts related to U.S. Dollars reported that their net position was a short position of \$332 million. According to the report that position was to mature in 2008. ***Remarkably, this position ballooned to a net short position greater than \$2.3 billion by September 30, 2008.***

5. In particular, the Complaint alleges that, throughout the Class Period, Defendants failed to disclose material adverse facts about the Company's financial well-being and future prospects. Specifically, Defendants failed to disclose or indicate: (1) that Sadia entered into currency derivative contracts to hedge against U.S. dollar exposure that were far larger than necessary; (2) that such contracts violated the Company's hedge policy; (3) that the Company lacked adequate internal and financial controls; and (4) that, as a result of the foregoing, the Company's statements about its financial well-being and future business prospects were lacking in any reasonable basis when made.

6. As the U.S. dollar strengthened against the Brazilian Real (R\$), unbeknownst to investors, the value of Sadia's currency derivative contracts dwindled precipitously. Suddenly, on September 25, 2008, Sadia announced, after the markets closed, it would take a loss of approximately R\$760 million (\$410 million) related to Sadia's investments in currency contracts hedging against the U.S. dollar.

7. As a result of this disclosure of Sadia's clandestine currency wager and its impact on the Company, credit rating agencies downgraded Sadia, the Company fired its Chief Financial Officer, the Chairman and Vice Chairman resigned from the Company, and Sadia's stock

suffered a severe decline, plummeting to its lowest levels in 14 years. The Company has also had to postpone several capital projects in order to conserve cash to cover the shortfall.

8. Luiz Fernando Furlan (“Furlan”), the current Chairman of the Board of Directors of Sadia and the grandson of Sadia’s Founder, explained what happened by stating “[t]here was probably an **intentional** flaw.” The deliberate nature of the fraud was also admitted during a September 26, 2008 conference call, in which Sadia admitted that the prohibited operations took place within Sadia’s Finance Department at its headquarters and were “*conducted by certain persons that have already been dismissed from the Company: the Finance Director and the Finance Manager.*”<sup>1</sup>

9. Indeed, Defendants have already acknowledged that the Company violated its own internal hedging policy making its previous public statements about its trading practices admittedly false. Defendants’ fraudulent scheme also resulted in an investigation by Sadia’s largest shareholder, Previ, into violations of Brazilian law, as well as a probe by Brazil’s securities regulator “CVM” into insider trading of Sadia shares in the days before the Company publicly announced its losses from its wrong-way currency bets. According to Sadia’s November 6, 2008 Form 6-K, the Company is engaging in a Special Audit and has engaged the services of BDO Trevisan (BDO Seidman’s Brazilian subsidiary) to determine the details of the financial transactions. The results of this report were to be submitted within a “maximum period of 90 days” from the November filing, although that report has yet to be finalized.

10. In response to these disclosures, Sadia’s ADRs dropped \$5.77 per ADR to close at \$9.50 on September 26, 2008, a one day decline of 37.79% on extremely high trading volume of more than 5 million shares. As a result of Defendants’ wrongful acts, false and misleading

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<sup>1</sup> In its Class Period filings, the Finance Manager is indicated to be Alvaro Fuiza de Castro, and the Finance Director (a term synonymous with CFO), defendant Ferreira.

statements and omissions, and the precipitous decline in the market value of the Company's securities, Lead Plaintiffs and other Class members have suffered significant losses and damages.

### **JURISDICTION AND VENUE**

11. The claims asserted herein arise under and pursuant to §§10(b) and 20(a) of the Securities Exchange Act of 1934, 15 U.S.C. §§78(j)(b), 787(a) and Rule 10b-5 promulgated thereunder.

12. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. §§1331 and Section 27 of the Exchange Act, 15 U.S.C. §78aa.

13. Venue is proper in this District pursuant to Section 27 of the Exchange Act and 28 U.S.C. §1391. Sadia's stock trades as ADRs on the New York Stock Exchange ("NYSE") in this jurisdiction under the symbol "SDA."

14. In connection with the acts and omissions alleged in this Complaint, Defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including, but not limited to, the mails, interstate telephone communications, and the facilities of the national securities markets.

### **PARTIES**

15. Lead Plaintiffs purchased the publicly traded securities of Sadia in the form of ADRs at artificially inflated prices during the Class Period and have been damaged thereby, as set forth in their certifications which have previously been filed in this litigation and are incorporated by reference.

16. Defendant Sadia is a Brazilian corporation and maintains its principal executive offices at Rua Senador Attilio Fontana 86, Concordia, SC 89700-000, Brazil. Founded over 60 years ago, Sadia produces and distributes beef, pork, chicken, and turkey food products as well as pastas, margarines and desserts, and is the national leader in the segments of poultry and pork

processed foods and one of the main exporters in the country. Sadia exports around 1,000 different products to more than 100 countries. It owns 15 plants within 8 different states in Brazil and one in Russia. It distributes its product line of over 1,000 items through distribution and sales centers located throughout Brazil, Latin America, the Middle East, Asia and Europe. The Company's American Depository Receipts traded on the NYSE under the symbol "SDA" at all relevant times during the Class Period. In addition, Sadia's common stock trades on the Brazilian Sao Paulo Stock Exchange ("Bovespa") under the symbol "SDIA4 BZ" and on the Spanish Market for Latin-American Stocks in Euros ("LATIBEX") under the symbol "XSDI SM."

17. Defendant Gilberto Tomazoni ("Tomazoni") has served as the Company's Chief Executive Officer since April 2005. Tomazoni signed the Company's Form 20-F filed during the Class Period and the Sarbanes Oxley Certification attached to the Form 20-F. Tomazoni also served on the Disclosure Policy Committee for the Board of Directors. Mr. Tomazoni holds an undergraduate degree in Engineering from Universidade Federal de Santa Catarina and a graduate degree in Management Development from Fundacaode Ensino do Desenvolvimento.

18. Defendant Welson Teixeira, Jr. ("Teixeira") serves as the Company's Chief Financial Officer, a position he has held since September 26, 2008. Teixeira previously served as the Company's Director of Administration and Information Technology, Investor Relations Director, Interim Financial Officer, Controller and a member of the Disclosure Policy Committee. Teixeira signed the Company's Forms 6-K and Form 20-F during the Class Period. Teixeira also signed a Sarbanes Oxley Certification attached to the Form 20-F. Mr. Teixeira holds an undergraduate degree in Economics from Fundacao Armando Alvares Penteado and Specialization in Finance Administration from Fundacao Getulio Vargas.

19. Defendant Adriano Lima Ferreira (“Ferreira”) served as the Company's Chief Financial Officer during the Class Period. Mr. Ferreira previously worked for Lehman Brothers in New York. He holds an undergraduate degree in Economics from Faculdade Catolica de Ciencias Economics da Bahia and a graduate degree in Finance from Fundacao Getulio Vargas. Ferreira was terminated by the Company on September 26, 2008.

20. Defendant Walter Fontana Filho (“Filho”) served as the Company's President and Chairman during the Class Period. He was Chief Executive Officer of Sadia from 1994 to 2005. He holds undergraduate and graduate degrees in Economics from Pontificia Universidade Catolica. Filho is a cousin of the current Chairman of the Board of Sadia, Furlan and defendant Eduardo Fontana d’Avila. During the Class Period, Filho served on the Disclosure Policy Committee, the Finance and Investor Relations Committee, the Strategy Committee and the Sustainability and Environmental Committee of the Board of Directors. Filho resigned from the Company on October 6, 2008.

21. Defendant Eduardo Fontana d'Avila (“d'Avila”) served as the Company's Vice Chairman during the Class Period. He was Industrial Director until 2005. He joined Sadia in 1977 and holds an undergraduate degree in Engineering from MacKenzie University and a graduate degree in Business Administration from Fundaco Getulio Vargas. During the Class Period, d’Avila served on the Human Resources Committee, Strategy Committee and Sustainability and Environmental Committee of the Board of Directors. d’Avila is a cousin of defendant Filho. d'Avila resigned from the Company on October 6, 2008.

22. Defendants Furlan, Tomazoni, Teixeira, Ferreira, Filho and d'Avila are collectively referred to herein as the “Individual Defendants. “During the Class Period, the Individual Defendants, as senior executive officers and/or directors of Sadia, were privy to

confidential, proprietary and material adverse non-public information concerning Sadia, its operations, finances, financial condition and present and future business prospects via access to internal corporate documents, conversations and connections with other corporate officers and employees, attendance at management and/or board of directors meetings and committees thereof, and via reports and other information provided to them in connection therewith. Because of their possession of such information, the Individual Defendants knew, or recklessly disregarded, that the adverse facts specified herein had not been disclosed to, and were being concealed from, the investing public.

23. The Individual Defendants are liable as direct participants in the wrongs complained of herein. In addition, the Individual Defendants, by reason of their status as senior executive officers and/or directors, were "controlling persons" within the meaning of §20(a) of the Exchange Act and had the power and influence to cause the Company to engage in the unlawful conduct complained of herein. Because of their positions of control, the Individual Defendants were able to and did, directly or indirectly, control the conduct of Sadia's business. The Individual Defendants, because of their positions with the Company, controlled and/or possessed the authority to control the contents of its reports, press releases and presentations to securities analysts and through them, to the investing public. The Individual Defendants were provided with copies of the Company's reports and publicly disseminated documents alleged herein to be misleading, prior to or shortly after their issuance and had the ability and opportunity to prevent their issuance or cause them to be corrected. Thus, the Individual Defendants had the opportunity to commit the fraudulent acts alleged herein.

24. As senior executive officers and/or directors and as controlling persons of a publicly traded company whose ADRs were, and are, registered with the SEC pursuant to the Exchange Act, and were traded on the NYSE and governed by the federal securities laws, the Individual Defendants had a duty to disseminate promptly accurate and truthful information with respect to Sadia's financial condition and performance, growth, operations, financial statements, business, products, markets, management, earnings, and present and future business prospects, and to correct any previously issued statements that had become materially misleading or untrue, so that the market price of Sadia's ADRs would be based on truthful and accurate information. The Individual Defendants' misrepresentations and omissions during the Class Period violated these specific requirements and obligations.

25. The Individual Defendants are liable as participants in a fraudulent scheme and course of business that operated as a fraud or deceit on purchasers of Sadia's publicly traded ADRs by disseminating materially false and misleading statements and/or concealing material adverse facts.

### **SUBSTANTIVE ALLEGATIONS**

#### **Background and Summary of Defendants' Fraudulent Scheme**

26. In April 2001, Sadia listed its ADRs on the New York Stock Exchange. In June, 2001, the Company adhered to Bovespa's Level One of corporate governance, certifying its commitment to transparency and the fair disclosure of information.

27. According to the Company's Form 20-F for the year ended December 31, 2007, in 2004, Sadia implemented a department to control overall exposure of financial assets and liabilities; counterparty and credit risk; legal risk; and disseminate risk outlines within the Company. Its financial department incorporated a Hedging and Investment Policy which was

reviewed and approved by the Financial Committee. These policies prohibited speculative trading and obligated the Company to diversify its counterparties.

28. In marked contrast to its promise of financial transparency and sound corporate governance, Sadia engaged in an extremely high risk bet with shareholders' money through an intentional hedging scheme. Currency hedging (also known as Foreign Exchange Risk hedging): is used by exporting companies, such as Sadia, to reduce the risks that the currency paid to them for future sales, in this case U.S. dollars, does not decline in value vis-à-vis their native currency, in this case the Brazilian Real. It is typically used as an insurance policy by exporters to ensure that they can effectively manage the future value of revenue to be received on sales of goods.

29. For example, assume Sadia received an export order for \$1,000,000 with a delivery date in three months time, and payment to be paid in US Dollars. At the time the sales contract is placed, the Real is worth \$US 0.60. The sales contract is thus worth R\$1,666,666 to Sadia at the time of signing. If, by the payment date, the Real increases in value to \$US 0.75, the sales contract is valued at only Real \$1,333,333 to Sadia. According to Sadia's Form 20-F filings, to offset the risk that the value of the US dollar would decline, Sadia routinely entered into currency derivative contracts that rise in value as the dollar weakens against the real ("short the dollar"), and generate a gain to offset the loss on the sales contract.

30. The increase in the value of the Real was favorable for the Company as it would result in a lower sales contract value to Sadia. To mitigate potential risk, Sadia would routinely enter into currency derivative contracts that effectively increase in value if just the opposite occurred, *i.e.* the depreciation of the Real vis-à-vis the Dollar. The profit on the contract would effectively offset the lost profit on the sale due to the appreciation of the Real. If the converse had occurred, the profits on the sale of goods in Dollars would be greater, but Sadia would lose

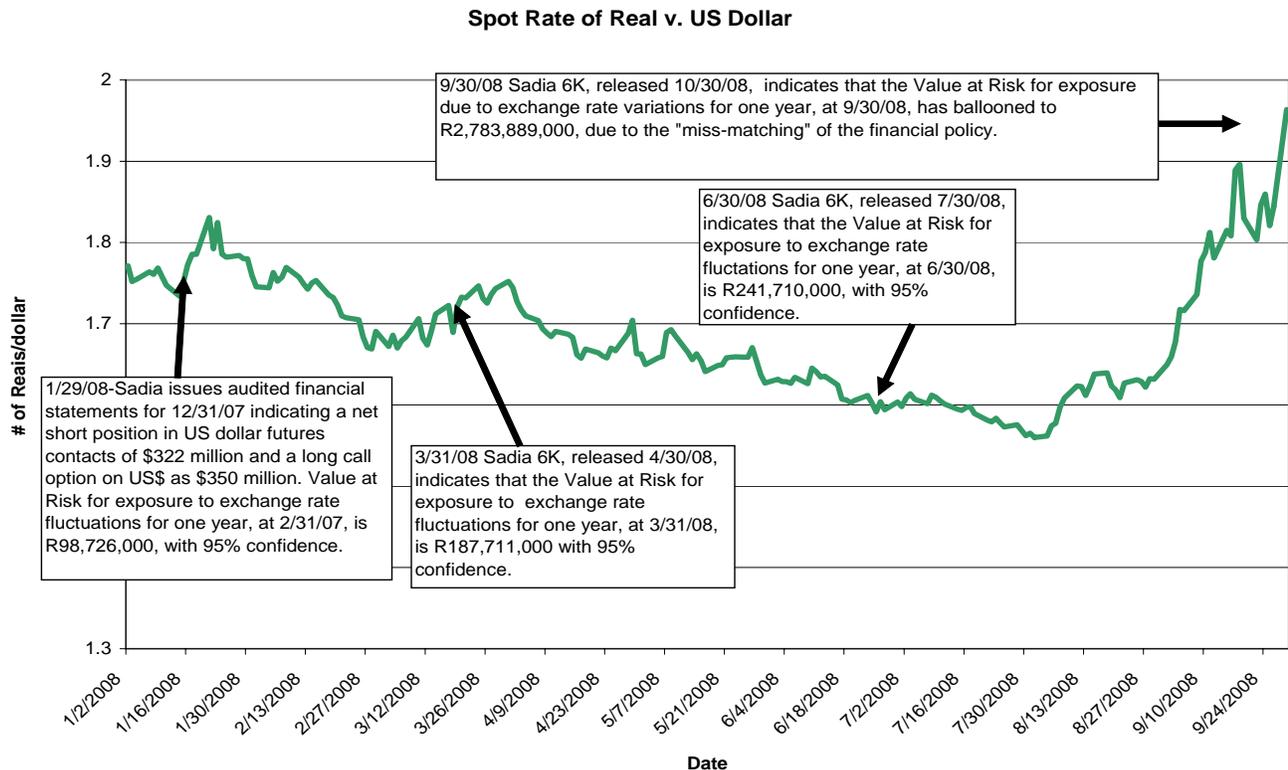
money on the currency contract. Either way, the hedge of currency risk would enable Sadia to accurately predict future revenues.

31. As detailed below, in express violation of its stated policy, Sadia entered into currency contract positions that were not designed as insurance against potential lost profits related to sales affected by currency fluctuations, but were outright speculation. Sadia gambled that the Real would continue to appreciate against the Dollar when in fact the opposite occurred. According to *Bloomberg* data, on August 1, 2008, the Real was worth \$0.64 US. By September 29, 2008, the Real was only worth \$0.51 US, a depreciation of over 20% in less than two months.

32. As the chart below indicates, as the U.S. Dollar appreciated, the risky strategies surreptitiously enacted by Defendants jeopardized the entire Company. For example, as of October 30, 2008, the “Value at Risk”<sup>2</sup> was nearly R\$2.8 billion, which dwarfed the reported Shareholders’ Equity at the time of only R\$2.2 billion.

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<sup>2</sup> VAR refers to a formula used by the Company to determine the amount of assets at risk at a given point. According to Company filings, the Company is exposed to risks related to fluctuations in exchange risk. “The Company’s treasury policy establishes that these risks are managed by the Risk Management Department, through identifying the exposures and the correlations between the different risk factors, through the VAR (Value at Risk) calculation methodology and simulations of scenarios (stress tests), monitored by the Financial and Investments Committee, from the Executive Finance Committee, comprising officers of the Company, which includes in its responsibilities defining the management of these risks within the parameters of exposure limits and areas of decision-making authority proposed by the Finances Committee and Investor Relations (IR) of the Board of Directors, approved by the Board, itself.”



33. The massive losses incurred by Sadia when it was forced to liquidate its hedging positions were due to the excessive currency speculation in violation of company policy. Once it was revealed that the company had entered into forward contracts beyond the six-month limit, they were forced to liquidate the contracts at a loss, as the dollar had rapidly appreciated against the Real. *See* Sadia's Form 6-K filed on October 30, 2008 (releasing the Company's quarterly results for the period ended September 30, 2008).

34. While Sadia has admitted that the operations at issue were directed by defendant Ferreria and the Finance Manager, their fraud could not have been unknown to the top executives at Sadia. The Board of Directors had the support of various committees that help in the decision making process of Sadia. These committees included, *inter alia*, (1) Auditing Committee; (2) Finance and Investor Relations Committee; (3) Strategy Committee; (4) Risk Management Committee and (5) Disclosure Policy Committee.

35. The committees of the Board of Directors of Sadia are made up of members of the Board of Directors and by Company executives and have the mission of ensuring the quality of checking relevant information related to the Company's business and developing long term strategies, as well as analyzing and providing specific recommendations to each department.

36. In its Forms 6-K and Form 20-F filed during the Class Period, Sadia made it clear that the Board of Directors together with its committees closely monitored their positions, risks and potential exposure in financial instruments:

The Company's operations that are exposed to market risks, mainly with respect to foreign currency variations, credit risks and variations in the prices of agricultural commodities – corn, soy bean and derivatives. These risks are managed by the Risk Management area, through identification of exposures and correlations between the different risk factors, using the specific calculation method, VAR – Value at Risk and simulations of scenarios, ***and are permanently monitored by the Financial Committee and by the Commodities and Risk Management Committee, consisting of members of the Board of Directors, who are responsible for defining management's strategy for administering these risks, determining the limits for positions, exposure and authority for decision making.***

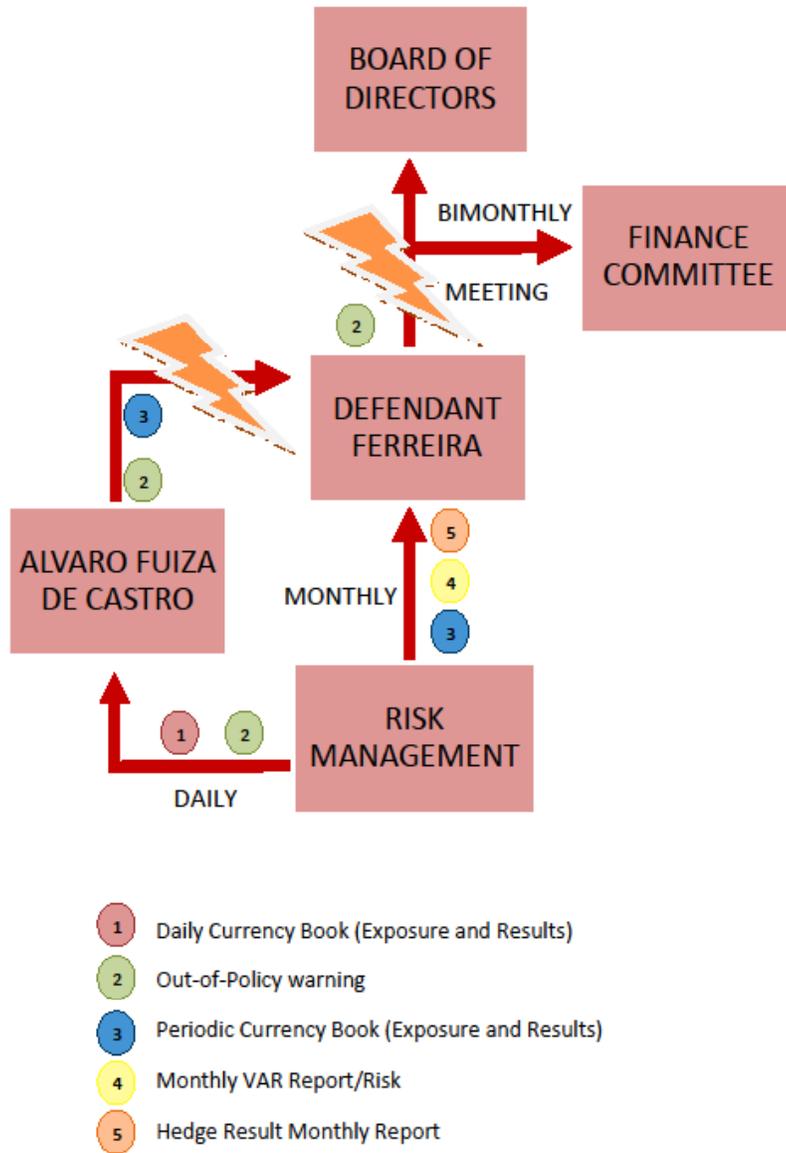
37. Senior managers at Sadia were well aware of the financial issues facing Sadia, and did not include non-managerial employees in financial decision making, as confirmed by Confidential Witness No. 1 ("CW 1").

38. CW 1 was an employee in Sadia's International Marketing Department from August 2007 until July 2008. According to CW 1, between August 2007 and March 2008, executives held weekly meetings at the Company's Sao Paulo offices, headed by defendant Tomazoni. These meetings were attended by about 30 employees and would include discussion of sales, marketing efforts, and other operational issues. After March 2008, the meeting was restricted to a small group of Sao Paulo Directors and Executive-level officers.

Immediately prior to the commencement of the Class Period, according to a former employee in Sadia's International Marketing Department, defendants began significantly limiting the flow of information to lower level employees.

39. Sadia periodically provided reports to senior management about potential risks and actions taken to mitigate them. It is undisputed that Sadia executives monitored and had access to information about the current state of the Company's hedging practices. Indeed, defendants have now *admitted* that at least defendant Ferreira knew that the Company's hedging policy had been violated prior to revealing such information to the public. On October 30, 2008, the Company conducted an analyst conference call (the "October 30, 2008 Conference Call"), during which the Company referenced a slide presentation, available on its website, which tried to explain away what Sadia characterized on the call as a "rupture in information", and later acknowledged as a possible "intentional flaw." The slide referenced during the conference call showed that on a *daily basis*, members of the risk management committee received both "Daily Currency Books", which detailed Sadia's hedging exposure, and the results as well of an "Out-of-Policy warning", which would alert the committee to any deviations from Sadia's stated "non-speculative" hedging policy.

40. The following is an "Organizational Chart" derived directly from the October 30, 2008 Conference Call presentation materials:



41. As this Organizational Chart shows, in addition to the risk management committee’s daily receipt of information regarding Sadia’s hedging exposure, Sadia’s Finance Manager (Alvaro Fuiza de Castro) reported directly to the Finance Director (defendant Ferreira), and provided Ferreira with both a document entitled a “Periodic Currency Book”, which detailed

Sadia's exposure and results with respect to foreign currency risk, and the same "Out-of-Policy" warning. Defendant Ferreira also received on a monthly basis directly from the Risk Management Committee, the Period Currency Book, a "Monthly VAR (Value at Risk) Report", and yet another report entitled a "Hedge Result Monthly Report." This information was also provided to the Board of Directors and the Finance Committee, at a minimum, during bi-monthly meetings. Additionally, the Organizational Chart shows that both de Castro and Ferreira must have been aware that Sadia was far outside of its hedging policy well before this information was publicly disclosed.

42. Further, this Organizational Chart included a plan for remediation of the prior disclosure problems, indicating that the Finance Director and Risk Management Committee would now report directly to the CEO. During the October 30, 2008 Conference Call, Sadia acknowledged that the risk management committee "had a daily responsibility of sending charts and details on the operations to the Finance Manager and the monthly obligation towards the Finance Director of certain information." Sadia further admitted that "[t]he first rupture in terms of the information flow was between the Finance Manager and the Finance Director, which was not immediate." Further, once Ferreira received the information, Sadia alleged that he did not immediately report to the Finance Committee and the Board of Directors that the Company was outside its hedging policy. And while the Organizational Chart indicates that, at a minimum, the Finance Manager and Ferreira were complicit in the fraudulent scheme, Confidential Witnesses Two ("CW 2") and Three ("CW 3") express doubt that Ferreira acted alone.

43. CW 2 worked in Sadia's Product Development and Research Department as a quality control supervisor for Sadia from May 2008 until November 2008. According to CW 2,

“Ferreira was used as a scapegoat” with regard to the above, adding that it was not possible that he was the only one that knew what was going on regarding these policies.

44. CW 3, a former analyst in Sadia’s Marketing Trade Department who worked at the Company from April 2004 until February 2009, echoes CW 2’s sentiment that Ferreira did not act alone with what he/she calls the “currency trade incident.”

45. The deliberate nature of the fraud was also acknowledged in a September 26, 2008 conference call, in which Ms. Cristiane Assis (Sadia’s Investor Relations Manager) revealed that the operations were “unaligned” with Sadia’s policy, and “exceeded the policy” by engaging in operations of up to 12 months of exposure rather than the permitted 6 months. Ms. Assis engaged in the following exchange with a representative from Standard Bank, Ms. Mazzoni:

[Ms. Mazzoni]: . . . [W]hat assurances can we give to investors that are sort of alarmed by the surprise? If you are saying that the operations exceeded the policy by six months, what is the likelihood that that happens again?

[Ms. Assis]: *These operations were conducted by certain persons that have already been dismissed from the Company: the Finance Director and the Finance Manager.* (Emphasis added)

The control in place will be reviewed and we have currently an audit, an internal audit and external audit verifying the responsibilities, verifying exactly what happened as well as the Finance Committee, which is also involved, again, verifying these responsibilities and the Company is already taking the actions necessary to resolve this.

[Ms. Massoni]: Ok and just to be clear then, these were done at Concordia, is that correct?

[Ms. Assis]: These were done inside Sadia S.A. . . . At the Finance Department of Sadia S.A.

**False And Misleading Statements During The Class Period**

46. The Class Period begins on April 30, 2008 when Sadia filed with the SEC its Form 6-K, reporting interim financial information for the three-month period ended

March 31, 2008 (“April 30, 2008 Form 6-K”). Defendant Teixeira signed the April 30, 2008 Form 6-K. With regard to the Company's use of currency contracts as its hedge strategy and the amount of assets exposed to exchange rate variations, the April 30, 2008 Form 6-K provided the following:

Risk Management and financial instruments

The Company's operations that are exposed to market risks, mainly with respect to foreign currency variations, credit risks and variations in the prices of agricultural commodities – corn, soy bean and derivatives. These risks are managed by the Risk Management area, through identification of exposures and correlations between the different risk factors, using the specific calculation method, VAR – Value at Risk and simulations of scenarios, ***and are permanently monitored by the Financial Committee and by the Commodities and Risk Management Committee, consisting of members of the Board of Directors, who are responsible for defining management's strategy for administering these risks, determining the limits for positions, exposure and authority for decision making.***

***At March 31, 2008, the VAR-Value at Risk for the operational assets and liabilities and financial instruments exposed to exchange rate variations for one year with 95% confidence, amounted to R\$187,711, representing 6.10% of shareholders' equity.***

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Exchange rate risk

The exchange rate risk for loans, financing and any other payables denominated in foreign currency is hedged by short-term investments denominated in foreign currency, with same interest rates, and by derivative financial instruments, such as rate swaps (dollar to CDI), interest rate swap contracts (Libor to pre-fixed or vice-versa) and future market agreements, in addition to foreign receivables from exports, which also reduce exchange variations by serving as a “natural hedge”.

***The Company, within its hedge strategy, uses currency futures contracts (US dollars, Euros and Pounds), as a form of mitigating exchange rate risk over operating and financial assets and liabilities. The nominal amounts of these contracts are not recorded in the interim financial information.***

47. The Company's Value at Risk estimate of approximately R\$187 million as of March 31, 2008 equated to approximately U.S. \$106 million, using the then-prevailing exchange rate of 1 Real to 0.57 U.S. dollars.

48. The press release issued on this date reinforced the notion that Sadia's financial position was strong and that foreign exchange variations were managed in a conservative manner:

The financial result in the quarter was positive by R\$ 36.8 million, while it was negative by R\$ 6.4 million in 2007. Sadia financial result reflects the management of its financial assets and liabilities and the foreign exchange variations of its investments abroad, oriented to preserve assets and liabilities on a consolidated basis.

49. Despite assurances that the Company's exposure to market risks is effectively managed and permanently monitored by the Financial and Commodities and Risk Management Committees, the Company entered into purely speculative currency derivative contracts as a purported "hedge" against the U.S. dollar, violating Company policy in so doing. In order to conceal the extent of the contracts, Defendants issued and disseminated false and misleading financial statements and omissions during the Class Period, as alleged in detail herein.

50. On or about June 27, 2008, Sadia filed with the SEC its Form 20-F reporting its year end results for 2007 ("Form 20-F"). Defendants Tomazoni and Teixeira signed the Form 20-F. The Form 20-F repeated verbatim the language in paragraph 46 above regarding risk management and financial instruments. In addition, the Company described its foreign currency risk:

The foreign currency swap contracts that are entered by the Company are aimed to mitigate potential losses on the Company's external revenues derived from the devaluation of the dollar. The Company does not use these swap contracts for trading on speculative purposes.

51. The Form 20-F also described Sadia's credit risks:

The Company is subject to credit risks related to customer accounts receivable, financial investments and derivative contracts.

\* \* \*

Risks associated with financial instruments are lessened by hiring first – line financial institutions, subject to the limitations pre-established by the Credit and Financial Committees.

52. Attached to Sadia's Form 20-F as Exhibits 13.01 and 13.02 were Certifications required by the Sarbanes-Oxley Act of 2002, and executed by defendants Tomazoni and Teixeira. In their Certifications, defendants Tomazoni and Teixeira certified:

The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting

53. On July 31, 2008, the Company filed a Form 6-K with the SEC reporting financial results for the six-month period ended on June 30, 2008 ("July 31, 2008 Form 6-K"). The July 31, 2008 Form 6-K was signed by Defendant Teixeira and provided the following regarding the Company's conservative hedge strategy, the value at risk to currency fluctuations, the operations exposed to market risks and the "nominal" amount of the Company's currency contracts:

Risk management and financial instruments

The Company's operations that are exposed to market risks, mainly with respect to foreign currency variations, credit risks and variations in the prices of agricultural commodities - corn, soy bean and derivatives. These risks are managed by the Risk Management area, through identification of exposures and correlations between the different risk factors, using the specific calculation method, VAR - Value at Risk and simulations of scenarios, ***and are permanently monitored by the Financial Committee and by the Commodities and Risk Management Committee, consisting of members of the Board of Directors, who are responsible for defining management's strategy for administering these risks, determining the limits for positions, exposure and authority for decision making.***

***At June 30, 2008, the VAR-Value at Risk for the operational assets and liabilities and financial instruments exposed to exchange rate variations for one year with 95% confidence, amounted to R\$241,710, representing 7.68% of shareholders' equity.***

Exchange rate risk

The exchange rate risk for loans, financing and any other payables denominated in foreign currency is hedged by short-term investments denominated in foreign currency, with same interest rates, and by derivative financial instruments, such as rate swaps (dollar to CDI), interest rate swap contracts (Libor to pre-fixed or vice-versa) and future market agreements, in addition to foreign receivables from exports, which also reduce exchange variations by serving as a "natural hedge".

***The Company, within its hedge strategy, uses currency futures contracts (US dollars, Euros and Pounds), as a form of mitigating exchange rate risk over operating and financial assets and liabilities. The nominal amounts of these contracts are not recorded in the interim financial information.***

54. The Company's Value at Risk estimate of approximately R\$241 million as of June 30, 2008 equated to approximately U.S. \$150 million, using the then-prevailing exchange rate of 1 Real to 0.62 U.S. dollars.

55. The July 31, 2008 filing reinforced the notion that Sadia's financial position was strong and that foreign exchange variations were managed in a conservative manner:

Sadia's financial results reflect the financial management of its financial assets and liabilities as well as the foreign exchange variations of its investments abroad.

For the half year, the result was a positive amount of R\$24.6 million while in 2007 it was a negative R\$3.8 million. This result is obtained basically from two factors. First the decrease in interest on financial investments was due to a reduction in the nominal amount invested. Second the foreign exchange effect caused by the variation of the currency on the exposure of the assets and liabilities as well as effects from hedges.

56. On July 31, 2008, the Company held an international analyst conference call (the “July 31, 2008 Conference Call”). During the July 31, 2008 Conference Call, Sadia was discussing second quarter 2008 results, as well as its currency, stating:

So we have seen pressure in relation to the dollar/real and we are seeing the dollar/real work at R \$1.57 actually and this is another component given that 50% of our revenues are export based.

When asked about a hedge position for the third quarter, Sadia responded;

As you know in relation to currency we have historically been very active and we do have a policy where we hedge 100% of our net exposure to currency for the three following months and from the third to the 12th month is 50% and then it is ongoing basis. The issue about the currency is that there has been less movement in relation to the currency during the last year, so moving forward we will see less gain in relation to our hedging positions in currency.

57. The statements identified above in ¶¶ 46, 48, 50-53, 55 and 56 were materially false and misleading because Defendants failed to disclose: (1) that Sadia had entered into currency derivative contracts to hedge against U.S. dollar exposure that were far larger than necessary; (2) that such contracts violated the Company’s hedge policy in that the contracts covered export-forward exposure for twelve months’ worth of sales when the policy called for only six months’ worth of coverage; (3) that the Company’s exposure to currency contracts was massive and not “nominal” in nature, as Defendants claimed throughout the Class Period; (4) that the Company lacked adequate internal and financial controls; and (5) that, as a result of the foregoing, the Company's statements about its financial well-being and future business prospects were lacking in any reasonable basis when made.

### **The Truth Comes To Light**

58. On September 25, 2008, after the markets closed, the Company stunned the investing public when it filed a Form 6-K with the SEC announcing that it would take a loss of approximately R\$760 million (U.S. \$410 million) related to the Company's investments in currency contracts hedging against the U.S. dollar (the "Sept. 25, 2008 Form 6-K"). The Sept. 25, 2008 Form 6-K was signed by Defendant Teixeira and acknowledged that the nature and amounts of these currency contracts fell far outside "the purpose of protecting the activities of the Company exposed to exchange variation." The Sept. 25, 2008 Form 6-K provided the following:

The Finance Office (Diretoria Financeira) implemented certain transactions in the financial market, which transactions were related to the variation of U.S. Dollar against Real (Brazilian currency) in amounts above the purpose of protecting the activities of the Company exposed to exchange variation.

Given the severity of the international crisis, which worsened last week and due to the high volatility of the quote of the U.S. currency, which occurred very quickly, the Board of Directors (Conselho de Administração), having become aware of the implementation of such transactions, determined the adjustment of the exposure of the Company to standards of risks and limits established as part of its financial and exchange rate policies.

Accordingly, the Company decided to liquidate in advance certain financial transactions, which resulted in losses of approximately R\$ 760,000,000.00.

59. This loss of approximately R\$760 million dwarfed the Value at Risk figures that the Company had repeatedly disclosed during the Class Period. The Company represented that, as of March 31, 2008, the Company represented that the Value at Risk amount was only approximately R\$187 million. Similarly, as of June 30, 2008, the Company represented that the Value at Risk was only approximately R\$241 million. Moreover, the Company repeatedly informed investors that the amounts of its currency contracts were "nominal" and thus were not recorded in the interim financial information. The following day on September 26, 2008, the

Company filed a Form 6-K with the SEC announcing that it had dismissed Defendant Ferreira as Chief Financial Officer, temporarily replacing him with Defendant Teixeira.

60. Analysts and investors alike were shocked at these revelations. On September 26, 2008, Sadia's ADR price plunged a massive \$5.77, or nearly 38%, to close at \$9.50 on heavy trading of over 5 million shares. The following business day, the Company's ADRs dropped another \$1.51 per share, or nearly 16%, to close at \$7.99.

61. On September 26, 2008, Sadia held another international analyst conference call during which the Company elaborated that the transactions involved currency forward options and stated that "they were unaligned with the policy, due to the fact that these operations exceeded the policy" (the "Sept. 26, 2008 Conference Call"). Sadia further stated on the Sept. 26, 2008 Conference Call that its Finance Department incurred up to 12 months of exposure, which exceed the policy by approximately six months, while noting that their policy had been approved by the Finance Committee and was later approved by the Board of Directors. Finally, the Company stated that it should hedge six months of its exports activities with the intent to protect its Real amount related to its exports and to lower the volatility in the results of the Company.

62. In an article on September 26, 2008, Bloomberg reported the following:

Sadia SA, Brazil's second-biggest food company, said it increased its short- and medium-term debt to help cover a 760 million-real (\$410 million) loss from currency operations.

Sadia will operate with higher debt levels in coming months, Welson Teixeira Jr., who was named chief financial officer today, said on a conference call.

63. In a separate article on the same date, Bloomberg reported the fallout from the Company's announcements:

Sadia SA, Brazil's second-biggest food company, plunged the most in at least 14 years after the company fired its chief financial officer.

Sadia fell 2.42 reals, or 26 percent, to 6.88 reals at 10:43 a.m. in Sao Paulo trading. It was the biggest drop since at least August 1994. Shares of the Concordia, Brazil-based company declined 8.1 percent this year through yesterday.

Sadia said in a statement late yesterday that its board dismissed CFO Adriano Lima Ferreira after the company posted a loss from currency-related investments. Welson Teixeira Jr. will replace him, Sadia said.

64. In the same article, analyst Denise Messer from Brascan Corretora was quoted stating, “[t]his came as a total surprise and increases the Company’s risk in the eyes of investors.”

65. Also on September 26, 2008, Moody's downgraded Sadia to Ba3 from Ba2 as a result of the Company's massive loss. A Bloomberg article issued on this same date discussed the downgrade:

Moody’s downgraded all ratings related to Sadia S.A. (“Sadia”) to Ba3 from Ba2 following the announcement of some BRL 760 million in cash losses from positions in currency forward contracts and counterparty losses in its offshore investment portfolio.

The ratings remain under review for possible further downgrade. Ratings affected are as follows:

-- Local currency corporate family rating: to Ba3 from Ba2

-- USD 250 million in guaranteed senior unsecured notes due 2017 issued by Sadia Overseas Ltd. with an unconditional and irrevocable guarantee from Sadia: to Ba3 from Ba2.

All ratings remain under review for possible further downgrade.

The rating action reflects the expected increase in Sadia’s adjusted total debt to EBITDA ratio to well above 4.0x as a result of new short term bank debt that has been raised over the past weeks to cover the derivatives and counterparty losses. Moody's also expects interest coverage to weaken as a result of the additional debt, with adjusted EBITA to Gross Interest Expenses below 2.0x in the near term. On July 18, 2008, Moody's changed its outlook on Sadia's ratings from positive to stable and stated that the rating could be downgraded if adjusted total debt to EBITDA were to be above 4.0 times or adjusted EBITA to interest expense were to drop below 2.0 times.

The review of Sadia's ratings will focus primarily on its overall exposure to derivatives instruments and counterparty risk and the degree of potential impact on the company's leverage and liquidity. If Sadia's leverage and liquidity profile remains in line with the pro-forma position after yesterday's announcement and today's conference call, Moody's would likely stabilize the rating at Ba3, one notch lower than its previous rating, to reflect the increased leverage and weaker than expected risk controls and board supervision. The rating could come under further downward pressure if Sadia's adjusted LTM total debt to EBITDA exceeds 5.0x for two consecutive quarters or if Sadia's liquidity is pressured by weaker access to bank export trade finance lines.

66. On October 6, 2008, the Company announced that Defendants Filho and d'Avila had resigned from their positions as Chairman and Vice Chairman, respectively amid a probe into the Company's currency hedge losses. In a Form 6-K filed the next day (October 7, 2008) with the SEC to announce the resignations, the Company stated as follows:

In compliance with the provisions set forth in Paragraph 4 of Art. 157 of Law N. 6.404/76, SADIA S.A. (the "Company") announces to its shareholders and to the market that Mr. Walter Fontana Filho, Chairman, and Mr. Eduardo Fontana d'Avila, Vice-Chairman, presented their resignation letters as board members in the Extraordinary Board Meeting held on 10.06.2008. Sadia S.A. also announces that the resignations have been accepted by all members of the Board, which decided to nominate, *ad referendum* to the next General Shareholders Meeting, Mr. Luiz Fernando Furlan as responsible for the functions of Chairman. The Board also decided not to fill the vice-chairman vacant post and not to attribute its functions, for the time being, to any member.

67. On this same date, Bloomberg published an article discussing the resignations and the probe into the Company's currency hedge losses:

Sadia SA, the Brazilian food company that fired its chief financial officer after posting a hedging loss, said the chairman and vice chairman resigned amid a probe into the loss.

Luiz Fernando Furlan, Brazil's former trade minister, will take over as chairman, replacing Walter Fontana Filho, Sadia said today in a statement. Vice Chairman Eduardo Fontana d'Avila also resigned.

Sadia, Brazil's second-biggest food company, said late last month that it fired Chief Financial Officer Adriano Lima Ferreira and posted a 760 million-real (\$346 million) hedging loss. Brazil's real has plunged 28 percent against the dollar since the start of August, the worst performance of the 16 most-traded currencies.

\* \* \*

Sadia shares fell 31 centavos, or 5.3 percent, to 5.60 reals in Sao Paulo trading. The stock has declined 45 percent this year.

Standard & Poor's lowered its long-term credit rating on Sadia by one notch to "BB," or two levels below investment grade, from "BB+," and put the rating on negative outlook, citing the weakening of the company's position following the hedging losses.

68. In addition, as a result of Sadia's losses in connection with the currency hedge bets, the Company has had to postpone several capital projects and is in a critical financial downswing. On October 17, 2008, Bloomberg reported the following:

Sadia SA will postpone investments and is asking suppliers for discounts after losing 760 million reals (\$356.8 million) on currency-related derivatives, Valor Economico reported.

Sadia plans to delay plans to build a 150 million-real plant in the United Arab Emirates and another facility in Santa Catarina state, whose cost is estimated at 700 million reals, Valor said, citing Chairman Luiz Fernando Furlan.

The company sent a letter to its suppliers asking for a 10 percent discount in October, November and December, the newspaper said, citing a copy of the letter.

69. In an October 30, 2008 Dow Jones report, Sadia said that it had a third-quarter net loss of R\$777.4 million. The Company booked R\$1.21 billion in financial expenses, mostly from bad bets on currencies and other wrong way investments. The Company had a profit of R\$188.4 million in the same period the prior year.

70. On October 30, 2008, the Company had an international conference call to discuss third quarter earnings during which a breakdown of the recent losses explained:

We are looking at three losses here in currency exchange operations with non-deliverable forwards, target forwards and long call options with two different institutions, which totaled approximately R\$543 million in losses, as well the unwinding of certain off-shore assets... which resulted in a loss of R\$108 million, which brought the total losses of the Company on the 30th of September to R\$653 million in losses.

\* \* \*

We currently have US\$6.3 billion in short dollar exposure. We also have to offset this short position R\$4billion in long dollar exposure, which brings the Company to a net short dollar position of US\$2.3 billion in currency financial transactions exposure.

71. Bloomberg reported that on November 3, 2008 at an interview at Company headquarters in Concordia, Brazil, Furlan explained how the investments came to surpass internal limits: “There was possibly an intentional flaw.”

72. Bloomberg further reported on November 6, 2008 that Moody’s again downgraded Sadia:

Sadia SA, the Brazilian foodmaker that lost at least 545 million reais (\$245 million) on currency bets, had its debt rating reduced by Moody’s Investors Service.

The rating was cut to B1, four levels below investment grade, from Ba3 because of surging debt to cover the losses, Moody’s said today in a statement. Sadia’s total debt inflated to 6.7 times its earnings before interest, taxes, depreciation and amortization at the end of last quarter, from 3.6 times at the end of the second quarter, Moody’s said.

“The downgrade of Sadia’s corporate family and senior unsecured debt ratings to B1 is primarily due to the company’s significant increase in leverage,” Soummo Mukherjee, a Moody’s analyst said in the statement. The indebtedness ballooned “in anticipation of cash outflows to cover derivatives exposure.”

“Sadia has sufficient liquidity to meet all short-term obligations if the real does not experience significant further weakening,” Moody’s said in the statement. It said the rating outlook for Concordia, Brazil-based Sadia is stable.”

Brazil’s second-biggest food marker last week posted its first net loss in nine years for the third quarter because of 1.21 billion reais in financial expenses, mostly from bad bets on currency derivatives. The net loss of 777.4 million reais compares with a profit of 188.4 million reais a year earlier.

Moody’s said Sadia may still lose \$2.4 billion because of its remaining derivatives exposure at the end of September.

73. On November 6, 2008, Sadia filed a Form 6-K with the SEC to report the minutes of the extraordinary meeting that the Company held on November 3, 2008. Sadia reported that it accepted the proposition made by shareholder “Previ” to conduct a special audit to determine any

liability of the administrators for purposes of Brazilian law. Audit firm BDO Trevisan was hired to conduct the Special Audit and is expected to submit a detailed report of its results within the next month.

**DEFENDANTS' FAILURE TO REVEAL THE TRUTH**

74. Sadia's statements and filings during the Class Period were materially false and misleading because they (1) misrepresented the true earnings and financial condition of the Company; (2) failed to disclose the material adverse non-public information that Sadia was entering into significant currency derivative contracts; (3) failed to disclose that such contracts violated the Company's hedge policy in that they covered a period of time and encompassed amounts far greater than necessary to protect the Company's interests; (4) failed to disclose that the currency contracts were not "nominal" in nature and should have been accounted for in the Company's financial statements; and (5) failed to maintain adequate internal and financial controls, such that the statements by the Company's officers and directors during the Class Period representing that the Company's market risks were managed effectively lacked in any reasonable basis given the magnitude of the Company's losses attributed to its currency hedge contracts.

75. During the Class Period, the Company dismissed the amount at risk related to its currency contracts as "nominal." However, with the revelations of the true state of the Company's financial prospects and its exposure to currency fluctuations, the investing community learned that (i) the currency contracts entered into by Sadia were massive, resulting in a loss of R\$760 million; (ii) the Company had inadequate internal and financial controls to assess its vulnerability to fluctuations in currency markets; and (iii) as a result of its losses, the Company would be hindered in its business and growth strategy moving forward, endangering its market position and future viability.

76. Indeed, as a result of the Company's false and misleading statements and omissions during the Class Period, Sadia fired its Chief Financial Officer and accepted the resignations of its Chairman and Vice Chairman.

77. In addition to the false and misleading statements described in detail herein, Defendants also failed to disclose the truth regarding Sadia's financial condition. Specifically, and in addition to the other omissions described herein, Defendants failed to tell the public the true risks the Company faced with regard to its exposure to currency derivative contracts, and failed to disclose that the Company was operating with inadequate internal and financial controls. As a result, Sadia's reported financial results were materially false and misleading.

#### **UNDISCLOSED ADVERSE INFORMATION**

78. The market for Sadia's ADRs was an open, well-developed and efficient market at all relevant times. As a result of the materially false and misleading statements and failures to disclose described herein, Sadia's ADRs traded at artificially inflated prices during the Class Period. Plaintiffs and the other members of the Class purchased or otherwise acquired Sadia's ADRs relying upon the integrity of the market price of Sadia's ADRs and market information related to Sadia, and have been damaged thereby.

79. During the Class Period, Defendants materially misled the investing public, thereby inflating the price of Sadia's ADRs, by publicly issuing false and misleading statements and omitting to disclose material facts necessary to make Defendants' statements, as set forth herein, not false and misleading. Such statements and omissions were materially false and misleading in that they failed to disclose material adverse non-public information and misrepresented the truth about the Company, its business and operations, as alleged herein.

80. At all relevant times, the material misrepresentations and omissions particularized herein directly or proximately caused or were a substantial contributing cause of the damages

sustained by Plaintiffs and the other members of the Class. As described herein, during the Class Period, Defendants made or caused to be made a series of materially false and misleading statements about Sadia's business, prospects and operations.

81. These material misstatements and omissions had the cause and effect of creating in the market an unrealistically positive assessment of Sadia and its business, prospects and operations, thus causing the Company's ADRs to be overvalued and artificially inflated at all relevant times. Defendants' false and misleading statements during the Class Period resulted in Plaintiffs and other members of the Class purchasing the Company's ADRs at artificially inflated prices, thus causing the damages complained of herein.

#### **ADDITIONAL SCIENTER ALLEGATIONS**

82. As alleged herein, Defendants acted with scienter in that Defendants knew that the public documents and statements issued or disseminated in the name of the Company during the Class Period were materially false and misleading; knew that such statements or documents would be issued or disseminated to the investing public; and knowingly and substantially participated or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the federal securities laws.

83. As set forth herein, Defendants, by virtue of their receipt of information reflecting the true facts regarding Sadia, their control over, receipt and/or modification of Sadia's allegedly materially misleading statements and omissions, and/or their positions with the Company which made them privy to confidential information concerning Sadia, participated in the fraudulent scheme alleged herein.

84. The fact that the Board of Directors together with its committees, closely and permanently monitored their positions, risk and potential exposure in financial instruments, as stated in the Company's Forms 6-K and 20-F during the Class Period demonstrates that these

individuals knew facts and had access to information demonstrating that their public statements were not accurate, and further, that they failed to check information that they had a duty to monitor.

85. The ongoing fraudulent scheme described in this Complaint could not have been perpetrated over a substantial period of time, as has occurred, without the knowledge and complicity of the personnel at the highest level of the Company, including the Individual Defendants.

### **CLASS ACTION ALLEGATIONS**

86. Plaintiffs bring this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of all persons who purchased or otherwise acquired Sadia ADRs on the NYSE, during the Class Period and who were damaged thereby (the "Class"). Excluded from the Class are Defendants, members of the immediate family of each of the Individual Defendants, any subsidiary or affiliate of Sadia and the directors, officers and employees of the Company or its subsidiaries or affiliates, or any entity in which any excluded person has a controlling interest, and the legal representatives, heirs, successors and assigns of any excluded person.

87. The members of the Class are so numerous that joinder of all members is impracticable. While the exact number of Class members is unknown to Plaintiffs at this time and can only be ascertained through appropriate discovery, Plaintiffs believe that there are thousands of members of the Class located throughout the United States. Throughout the Class Period, Sadia ADRs were actively traded on the NYSE (an open and efficient market). As of March 12, 2008, the Company had over 29.9 million ADRs outstanding. Record owners and other members of the Class may be identified from records maintained by Sadia and/or its

transfer agents and may be notified of the pendency of this action by mail, using a form of notice similar to that customarily used in securities class actions.

88. Plaintiffs' claims are typical of the claims of the other members of the Class as all members of the Class were similarly affected by Defendants' wrongful conduct in violation of federal law that is complained of herein.

89. Plaintiffs will fairly and adequately protect the interests of the members of the Class and have retained counsel competent and experienced in class and securities litigation.

90. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

a. whether the federal securities laws were violated by Defendants' acts and omissions as alleged herein;

b. whether Defendants participated in and pursued the common course of conduct complained of herein;

c. whether documents, press releases, and other statements disseminated to the investing public and the Company's shareholders during the Class Period misrepresented material facts about the business, finances, financial condition and prospects of Sadia;

d. whether statements made by Defendants to the investing public during the Class Period misrepresented and/or omitted to disclose material facts about the business, finances, value, performance and prospects of Sadia;

e. whether the market price of Sadia ADRs during the Class Period was artificially inflated due to the material misrepresentations and failures to correct the material misrepresentations complained of herein; and

f. the extent to which the members of the Class have sustained damages and the proper measure of damages.

91. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation make it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this suit as a class action.

#### **STATUTORY SAFE HARBOR**

92. The federal statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the allegedly false statements pleaded in this Complaint. Furthermore, many of the statements pleaded herein were not identified as “forward-looking statements” when made, or indicated that actual results “could differ materially from those projected.” Nor were there any meaningful cautionary statements identifying important factors that could cause actual results to differ materially from the statements made therein.

93. Defendants are liable for the forward-looking statements pleaded because, at the time each of those forward-looking statements was made, Defendants knew the forward-looking statement was false and the forward-looking statement was authorized and/or approved by an executive officer of Sadia who knew that such statement was false when made.

### **LOSS CAUSATION**

94. During the Class Period, as detailed herein, Defendants engaged in a scheme to deceive the market and a course of conduct that artificially inflated the prices of Sadia's ADRs and operated as a fraud or deceit on Class Period purchasers of Sadia's ADRs by failing to disclose to investors that the Company's financial results were materially misleading and misrepresented material information. When Defendants' misrepresentations and fraudulent conduct were disclosed and became apparent to the market, the prices of Sadia's ADRs fell precipitously as the prior inflation came out of the Company's stock price. As a result of their purchases of Sadia's ADRs during the Class Period, Plaintiffs and the other Class members suffered economic loss.

95. By failing to disclose the extent of the Company's currency derivative contracts, investors were not aware of the true state of the Company's financial status. Therefore, Defendants presented a misleading picture of Sadia's business and prospects. Thus, instead of disclosing during the Class Period the true state of the Company's business, Defendants caused Sadia to conceal the truth.

96. Defendants' false and misleading statements had the intended effect and caused Sadia's ADRs to trade at artificially inflated levels throughout the Class Period. However, as a direct result of the Company's problems coming to light, Sadia's ADRs price fell nearly 40% immediately following the announcement of the Company's exposure to currency derivative contracts, and continued to decrease over the following days and months. This drop removed the inflation from the price of Sadia's ADRs, causing real economic loss to investors who purchased the Company's ADRs during the Class Period.

97. The decline in the price of Sadia's ADRs after the truth came to light was a direct result of the nature and extent of Defendants' fraud finally being revealed to investors and the market. The timing and magnitude of Sadia's ADR price decline negates any inference that the loss suffered by Plaintiffs and the other Class members was caused by changed market conditions, macroeconomic or industry factors or Company-specific facts unrelated to the Defendants' fraudulent conduct. The economic loss suffered by Plaintiffs and the other Class members was a direct result of Defendants' fraudulent scheme to artificially inflate the prices of Sadia's ADRs and the subsequent decline in the value of Sadia's ADRs when Defendants' prior misrepresentations and other fraudulent conduct were revealed.

**APPLICABILITY OF PRESUMPTION OF RELIANCE**  
**FRAUD ON THE MARKET DOCTRINE**

98. At all relevant times, the market for Sadia stock was an efficient market for the following reasons, among others:

a. Sadia ADRs met the requirements for listing, and were listed and actively traded on the NYSE, a highly efficient market;

b. As a regulated issuer, Sadia filed periodic public reports with the SEC and the NYSE;

c. Sadia ADRs were followed by securities analysts employed by major brokerage firms who wrote reports which were distributed to the sales force and certain customers of their respective brokerage firms. Each of these reports was publicly available and entered the public marketplace; and

d. Sadia regularly issued press releases which were carried by national newswires. Each of these releases was publicly available and entered the public marketplace.

99. As a result, the market for Sadia ADRs promptly digested current information with respect to the Company from all publicly-available sources and reflected such information in Sadia's stock price. Under these circumstances, all purchasers of Sadia ADRs during the Class Period suffered similar injury through their purchase of ADRs at artificially inflated prices and a presumption of reliance applies.

### **COUNT I**

#### **For Violations of §10(b) Of The Exchange Act And Rule 10b-5 Promulgated Thereunder Against All Defendants**

100. Plaintiffs repeat and reallege the allegations set forth above as though fully set forth herein. This claim is asserted against all Defendants.

101. During the Class Period, Sadia and the Individual Defendants, and each of them, carried out a plan, scheme and course of conduct which was intended to and, throughout the Class Period, did: (i) deceive the investing public, including Plaintiffs and other Class members, as alleged herein; (ii) artificially inflate and maintain the market price of Sadia ADRs; and (iii) cause Plaintiffs and other members of the Class to purchase Sadia ADRs at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, Defendants Sadia and the Individual Defendants, and each of them, took the actions set forth herein.

102. These Defendants: (a) employed devices, schemes, and artifices to defraud; (b) made untrue statements of material fact and/or omitted to state material facts necessary to make the statements not misleading; and (c) engaged in acts, practices and a course of business which operated as a fraud and deceit upon the purchasers of the Company's ADRs in an effort to maintain artificially high market prices for Sadia ADRs in violation of §10(b) of the Exchange Act and Rule 10b-5. Defendants are sued as primary participants in the wrongful and illegal

conduct charged herein. The Individual Defendants are also sued herein as controlling persons of Sadia, as alleged herein.

103. In addition to the duties of full disclosure imposed on Defendants as a result of their making of affirmative statements and reports, or participation in the making of affirmative statements and reports to the investing public, they each had a duty to promptly disseminate truthful information that would be material to investors in compliance with the integrated disclosure provisions of the SEC as embodied in SEC Regulation S-X (17 C.F.R. § 210.01 et seq.) and S-K (17 C.F.R. § 229.10 et seq.) and other SEC regulations, including accurate and truthful information with respect to the Company's operations, financial condition and performance so that the market prices of the Company's publicly traded ADRs would be based on truthful, complete and accurate information.

104. Sadia and the Individual Defendants, individually and in concert, directly and indirectly, by the use of means or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a continuous course of conduct to conceal adverse material information about the business, business practices, performance, operations and future prospects of Sadia as specified herein. These Defendants employed devices, schemes and artifices to defraud, while in possession of material adverse non-public information and engaged in acts, practices, and a course of conduct as alleged herein in an effort to assure investors of Sadia's value and performance and substantial growth, which included the making of, or the participation in the making of, untrue statements of material facts and omitting to state material facts necessary in order to make the statements made about Sadia and its business, operations and future prospects, in light of the circumstances under which they were made, not misleading, as set forth more particularly herein, and engaged in transactions, practices and a course of

business which operated as a fraud and deceit upon the purchasers of Sadia's ADRs during the Class Period.

105. Each of the Individual Defendants' primary liability, and controlling person liability, arises from the following facts: (i) each of the Individual Defendants was a high-level executive and/or director at the Company during the Class Period; (ii) each of the Individual Defendants, by virtue of his responsibilities and activities as a senior executive officer and/or director of the Company, was privy to and participated in the creation, development and reporting of the Company's operational and financial projections and/or reports; (iii) the Individual Defendants enjoyed significant personal contact and familiarity with each other and were advised of and had access to other members of the Company's management team, internal reports, and other data and information about the Company's financial condition and performance at all relevant times; and (iv) the Individual Defendants were aware of the Company's dissemination of information to the investing public which they knew or recklessly disregarded was materially false and misleading.

106. These Defendants had actual knowledge of the misrepresentations and omissions of material facts set forth herein, or acted with reckless disregard for the truth in that they failed to ascertain and to disclose such facts, even though such facts were readily available to them. Such Defendants' material misrepresentations and/or omissions were done knowingly or recklessly and for the purpose and effect of concealing Sadia's operating condition, business practices and future business prospects from the investing public and supporting the artificially inflated price of its ADRs. As demonstrated by their overstatements and misstatements of the Company's financial condition and performance throughout the Class Period, the Individual Defendants, if they did not have actual knowledge of the misrepresentations and omissions

alleged, were reckless in failing to obtain such knowledge by deliberately refraining from taking those steps necessary to discover whether those statements were false or misleading.

107. As a result of the dissemination of the materially false and misleading information and failure to disclose material facts, as set forth above, the market price of Sadia ADRs was artificially inflated during the Class Period. In ignorance of the fact that the market price of Sadia ADRs was artificially inflated, and relying directly or indirectly on the false and misleading statements made by Defendants, upon the integrity of the market in which the ADRs trade, and/or on the absence of material adverse information that was known to or recklessly disregarded by Defendants but not disclosed in public statements by Defendants during the Class Period, Plaintiffs and the other members of the Class acquired Sadia ADRs during the Class Period at artificially inflated high prices and were damaged thereby.

108. At the time of said misrepresentations and omissions, Plaintiffs and the other members of the Class were ignorant of their falsity, and believed them to be true. Had Plaintiffs and the other members of the Class and the marketplace known of the true performance, business practices, future prospects and intrinsic value of Sadia, which were not disclosed by Defendants, Plaintiffs and the other members of the Class would not have purchased or otherwise acquired Sadia ADRs during the Class Period, or, if they had acquired such ADRs during the Class Period, they would not have done so at the artificially inflated prices which they paid.

109. By virtue of the foregoing, Sadia and the Individual Defendants each violated §10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder.

110. As a direct and proximate result of Defendants' wrongful conduct, Plaintiffs and the other members of the Class suffered damages in connection with their purchases of the Company's ADRs during the Class Period.

**COUNT II**

**For Violations of §20(a) of the Exchange Act  
Against the Individual Defendants**

111. Plaintiffs repeat and reallege the allegations set forth above as if set forth fully herein. This claim is asserted against the Individual Defendants.

112. The Individual Defendants were, and acted as, controlling persons of Sadia within the meaning of §20(a) of the Exchange Act as alleged herein. By virtue of their high-level positions with the Company, participation in and/or awareness of the Company's operations and/or intimate knowledge of the Company's actual performance, the Individual Defendants had the power to influence and control and did influence and control, directly or indirectly, the decision-making of the Company, including the content and dissemination of the various statements which Plaintiffs contends are false and misleading. Each of the Individual Defendants was provided with or had unlimited access to copies of the Company's reports, press releases, public filings and other statements alleged by Plaintiffs to be misleading prior to and/or shortly after these statements were issued and had the ability to prevent the issuance of the statements or cause the statements to be corrected.

113. In addition, each of the Individual Defendants had direct involvement in the day-to-day operations of the Company and, therefore, is presumed to have had the power to control or influence the particular transactions giving rise to the securities violations as alleged herein, and exercised the same.

114. As set forth above, Sadia and the Individual Defendants each violated §10(b) and Rule 10b-5 by their acts and omissions as alleged in this Complaint. By virtue of their controlling positions, the Individual Defendants are liable pursuant to §20(a) of the Exchange Act. As a direct and proximate result of Defendants' wrongful conduct, Plaintiffs and the other

members of the Class suffered damages in connection with their purchases of the Company's ADRs during the Class Period.

**PRAYER FOR RELIEF**

WHEREFORE, Plaintiffs, individually and on behalf of the Class, pray for judgment as follows:

(a) Declaring this action to be a class action pursuant to Rule 23(a) and (b)(3) of the Federal Rules of Civil Procedure on behalf of the Class defined herein;

(b) Awarding Plaintiffs and the other members of the Class damages in an amount which may be proven at trial, together with interest thereon;

(c) Awarding Plaintiffs and the other members of the Class prejudgment and post judgment interest, as well as their reasonable attorneys' and experts' witness fees and other costs; and

(d) Awarding such other relief as this Court deems appropriate.

**JURY DEMAND**

Plaintiffs demand a trial by jury

Dated: March 16, 2009

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