

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended September 28, 2002

Commission File number 1-9273

PILGRIM'S PRIDE CORPORATION
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

75-1285071
(I.R.S. Employer
Identification No.)

110 South Texas, Pittsburg, TX
(Address of principal executive offices)

75686-0093
(Zip code)

Registrant's telephone number, including area code: (903) 855-1000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Class A Common Stock, Par Value \$0.01	New York Stock Exchange
Class B Common Stock, Par Value \$0.01	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes No

The aggregate market value of the Registrant's Class B Common Stock, \$0.01 par value, and Class A Common Stock, \$0.01 par value, held by non-affiliates of the Registrant as of December 2, 2002, was \$85,088,774 and \$28,502,342, respectively. For purposes of the foregoing calculation only, all directors, executive officers and 5% beneficial owners have been deemed affiliates.

27,589,250 shares of the Registrant's Class B Common Stock, \$.01 par value, were outstanding as of December 2, 2002.

13,523,429 shares of the Registrant's Class A Common Stock, \$.01 par value, were outstanding as of December 2, 2002.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's proxy statement for the annual meeting of stockholders to be held January 29, 2003 are incorporated by reference into Part III.

PILGRIM'S PRIDE CORPORATION
FORM 10-K
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PART I

ITEM 1. BUSINESS

GENERAL

Overview and Recent Developments.

The Company, which was incorporated in Texas in 1968 and reincorporated in Delaware in 1986, is the successor to a partnership founded in 1946 as a retail feed store. Over the years, the Company grew through both internal growth and various acquisitions of farming operations and chicken processors. We are the second largest producer of poultry in both the United States and Mexico and have one of the best known brand names in the poultry industry. In the United States, we produce both prepared and fresh chicken and turkey, while in Mexico, we exclusively produce fresh chicken. Through vertical integration, we control the breeding, hatching and growing of chickens and turkeys and the processing, preparation, packaging and sale of our product lines, which we believe has made us one of the highest quality, lowest-cost producers of poultry in North America. We have consistently applied a long-term business strategy of focusing our growth efforts on the higher-value, higher-margin prepared foods products and have become a recognized industry leader in this market segment. Accordingly, our sales efforts have traditionally been targeted to the foodservice industry, principally chain restaurants and food processors. We have continually made investments to ensure that our prepared foods capabilities remain state-of-the-art and have complemented these investments with a substantial and successful research and development effort. In fiscal 2002, we sold 2.7 billion pounds of dressed chicken and 374.3 million pounds of dressed turkey and generated net sales of \$2.5 billion and Earnings Before Interest, Taxes, Depreciation and Amortization, ("EBITDA") of \$103.5 million. In fiscal 2002, our U.S. operations accounted for 86.5% of our net sales, with the remaining 13.5% arising from our Mexico operations.

On January 27, 2001, we acquired WLR Foods, Inc. (formerly Nasdaq: WLRF), (which is referred to herein as, our Eastern Division) for approximately \$239.5 million and the assumption of approximately \$45.5 million of indebtedness. The acquisition was accounted for under the purchase method of accounting and the purchase price was allocated based on the estimated fair value of assets and liabilities. WLR Foods' operations have been included in our financial results since the acquisition on January 27, 2001. WLR Foods was the seventh largest poultry company in the United States with \$836.9 million of revenue in calendar year 2000. The WLR Foods acquisition provided us with (1) chicken processing facilities in the eastern United States, where we previously had no facilities, enabling us to deliver poultry products within one day to markets accounting for approximately 40% of the U.S. population; (2) significant opportunities to realize synergies between WLR Foods and our pre-existing chicken operations; and (3) diversification of our revenue stream into the \$8 billion turkey industry, where we can capitalize on our prepared foods processing expertise. Currently, our Eastern Division's chicken sales mix consists mostly of lower margin fresh chicken products. However, we intend to convert more of our Eastern Division chicken sales into higher margin, fresh and prepared chicken products in the years to come. By consistent and continued application of our long-term business strategy to both our recently acquired Eastern Division and our existing fresh chicken mix, we believe that our overall product mix will return to the levels existing prior to the WLR Foods acquisition in subsequent years.

Since the acquisition of WLR Foods, our Eastern Division, which consists of the former WLR Foods' operations, has been affected by two significant unexpected challenges. First, on March 12, 2002 an outbreak of low-pathogenic avian influenza, a disease contagious to turkey, chicken and other birds, was discovered in Virginia. During fiscal 2002, we estimate that our operating income was negatively impacted by approximately \$26.0 million due to the negative impact of the avian influenza. As of September 28, 2002, poultry growers and producers have destroyed approximately 4.7 million head of poultry affected as a result of the virus. Turkeys represent approximately 70.0% of the destroyed poultry, with chickens representing approximately 30.0%. Approximately one-half of the turkeys and approximately three-quarters of the chickens destroyed by the poultry industry in Virginia belonged to the Company. No new flocks have tested positive for the presence of avian influenza in Virginia since July 2, 2002. We currently estimate that production in our turkey operation will be significantly reduced over the next six months due to the effects of this viral outbreak. As a result of this lower production output in our turkey operation, we anticipate that operating income from our turkey operation will decrease for the first six months of fiscal 2003 by approximately \$8.0 to \$14.0 million, when compared to the first six months of fiscal 2002, assuming the outbreak of avian influenza has been contained. On June 19, 2002, U.S. Secretary of Agriculture Ann Veneman proposed to the Office of Management and Budget that the U.S. Department of Agriculture (USDA) cover

one-half of the total estimated economic loss suffered by the poultry industry and independent growers in Virginia due to the avian influenza outbreak. Secretary Veneman also recommended that the government of Virginia cover the remaining portion. It is our understanding that, as part of her proposal, Secretary Veneman is suggesting that independent chicken and turkey growers are to be fully compensated for their losses first and that the remainder is to be allocated to other poultry producers (including us) whose flocks were destroyed by the virus. On November 4, 2002 the Department of Agriculture made public their estimate of total federal compensation at \$51 million, with growers being compensated \$13.9 million and owners being compensated \$37.1 million. No assurance can be given as to the amount of federal compensation that we may receive or that any state agencies will in fact provide further economic assistance to the poultry growers and producers affected by the avian influenza outbreak in Virginia. No anticipated recoveries have been recorded by us as our portion of the compensation has not yet been determined. In the event that state agencies do decide to grant economic assistance to the affected poultry growers and producers, it is impossible at this time to estimate how the state agencies would allocate any such assistance between affected poultry growers and producers whose flocks were destroyed by the virus.

The second challenge faced by our Eastern Division was the voluntary nationwide recall of certain cooked deli products produced at our Franconia, Pennsylvania facility. A turkey pastrami product sample - one sample from one lot from one day's production, taken on August 14, 2002-- tested positive for Listeria, prompting us to voluntarily recall 295,000 pounds of product on October 9, 2002. According to the Food Safety and Inspection Service, (FSIS), testing indicated that the particular strain of Listeria found in this single product sample was not the same as that involved in a Northeastern outbreak of illnesses and deaths resulting from listeriosis. However, we later received information from the USDA suggesting that environmental samples (not product samples) taken at the facility on October 3 and 4, 2002 had tested positive for both the strain of Listeria which prompted the August 14, 2002 recall and a strain having characteristics similar to those of the strain identified in a Northeastern outbreak. We immediately, and voluntarily, expanded the recall to extend to cooked deli products produced from May 1, 2002 through October 11, 2002. As an additional precautionary measure, we immediately suspended operations at our Franconia facility to redouble our food safety and sanitation efforts. No illnesses associated with the Listeria strain in a Northeastern outbreak have been linked to any of our products, and our Franconia facility has been reviewed and inspected by the USDA and was reopened on November 13, 2002. The amount of product covered by the recall was approximately 7% of our annual turkey production and less than 1% of our total poultry production. We carry insurance designed to cover the direct recall related expenses and certain aspects of the related business interruption caused by the recall, and subject to the insurer's reservation of rights, we have received a \$4 million advance payment from our insurer with respect to the product recall claim. The Company believes that the recall and its direct effects will not have a material impact on our financial position and results of operations after considering available insurance coverage. However, there will be differences between the accounting periods in which certain recall effects are realized and when insurance recoveries are received and there can be no assurances as to the Company's ability to re-establish the products and sales affected by the recall.

Strategy.

Our objectives are (1) to increase sales, profit margins and earnings and (2) outpace the growth of, and maintain our leadership position in, the poultry industry. To achieve these goals, we plan to continue to pursue the following strategies:

- CAPITALIZE ON ATTRACTIVE U.S. PREPARED FOODS MARKET. We focus our U.S. growth initiatives on sales of prepared foods to the foodservice market because it continues to be one of the fastest growing and most profitable segments in the poultry industry. Products sold to this market segment require further processing, which enables us to charge a premium for our products, reduces the impact of feed ingredient costs on our profitability and improves and stabilizes our profit margins. Feed ingredient costs typically decrease from approximately 30-50% of total production cost for fresh chicken products to approximately 16-25% for prepared chicken products. Our sales of prepared chicken products grew from \$466.8 million in fiscal 1998 to \$848.7 million in fiscal 2002, a compounded annual growth rate of 16.1%. However, as a result of the acquisition of WLR Foods, whose operations were focused primarily on fresh chicken products, these sales decreased as a percentage of our total U.S. chicken revenues to 51.4% in fiscal 2002 from 61.1% in fiscal 2000. By consistent and continued application of our long-term business strategy, we believe that our overall product mix will return to the levels existing prior to the WLR Foods acquisition in subsequent years.
- EMPHASIZE CUSTOMER-DRIVEN RESEARCH AND TECHNOLOGY. We have a long-

standing reputation for customer-driven research and development in designing new products and implementing advanced processing technology. This enables us to better meet our customers' changing needs for product innovation, consistent quality and cost efficiency. In particular, customer-driven research and development is integral to our growth strategy for the prepared foods market in which customers continue to place greater importance on value-added services. Our research and development personnel often work directly with institutional customers in developing products for these customers, which we believe helps promote long-term relationships. We estimate that approximately \$300 million, or 27%, of our chicken sales to foodservice customers in fiscal 2002 consisted of new products, which were not sold by us in fiscal 1998.

- ENHANCE U.S. FRESH CHICKEN PROFITABILITY THROUGH VALUE-ADDED, BRANDED PRODUCTS. Our U.S. fresh chicken sales accounted for \$706.8 million, or 42.9%, of our U.S. chicken sales for fiscal 2002. In addition to maintaining the sales of mature, traditional fresh chicken products, our strategy is to shift the mix of our U.S. fresh chicken products by continuing to increase sales of higher margin, faster growing products, such as marinated chicken and chicken parts and to continually shift portions of this product mix into the higher value and margin prepared chicken products, particularly in our Eastern Division. Much of our fresh chicken products are sold under the Pilgrim's Pride{reg-trade-mark} brand name, which is one of the best known brands in the chicken industry.
- IMPROVE OPERATING EFFICIENCIES AND INCREASE CAPACITY ON A COST-EFFECTIVE BASIS. As production and sales grow, we continue to focus on improving operating efficiencies by investing in state-of-the-art technology, processes and training and our total quality management program. Specific initiatives include:
 - standardizing lowest-cost production processes across our various facilities;
 - centralizing purchasing and other shared services; and
 - upgrading technology where appropriate.

In addition, we have a proven history of increasing capacity while improving operating efficiencies at acquired properties both in the U.S. and Mexico. As a result, according to industry data, since 1993 we have consistently been one of the lowest cost producers of chicken in the U.S., and we also believe we are one of the lowest cost producers of chicken in Mexico.

- CONTINUE TO PENETRATE THE GROWING MEXICAN MARKET. We seek to leverage our leading market position and reputation for freshness and quality in Mexico by focusing on the following four objectives:
 - to be one of the most cost-efficient producers and processors of chicken in Mexico by applying technology and expertise utilized in the U.S.;
 - to continually increase our distribution of higher margin, more value-added products to national retail stores and restaurants;
 - to continue to build and emphasize brand awareness and capitalize on Mexican consumers' preference for branded products and their insistence on freshness and quality; and
 - to ensure that, if Mexican tariffs on imported chicken are eliminated as scheduled under NAFTA in January 2003, a significant portion of the chicken imported from the U.S. will be distributed through our existing and planned distribution facilities. We believe the location of our U.S. operations in the Southwest gives us a strategic advantage to capitalize on exports of U.S. chicken to Mexico.
- LEVERAGE OUR RECENTLY ACQUIRED TURKEY OPERATIONS. We seek to take advantage of our leading market position and reputation as a high quality, high service provider of chicken products to purchasers of turkey products by focusing on the following four objectives:
 - to cross-sell prepared turkey products to existing chicken customers;
 - to develop new and innovative prepared turkey products by capitalizing on our research and development expertise;
 - to improve operating efficiencies in our turkey operations by applying proven management methodologies and techniques employed historically in our chicken operations; and

- to capitalize on the unique opportunity to establish, develop and market turkey products under the Pilgrim's Pride{reg-trade-mark} brand name.
- CAPITALIZE ON EXPORT OPPORTUNITIES. We intend to continue to focus on international opportunities to complement our U.S. poultry operations and capitalize on attractive export markets. According to the USDA, the export of U.S. poultry products has grown 26.7% for chicken and decreased 19.5% for turkey from 1997 through 2001. We believe that U.S. poultry exports will grow as worldwide demand increases for high-grade, low-cost protein sources. According to USDA data, the export market is expected to grow at 11.1% and 8.9% for chicken and turkey, respectively, from 2001 to 2006. Historically, we have targeted international markets to generate additional demand for our chicken and turkey dark meat, which is a natural by-product of our U.S. operations given our concentration on prepared foods products and the U.S. customers' general preference for white meat. As part of this initiative, we have created a significant international distribution network into several markets, including Mexico, which we now utilize not only for dark meat distribution, but also for various higher margin prepared foods and other poultry products. We utilize both a direct international sales force and export brokers. Our key international markets include Canada, Mexico, Eastern Europe including Russia, and the Far East. We believe that we have substantial opportunities to expand our sales to these markets by capitalizing on direct international distribution channels supplemented by our existing export broker relationships. Exports and other chicken and turkey products accounted for approximately 5.5% of our net sales in fiscal 2002.

Products and Markets.

Our chicken products consist primarily of:

(1) Prepared chicken products, which are products such as portion-controlled breast fillets, tenderloins and strips, delicatessen products, salads, formed nuggets and patties and bone-in chicken parts. These products are sold either refrigerated or frozen and may be fully cooked, partially cooked or raw. In addition, these products are breaded or non-breaded and either pre-marinated or non-marinated. Effective November 13, 2002, we are no longer producing frankfurters although we continue to distribute frankfurters processed by others.

(2) Fresh chicken, which is refrigerated (non-frozen) whole or cut-up chicken sold to the foodservice industry either pre-marinated or non-marinated. Fresh chicken also includes prepackaged chicken, which includes various combinations of freshly refrigerated, whole chickens and chicken parts in trays, bags or other consumer packs labeled and priced ready for the retail grocer's fresh meat counter.

(3) Export and other chicken products, which are primarily parts and whole chicken, either refrigerated or frozen for U.S. export or domestic use, and chicken prepared foods products for U.S. exports.

(4) Mexico products, which consist primarily of lower value-added products such as eviscerated chicken and chicken parts and basic products such as New York dressed (whole chicken with only feathers and blood removed) and live birds.

Our turkey products consist primarily of:

(1) Prepared turkey products, which are products such as turkey sausages, ground turkey, turkey hams and roasts, ground turkey breast products, salads and flavored turkey burgers. We also have an array of cooked, further processed deli products. Effective November 13, 2002, we are no longer producing frankfurters although we continue to distribute frankfurters processed by others.

(2) Fresh turkey, which includes fresh traypack products, turkey burgers, and fresh and frozen whole birds, as well as semi-boneless whole turkey, which has all bones except the drumsticks removed.

(3) Export and other products, which are parts and whole turkey products, either refrigerated or frozen, for U.S. export or domestic use, and turkey prepared foods products for U.S. export or domestic use.

Our chicken and turkey products are sold primarily to:

(1) Foodservice customers, which are customers such as chain restaurants, food processors, foodservice distributors and certain other institutions. We sell to our foodservice customers products ranging from portion-controlled refrigerated poultry parts to fully-cooked and frozen, breaded or non-

breaded poultry parts or formed products.

(2) Retail customers, which are customers such as grocery store chains, wholesale clubs and other retail distributors. We sell to our retail customers branded, pre-packaged, cut-up and whole poultry, and fresh refrigerated or frozen whole poultry and poultry parts in trays, bags or other consumer packs.

The following table sets forth, for the periods since fiscal 1998, net sales attributable to each of our primary product lines and markets served with those products. Consistent with our long-term strategy, we have emphasized our U.S. growth initiatives on sales of prepared foods products, primarily to the foodservice market, because this product and market segment has experienced, and we believe will continue to experience, greater growth than fresh chicken products. We based the table on our internal sales reports and their classification of product types and customers.

	Fiscal Year Ended				
	Sept. 28, 2002 (52 weeks)	Sept. 29, 2001(a) (52 weeks)	Sept. 30, 2000 (52 weeks)	Oct. 2, 1999 (53 weeks)	Sept. 26, 1998 (52 weeks)
(in thousands)					
U.S. CHICKEN SALES:					
Prepared Foods:					
Foodservice	\$659,856	\$632,075	\$589,395	\$527,732	\$418,160
Retail	158,299	103,202	47,655	28,079	46,335
Total					
Prepared Foods(b)	818,155	735,277	637,050	555,811	464,495
Fresh Chicken:					
Foodservice	448,376	387,624	202,192	205,968	220,804
Retail	258,424	224,693	148,977	163,387	162,283
Total					
Fresh Chicken(b)	706,800	612,317	351,169	369,355	383,087
Export and Other:					
Prepared Foods(b)	30,528	18,912	4,595	1,030	2,301
Other Chicken	93,575	105,834	57,573	37,300	64,469
Total Export and Other	124,103	124,746	62,168	38,330	66,770
Total					
U.S. Chicken(b)	1,649,058	1,472,340	1,050,387	963,496	914,352
MEXICO CHICKEN SALES(c):	323,769	303,433	285,605	233,074	249,104
Total Chicken Sales	1,972,827	1,775,773	1,335,992	1,196,570	1,163,456
U.S. TURKEY SALES:					
Prepared Foods(d):					
Foodservice	134,651	88,012	--	--	--
Retail	54,638	48,681	--	--	--
Total Prepared Foods	189,289	136,693	--	--	--
Fresh Turkey(d):					
Foodservice	36,119	18,618	--	--	--
Retail	107,582	71,647	--	--	--
Total Fresh Turkey	143,701	90,265	--	--	--
Export and Other(d):					
Prepared Foods	2,858	2,434	--	--	--
Other Turkey	12,270	9,443	--	--	--
Total Export and Other	15,128	11,877	--	--	--
Total U.S. Turkey Sales	348,118	238,835	--	--	--
SALES OF OTHER PRODUCTS:					
United States	193,691	179,859	141,690	139,407	139,106
Mexico(c)	19,082	20,245	21,757	21,426	28,983
Total Sales of Other Products	212,773	200,104	163,447	160,833	168,089
Total Net Sales	\$2,533,718	\$2,214,712	\$1,499,439	\$1,357,403	\$1,331,545
Total Chicken					
Prepared Foods	848,683	754,189	641,645	556,841	466,796
Total Turkey					
Prepared Foods	192,147	139,127	--	--	--

- (a) The acquisition of WLR Foods on January 27, 2001 has been accounted for as a purchase, and the results of operations for this acquisition have been included in our consolidated results of operations since the acquisition date.
- (b) In 2002 the Company identified certain products that were more properly classified in other categories and as a result, certain items previously classified under U.S. prepared foods and U.S. fresh chicken were reclassified into U.S. chicken export and other categories. Amounts by year were: \$18.6 million, \$19.1 million, \$4.7 million, \$1.1 million, and \$2.3 million for the fiscal years 2002 to 1998, respectively.
- (c) In order to present additional classifications, items previously classified as Mexico chicken sales and were reclassified to export and other products, Amounts reclassified were: \$19.1 million, \$20.2 million, \$21.8 million, \$21.4 million and \$29.0 million for the years 2002 to 1998, respectively.
- (d) In 2002 the Company identified certain products that were more properly classified in other categories and as a result, certain items previously classified under U.S. turkey prepared foods and U.S. fresh turkey were reclassified into the U.S. export and other categories. Net amounts reclassified to U.S. export and other were: \$2.1 million in 2002 and \$0.4 million in 2001.

The following table sets forth, since fiscal 1998, the percentage of net U.S. chicken and turkey sales attributable to each of our primary product lines and the markets serviced with those products. We based the table and related discussion on our internal sales reports and their classification of product types and customers.

	Fiscal Year Ended				
	Sept. 28, 2002	Sept. 29, 2001	Sept. 30, 2000	Oct. 2, 1999	Sept. 26, 1998
U.S. CHICKEN SALES:					
Prepared Foods:					
Foodservice	39.9%	42.9%	56.2%	54.7%	45.7%
Retail	9.6	7.0	4.5	2.9	5.1
Total Prepared Foods	49.5	49.9	60.7	57.6	50.8
Fresh Chicken:					
Foodservice	27.2	26.3	19.2	21.4	24.1
Retail	15.7	15.3	14.2	17.0	17.7
Total Fresh Chicken	42.9	41.6	33.4	38.4	41.8
Export and Other:					
Prepared Foods	1.9	1.3	0.4	0.1	0.3
Other Chicken	5.7	7.2	5.5	3.9	7.1
Total Export and Other	7.6	8.5	5.9	4.0	7.4
Total U.S. Chicken	100.0%	100.0%	100.0%	100.0%	100.0%
Total Chicken Prepared Foods as a percentage of US Chicken	51.4%	51.2%	61.1%	57.7%	51.1%
U.S. TURKEY SALES:					
Prepared Foods:					
Foodservice	38.7%	36.8%	--	--	--
Retail	15.7	20.4	--	--	--
Total Prepared Foods	54.4	57.2	--	--	--
Fresh Turkey:					
Foodservice	10.4	7.8	--	--	--
Retail	30.9	30.0	--	--	--
Total Fresh Turkey	41.3	37.8	--	--	--
Export and Other:					
Prepared Foods	0.8	1.0	--	--	--
Other Turkey	3.5	4.0	--	--	--
Total Export and Other	4.3	5.0	--	--	--
Total U.S. Turkey	100.0%	100.0%	--	--	--
Total Turkey Prepared Foods as a percentage of US Turkey	55.2%	58.2%	--	--	--

PRODUCT TYPES

Chicken Products

PREPARED FOODS OVERVIEW. During fiscal 2002, \$848.7 million, or 51.4%, of our U.S. chicken net sales were in prepared foods products to foodservice customers and retail distributors, as compared to \$466.8 million in fiscal 1998. These numbers reflect the strategic focus for our growth. The market for prepared chicken products has experienced, and we believe will continue to experience, greater growth, higher average sales prices and higher margins than fresh chicken products. Also, the production and sale in the U.S. of prepared foods products reduce the impact of the costs of feed ingredients on our profitability. Feed ingredient costs are the single largest component of our chicken cost of goods sold, representing approximately 30% of our U.S. cost of goods sold for the year ended September 28, 2002. The production of feed ingredients is positively or negatively affected primarily by weather patterns throughout the world, the global level of supply inventories and demand for feed ingredients, and the agricultural policies of the United States and foreign governments. As further processing is performed, feed ingredient costs become a decreasing percentage of a product's total production cost, thereby reducing their impact on our profitability. Products sold in this form enable us to charge a premium, reduce the impact of feed ingredient costs on our profitability and improve and stabilize our profit margins.

We establish prices for our prepared chicken products based primarily upon perceived value to the customer, production costs and prices of competing products. The majority of these products are sold pursuant to agreements with varying terms that either set a fixed price for the products or set a price according to formulas based on an underlying commodity market, subject in many cases to minimum and maximum prices.

FRESH CHICKEN OVERVIEW. Our fresh chicken business is an important component of our sales and accounted for \$706.8 million, or 42.9%, of our total U.S. chicken net sales for fiscal 2002. In addition to maintaining sales of mature, traditional fresh chicken products, our strategy is to shift the mix of our U.S. fresh chicken products by continuing to increase sales of higher margin, faster growing products, such as marinated chicken and chicken parts and to continually shift portions of this product mix into the higher value and margin prepared chicken products, particularly in our Eastern Division.

Most fresh chicken products are sold to established customers based upon certain weekly or monthly market prices reported by the USDA and other public price reporting services, plus a markup, which is dependent upon the customer's location, volume, product specifications and other factors. We believe our practices with respect to sales of fresh chicken are generally consistent with those of our competitors. Prices of these products are negotiated daily or weekly and are generally related to market prices quoted by the USDA or other public reporting services.

EXPORT AND OTHER CHICKEN PRODUCTS OVERVIEW. Our export and other products consist of whole chickens and chicken parts sold primarily in bulk, non-branded form either refrigerated to distributors in the U.S. or frozen for distribution to export markets and branded and non-branded prepared foods products for distribution to export markets. In fiscal 2002, approximately \$124.1 million, or 7.6% of our U.S. chicken net sales were attributable to U.S. chicken export and other. These exports and other products, other than the prepared foods products, have historically been characterized by lower prices and greater price volatility than our more value-added product lines.

Turkey Products

Since March 2002, our sales of turkey products have been negatively impacted by an outbreak of low-pathogenic avian influenza in Virginia in March 2002, that resulted in the destruction of a significant number of our turkey flocks. See further discussion in Item 7 Management's Discussion and Analysis of Results of Operations and Financial Condition.

PREPARED FOODS OVERVIEW. During fiscal 2002, \$192.1 million, or 55.2%, of our U.S. turkey net sales were prepared turkey products sold to foodservice customers and retail distributors. Like the U.S. chicken markets, the market for prepared turkey products has experienced greater growth and higher margins than fresh turkey products and the production and sale of prepared turkey products reduce the impact of the costs of feed ingredients on our profitability. Feed ingredient costs are the single largest component of our turkey division cost of goods sold, representing approximately 30.0% of our turkey cost of goods sold in fiscal 2002. Similarly with the chicken business, as further processing is performed, feed ingredient costs become a decreasing percentage of a product's total production cost, thereby reducing their impact on our profitability.

We establish prices for our prepared turkey products based primarily upon perceived value to the customer, production costs and prices of competing products. The majority of these products are sold pursuant to agreements with varying terms that either set a fixed price or are subject to a market driven formula.

FRESH TURKEY OVERVIEW. Our fresh turkey business is an important component of our sales and accounted for \$143.7 million, or 41.3%, of our U.S. turkey net sales in fiscal 2002. As is typical for the industry, a significant portion of the sales of fresh and frozen whole turkeys is seasonal in nature, with the height of sales occurring during the Thanksgiving and Christmas holidays. In addition to maintaining sales of mature, traditional fresh turkey products, our strategy is to shift the mix of our fresh turkey products by continuing to increase sales of higher margin, faster growing value-added prepared turkey products, such as deli meats, ground turkey, turkey burgers and sausage, roasted turkey and salads.

Most fresh turkey products are sold to established customers pursuant to agreements with varying terms that either set a fixed price or are subject to a market driven formula with some agreements based upon market prices reported by the USDA and other public price reporting services, plus a markup, which is dependent upon the customer's location, volume, product specifications and other factors. We believe our practices with respect to sales of fresh turkey are generally consistent with those of our competitors with similar programs. Prices of these products are generally negotiated daily or weekly.

EXPORT AND OTHER TURKEY PRODUCTS OVERVIEW. Our export and other turkey products consist primarily of turkey parts sold primarily in bulk, non-branded form frozen for distribution to export markets and refrigerated and frozen frankfurters sold in a branded form. In fiscal 2002, approximately \$15.1 million, or 4.3%, of our total U.S. turkey sales were attributable to export and other sales. These exports and other products have historically been characterized by lower prices and greater price volatility than our more value-added product lines. Effective November 13, 2002, we are no longer producing frankfurters, although we continue to distribute frankfurters produced by others.

MARKETS FOR CHICKEN PRODUCTS

FOODSERVICE. The majority of our U.S. chicken sales are derived from products sold to the foodservice market. This market principally consists of chain restaurants, food processors and certain other institutions located throughout the continental United States. We supply chicken products ranging from portion-controlled refrigerated chicken parts to fully cooked and frozen, breaded or non-breaded chicken parts or formed products.

We believe Pilgrim's Pride is well-positioned to be the primary or secondary supplier to many national and international chain restaurants who require multiple suppliers of chicken products. Additionally, we are well suited to be the sole supplier for many regional chain restaurants. Regional chain restaurants often offer better margin opportunities and a growing base of business.

We believe we have significant competitive strengths in terms of full-line product capabilities, high-volume production capacities, research and development expertise and extensive distribution and marketing experience relative to smaller and to non-vertically integrated producers. While the overall chicken market has grown consistently, we believe the majority of this growth in recent years has been in the foodservice market. According to the National Chicken Council, during the 1997 through 2001 period, sales of chicken products to the foodservice market grew at a compounded annual growth rate of approximately 2.3%, versus 1.2% growth for the chicken industry overall. Foodservice growth is anticipated to continue as food-away-from-home expenditures continue to outpace overall industry rates. According to the National Restaurant Association, food-away-from-home expenditures grew at a compounded annual growth rate of approximately 5.0% during the 1997 through 2001 period and are projected to grow at a 4.4% compounded annual growth rate from 2001 through 2010. As a result, the food-away-from-home category is projected by the National Restaurant Association to account for 53% of total food expenditures by 2010, as compared with 46% in 2001. Our sales to the foodservice market from fiscal 1998 through fiscal 2002 grew at a compounded annual growth rate of 14.8% and represented 67.2% of the net sales of our U.S. chicken operations in fiscal 2002.

Foodservice - Prepared Foods. The majority of our sales to the foodservice market consist of prepared foods products. Our prepared chicken products sales to the foodservice market were \$659.9 million in fiscal 2002 compared to \$418.2 million in fiscal 1998, a compounded annual growth rate of approximately 12.1%. We attribute this growth in sales of prepared chicken products to the foodservice market to a number of factors:

First, there has been significant growth in the number of foodservice operators offering chicken on their menus and the number of chicken items offered.

Second, foodservice operators are increasingly purchasing prepared chicken products, which allow them to reduce labor costs while providing greater product consistency, quality and variety across all restaurant locations.

Third, there is a strong need among larger foodservice companies for an alternative or additional supplier to our principal competitor in the prepared chicken products market. A viable alternative supplier must be able to ensure supply, demonstrate innovation and new product development and provide competitive pricing. We have been successful in our objective of becoming the alternative supplier of choice by being the primary or secondary prepared chicken products supplier to many large foodservice companies because:

- We are vertically integrated, giving us control over our supply of chicken and chicken parts;

- Our further processing facilities are particularly well suited to the high-volume production runs necessary to meet the capacity and quality requirements of the foodservice market; and

- We have established a reputation for dependable quality, highly responsive service and excellent technical support.

Fourth, as a result of the experience and reputation developed with larger customers, we have increasingly become the principal supplier to mid-sized foodservice organizations.

Fifth, our in-house product development group follows a customer-driven research and development focus designed to develop new products to meet customers' changing needs. Our research and development personnel often work directly with institutional customers in developing products for these customers. Approximately \$300 million, or 27%, of our chicken sales to foodservice customers in fiscal 2002 consisted of new products which were not sold by us in fiscal 1998.

Sixth, we are a leader in utilizing advanced processing technology, which enables us to better meet our customers' needs for product innovation, consistent quality and cost efficiency.

Foodservice - Fresh Chicken. We produce and market fresh, refrigerated chicken for sale to U.S. quick-service restaurant chains, delicatessens and other customers. These chickens have the giblets removed, are usually of specific weight ranges, and are usually pre-cut to customer specifications. They are often marinated to enhance value and product differentiation. By growing and processing to customers' specifications, we are able to assist quick-service restaurant chains in controlling costs and maintaining quality and size consistency of chicken pieces sold to the consumer.

RETAIL. The retail market consists primarily of grocery store chains, wholesale clubs and other retail distributors. We concentrate our efforts in this market on sales of branded, prepackaged cut-up and whole chicken to grocery store chains and retail distributors in the midwestern, southwestern, western and eastern regions of the United States. This regional marketing focus enables us to develop consumer brand franchises and capitalize on proximity to the trade customer in terms of lower transportation costs, more timely, responsive service, and enhanced product freshness. For a number of years, we have invested in both trade and retail marketing designed to establish high levels of brand name awareness and consumer preferences.

We utilize numerous marketing techniques, including advertising, to develop and strengthen trade and consumer awareness and increase brand loyalty for consumer products marketed under the Pilgrim's Pride[®] brand. Our founder, Lonnie "Bo" Pilgrim, is the featured spokesman in our television, radio and print advertising, and a trademark cameo of a person wearing a Pilgrim's hat serves as the logo on all of our primary branded products. As a result of this marketing strategy, Pilgrim's Pride[®] is a well-known brand name in several southwestern markets, including Dallas/Fort Worth, Houston and San Antonio, Texas, Oklahoma City, Oklahoma, Denver, Colorado, Phoenix, Arizona and Los Angeles and San Diego, California. We believe our efforts to achieve and maintain brand awareness and loyalty help to provide more secure distribution for our products. We also believe our efforts at brand awareness generate greater price premiums than would otherwise be the case in certain southwestern markets. We also maintain an active program to identify consumer preferences. The program primarily consists of testing new product ideas, packaging designs and methods through taste panels and focus groups located in key geographic markets.

Retail - Prepared Foods. We sell retail-oriented prepared chicken products primarily to grocery store chains located in the midwestern, southwestern, western and, eastern regions of the U.S. Our prepared chicken products sales to the retail market were \$158.3 million in fiscal 2002 compared to \$46.3 million in fiscal 1998, a compounded annual growth rate of approximately 36.0%. We believe that our growth in this market segment will continue as retailers concentrate on offering more products which are quick, easy and convenient to prepare at home.

Retail - Fresh Chicken. Our prepackaged retail products include various combinations of freshly refrigerated, whole chickens and chicken parts in trays, bags or other consumer packs labeled and priced ready for the retail grocer's fresh meat counter. We believe the retail, prepackaged fresh chicken business will continue to be a large and relatively stable market, providing opportunities for product differentiation and regional brand loyalty.

EXPORT AND OTHER CHICKEN PRODUCTS. Our export and other chicken products, other than the prepared foods products, consist of whole chickens and chicken parts sold primarily in bulk, non-branded form either refrigerated to distributors in the U.S. or frozen for distribution to export markets. In the U.S., prices of these products are negotiated daily or weekly and are generally related to market prices quoted by the USDA or other public price reporting services. We also sell U.S.-produced chicken products for export to Canada, Mexico, Eastern Europe--including Russia, the Far East and other world markets. On March 10, 2002 Russia announced it was imposing a ban on the importing of U.S. poultry products. Russia accounted for approximately 35% of all U.S. poultry exports in 2001, or approximately 7% of the total U.S. poultry production. On April 10, 2002 Russia announced the lifting of the import ban. However, U.S. markets continue to be affected as Russia continues to restrict the import of U.S. poultry products. On September 15, 2002 new sanitary guidelines were established by Russia that requires veterinary specialists from the Agriculture Ministry of Russia to inspect and certify plants of U.S. poultry producers interested in exporting to Russia. We expect this certification process to be completed in calendar 2002 and expect that the industry will resume exporting these products into Russia shortly thereafter; however, once exports resume, there is no assurance that they will regain the levels existing prior to the March 10, 2002 ban. Historically, we have targeted international markets to generate additional demand for our chicken dark meat, which is a natural by-product of our U.S. operations given our concentration on prepared foods products and the U.S. customers' general preference for white meat. We have also begun selling prepared chicken products for export to the international divisions of our U.S. chain restaurant customers. We believe that U.S. chicken exports will continue to grow as worldwide demand increases for high-grade, low-cost protein sources. We also believe that worldwide demand for higher margin prepared foods products will increase over the next several years. Accordingly, we believe we are well positioned to capitalize on such growth. Also included in these categories are chicken by-products, which are converted into protein products sold primarily to manufacturers of pet foods.

MARKETS FOR TURKEY PRODUCTS

FOODSERVICE. A portion of our turkey sales are derived from products sold to the foodservice market. This market principally consists of chain restaurants, food processors, foodservice distributors and certain other institutions located throughout the continental United States. We supply turkey products ranging from portion-controlled refrigerated turkey parts to ready-to-cook turkey, fully cooked formed products, delicatessen products such as deli meats and sausage, salads, ground turkey and turkey burgers and other foodservice products.

We believe Pilgrim's Pride is well-positioned to be the primary or secondary supplier to many national and international chain restaurants that require multiple suppliers of turkey products. Additionally, we are well suited to be the sole supplier for many regional chain restaurants.

We believe we have significant competitive strengths in terms of full-line product capabilities, high-volume production capacities, research and development expertise and extensive distribution and marketing experience relative to smaller and to non-vertically integrated producers.

Foodservice - Prepared Foods. The majority of our turkey sales to the foodservice market consist of prepared turkey products. Our prepared turkey sales to the foodservice market were \$134.7 million of our sales in fiscal 2002. We believe that future growth in this segment will be attributable to the factors described above relating to the growth of prepared chicken sales to the foodservice market.

Foodservice - Fresh Turkey. We produce and market fresh, refrigerated and frozen turkey for sale to foodservice distributors, restaurant chains and other

customers. These turkeys are usually of specific weight ranges, and are usually whole birds to customer specifications. They are often marinated to enhance value and product differentiation. Our semi-boneless turkey, unique to Pilgrim's Pride, is becoming very popular with cruiselines and other customers where visual presentation of the whole turkey is critical.

RETAIL. A significant portion of our turkey sales is derived from products sold to the retail market. This market consists primarily of grocery store chains, wholesale clubs and other retail distributors. We concentrate our efforts in this market on sales of branded, prepackaged cut-up and whole turkey to grocery store chains and retail distributors in the eastern region of the United States. This regional marketing focus enables us to develop consumer brand franchises and capitalize on proximity to the trade customer in terms of lower transportation costs, more timely and responsive service and enhanced product freshness.

We utilize numerous marketing techniques, including advertising, to develop and strengthen trade and consumer awareness and increase brand loyalty for consumer products marketed under the Pilgrim's Pride{reg-trade-mark} and Wampler{reg-trade-mark} brands. We believe our efforts to achieve and maintain brand awareness and loyalty help to provide more secure distribution for our products. We also believe our efforts at brand awareness generate greater price premiums than would otherwise be the case in certain eastern markets. We also maintain an active program to identify consumer preferences. The program primarily consists of testing new product ideas, packaging designs and methods through taste panels and focus groups located in key geographic markets.

Retail - Prepared Foods. We sell retail-oriented prepared turkey products primarily to grocery store chains located in the eastern U.S. We also sell these products to the wholesale club industry.

Retail - Fresh Turkey. Our prepackaged retail products include various combinations of freshly refrigerated and frozen, whole turkey and turkey parts in trays, bags or other consumer packs labeled and priced ready for the retail grocer's fresh meat counter, ground turkey or sausage and turkey burgers. We believe the retail prepackaged fresh turkey business will continue to be a large and relatively stable market, providing opportunities for product differentiation and regional brand loyalty with large seasonal spikes in the holiday seasons.

EXPORT AND OTHER TURKEY PRODUCTS. Our export and other turkey products, other than the prepared foods products, consist of whole turkeys and turkey parts sold in bulk form, either non-branded or under the Wampler{reg-trade-mark} and Rockingham{reg-trade-mark} brands. These products are primarily sold frozen either to distributors in the U.S. or for distribution to export markets. In the U.S., prices of these products are negotiated daily or weekly and are generally related to market prices quoted by the USDA or other public price reporting services. We also sell U.S.-produced turkey products for export to Canada, Mexico, Eastern Europe---including Russia, the Far East and other world markets. Historically, we have targeted international markets to generate additional demand for our turkey dark meat, and frankfurters made from turkey dark meat, which is a natural by-product of our U.S. operations given our concentration of prepared foods products and the U.S. customers' general preference for white meat. We believe that U.S. turkey exports will continue to grow as worldwide demand increases for high-grade, low-cost protein sources. We also believe that worldwide demand for higher margin prepared turkey products will increase over the next several years. Accordingly, we believe we are well positioned to capitalize on such growth, especially in Mexico where we have established distribution channels. Also included in these categories are turkey by-products, which are converted into protein products sold primarily to manufacturers of pet foods.

MARKETS FOR OTHER U.S. PRODUCTS

We market fresh eggs under the Pilgrim's Pride{reg-trade-mark} brand name, as well as under private labels, in various sizes of cartons and flats to U.S. retail grocery and institutional foodservice customers located primarily in Texas. We have a housing capacity for approximately 2.2 million commercial egg laying hens which can produce approximately 42 million dozen eggs annually. U.S. egg prices are determined weekly based upon reported market prices. The U.S. egg industry has been consolidating over the last few years, with the 25 largest producers accounting for more than 58.6% of the total number of egg laying hens in service during 2001. We compete with other U.S. egg producers primarily on the basis of product quality, reliability, price and customer service.

In 1997, we introduced a high-nutrient egg called EggsPlus{trademark}. This egg contains high levels of Omega-3 and Omega-6 fatty acids along with Vitamin E, making the egg a heart-friendly product. Our marketing of EggsPlus{trademark} has received national recognition for our progress in being an innovator in the "functional foods" category.

In addition, we produce and sell livestock feeds at our feed mill in Mt. Pleasant, Texas and at our farm supply store in Pittsburg, Texas to dairy farmers and livestock producers in northeastern Texas. We engage in similar sales activities at our other U.S. feed mills.

MEXICO

BACKGROUND

The Mexican market represented approximately 13.5% of our net sales in fiscal 2002. Recognizing favorable long-term demographic trends and improving economic conditions in Mexico, in the 1980's we began exploring opportunities to produce and market chicken in Mexico. In fiscal 1988, we acquired four vertically integrated chicken production operations in Mexico for approximately \$15.1 million. Since this original acquisition, we have made subsequent acquisitions and capital expenditures in Mexico to modernize our production technology, improve our distribution network and expand our operations. In addition, we have transferred experienced management personnel from the U.S. and developed a strong local management team. As a result of these expenditures, we have increased weekly production in our Mexican operations by over 400% since our original investment in fiscal 1988. We are now the second largest producer of chicken in Mexico. We believe that our facilities are among the most technologically advanced in Mexico and that we are one of the lowest cost producers of chicken in Mexico.

PRODUCT TYPES

While the market for chicken products in Mexico is less developed than in the United States, with sales attributed to fewer, more basic products, the market for value-added products is increasing. Our strategy is to lead this trend. The products currently sold by us in Mexico consist primarily of lower value-added products such as eviscerated chicken and chicken parts and basic products such as New York dressed (whole chickens with only feathers and blood removed) and live birds. We have increased our sales of value-added products, primarily through national retail chains and restaurants, and it is our business strategy to continue to do so. In addition, we remain opportunistic, utilizing our low cost production to enter markets where profitable opportunities exist. Other products sold by us in Mexico include commercial feed, vaccines and other agricultural products.

MARKETS

We sell our Mexico chicken products primarily to large wholesalers and retailers. Our customer base in Mexico covers a broad geographic area from Mexico City, the capital of Mexico with a population estimated to be over 22 million, to Saltillo, the capital of the State of Coahuila, about 500 miles north of Mexico City, and from Tampico and Veracruz on the Gulf of Mexico to Acapulco on the Pacific, which region includes the cities of San Luis Potosi and Queretaro, capitals of the states of the same name, and Cancun on the Caribbean.

In Mexico, where product differentiation has traditionally been limited, product quality, service and price have been the most critical competitive factors. The North American Free Trade Agreement, which went into effect on January 1, 1994, requires annual reductions in tariffs for chicken and chicken products in order to eliminate those tariffs by January 1, 2003. On November 21, 2002 the Mexican Secretariat of the Economy announced that it would initiate an investigation to determine whether a temporary safeguard action is warranted to protect the domestic poultry industry when import tariffs on poultry are eliminated in January 2003. The action stems from concerns of the Union Nacional Avicultores (UNA) that duty-free imports of leg quarters would injure the Mexico poultry industry. A suggested safeguard by the UNA is to establish a tariff rate for chicken leg quarters at the 2001 tariff level of 98.8% of the sales price for a period of three to five years.

While the extent of the impact of the elimination of tariffs is uncertain, we believe we are uniquely positioned to benefit from this elimination. We have an extensive distribution network in Mexico, which distributes products to 26 of the 32 Mexican states, encompassing approximately 85% of the total population of Mexico. Our distribution network is comprised of eighteen distribution centers utilizing approximately 126 company-owned vehicles. We believe this distribution network will be an important asset in distributing our own, as well as other companies', U.S.-produced chicken into Mexico.

COMPETITION

The chicken and turkey industries are highly competitive and some of our competitors have greater financial and marketing resources than we do. In the United States and Mexico, we compete principally with other vertically

integrated chicken and turkey companies.

In general, the competitive factors in the U.S. chicken and turkey industries include price, product quality, product development, brand identification, breadth of product line and customer service. Competitive factors vary by major market. In the foodservice market, competition is based on consistent quality, product development, service and price. In the U.S. retail market, we believe that product quality, brand awareness and customer service are the primary bases of competition. There is some competition with non-vertically integrated further processors in the U.S. prepared food business. We believe we have significant, long-term cost and quality advantages over non-vertically integrated further processors.

In Mexico, where product differentiation has traditionally been limited, product quality, service and price have been the most critical competitive factors. The North American Free Trade Agreement, which went into effect on January 1, 1994, requires annual reductions in tariffs for chicken and chicken products in order to eliminate those tariffs by January 1, 2003. As such tariffs are reduced, we expect greater amounts of chicken to be imported into Mexico from the U.S., which could negatively affect the profitability of Mexican chicken producers and positively affect the profitability of U.S. exporters of chicken to Mexico. On November 21, 2002 the Mexican Secretariat of the Economy announced that it would initiate an investigation to determine whether a temporary safeguard action is warranted to protect the domestic poultry industry when import tariffs on poultry are eliminated in January 2003. The action stems from concerns of the Union Nacional Avicultores (UNA) that duty-free imports of leg quarters would injure the Mexico poultry industry. A suggested safeguard by the UNA is to establish a tariff rate for chicken leg quarters at the 2001 tariff level of 98.8% of the sales price for a period of three to five years.

While the extent of the impact of the elimination of tariffs is uncertain, we believe we are uniquely positioned to benefit from this elimination for two reasons. First, we have an extensive distribution network in Mexico, which distributes products to 26 of the 32 Mexican states, encompassing approximately 85% of the total population of Mexico. We believe this distribution network will be an important asset in distributing our own, as well as other companies', U.S.-produced chicken into Mexico. Second, we have the largest U.S. production and distribution capacities near the Mexican border, which will provide us with cost advantages in exporting U.S. chicken into Mexico. These facilities include our processing facilities in Mt. Pleasant, Pittsburg, Lufkin, Nacogdoches, Dallas and Waco, Texas, and distribution facilities in San Antonio and El Paso, Texas and Phoenix, Arizona.

OTHER ACTIVITIES

We have regional distribution centers located in Arlington, El Paso, Mt. Pleasant and San Antonio, Texas, and Phoenix, Arizona that distribute our own poultry products, along with certain poultry and non-poultry products purchased from third parties, to independent grocers and quick service restaurants. Our non-poultry distribution business is conducted as an accommodation to our customers and to achieve greater economies of scale in distribution logistics. The store-door delivery capabilities for our own poultry products provide a strategic service advantage in selling to quick service, national chain restaurants.

REGULATION AND ENVIRONMENTAL MATTERS

The chicken and turkey industries are subject to government regulation, particularly in the health and environmental areas, including provisions relating to the discharge of materials into the environment, by the Centers for Disease Control, the USDA, the Food and Drug Administration (FDA) and the Environmental Protection Agency in the United States and by similar governmental agencies in Mexico. Our chicken processing facilities in the U.S. are subject to on-site examination, inspection and regulation by the USDA. The FDA inspects the production of our feed mills in the U.S. Our Mexican food processing facilities and feed mills are subject to on-site examination, inspection and regulation by a Mexican governmental agency, which performs functions similar to those performed by the USDA and FDA. We believe that we are in substantial compliance with all applicable laws and regulations relating to the operations of our facilities.

We anticipate increased regulation by the USDA concerning food safety, by the FDA concerning the use of medications in feed and by the EPA and various other state agencies concerning the disposal of chicken by-products and wastewater discharges. Although we do not anticipate any regulations having a material adverse effect upon us, a material adverse effect may occur. See Item 1. Business-General-Overview and Recent Developments.

EMPLOYEES AND LABOR RELATIONS

As of September 28, 2002, we employed approximately 20,200 persons in the U.S. and 4,600 persons in Mexico. Approximately 2,850 employees at our Lufkin and Nacogdoches, Texas facilities are members of collective bargaining units represented by the United Food and Commercial Workers Union. None of our other U.S. employees have union representation. Collective bargaining agreements with the United Food and Commercial Workers Union expired on August 10, 2001 with respect to our Lufkin employees, where we are currently operating without a contract, and expire in October 2004 with respect to our Nacogdoches employees. Our Lufkin employees voted in July 2002 to retain union representation. However, the election results have not yet been certified; objections are still pending and are being reviewed by the National Labor Relations Board. We believe that the terms of the Nacogdoches agreement are no more favorable than those provided to our non-union U.S. employees. In Mexico, most of our hourly employees are covered by collective bargaining agreements, as are most employees in Mexico. We have not experienced any work stoppage since a two-day work stoppage, with no significant operation disruption, at our Lufkin facility in May 1993. We believe our relations with our employees are satisfactory.

EXECUTIVE OFFICERS

Set forth below is certain information relating to our current executive officers:

NAME	AGE	POSITIONS
Lonnie "Bo" Pilgrim.....	74	Chairman of the Board
Clifford E. Butler.....	60	Vice Chairman of the Board
David Van Hoose(1).....	61	Chief Executive Officer and Director
O.B. Goolsby, Jr.....	55	President and Chief Operating Officer
Richard A. Cogdill.....	42	Executive Vice President, Chief Financial Officer, Secretary, Treasurer and Director

(1) On November 11, 2002, the Company announced the retirement of David Van Hoose as Chief Executive Officer of the Company, effective March 29, 2003. During the transition and until a replacement Chief Executive Officer is appointed, certain of Mr. Van Hoose's duties have been assumed by Lonnie "Bo" Pilgrim, who served as the Company's Chief Executive Officer until Mr. Van Hoose was promoted to the position in June 1998.

Lonnie "Bo" Pilgrim has served as Chairman of the Board since the organization of Pilgrim's Pride in July 1968. He was previously Chief Executive Officer from July 1968 to June 1998. Prior to the incorporation of Pilgrim's Pride, Mr. Pilgrim was a partner in its predecessor partnership business founded in 1946.

Clifford E. Butler serves as Vice Chairman of the Board. He joined us as Controller and Director in 1969, was named Senior Vice President of Finance in 1973, became Chief Financial Officer and Vice Chairman of the Board in July 1983, became Executive President in January 1997 and served in such capacity through July 1998 and continues to serve as Vice Chairman of the Board.

David Van Hoose serves as Chief Executive Officer of Pilgrim's Pride. He became a Director in July 1998. He was named Chief Executive Officer and Chief Operating Officer in June 1998 and President in July 1998. He was previously President of Mexico Operations from April 1993 to June 1998 and Senior Vice President, Director General, Mexico Operations from August 1990 to April 1993. Mr. Van Hoose was employed by us in September 1988 as Senior Vice President, Texas Processing. Prior to that, Mr. Van Hoose was employed by Cargill, Inc., as General Manager of one of its chicken operations. Mr. Van Hoose retired as President and Chief Operating Officer in November 2002, and he will retire as Chief Executive Officer of the Company in March 2003.

O.B. Goolsby, Jr. serves as President and Chief Operating Officer of Pilgrim's Pride. Prior to being named as President and Chief Operating Officer in November 2002, Mr. Goolsby served as Executive Vice President, Prepared Foods Complexes from June 1998 to November 2002. He was previously Senior Vice President, Prepared Foods Operations from August 1992 to June 1998 and Vice President, Prepared Foods Operations from April 1986 to August 1992 and was previously employed by us from November 1969 to January 1981.

Richard A. Cogdill has served as Executive Vice President, Chief Financial Officer, Secretary and Treasurer since January 1997. He became a Director in September 1998. Previously he served as Senior Vice President, Corporate Controller, from August 1992 through December 1996 and as Vice President, Corporate Controller from October 1991 through August 1992. Prior to October 1991 he was a Senior Manager with Ernst & Young LLP. He is a Certified Public

Accountant.

ITEM 2. PROPERTIES

Chicken Operations

Breeding and Hatching

We supply all of our chicks in the U.S. by producing our own hatching eggs from domestic breeder flocks in the U.S. These flocks are owned by us, and approximately 13.1% of them are maintained on 42 company-owned breeder farms. In the U.S., we currently own or contract for approximately 15.0 million square feet of breeder housing on approximately 429 breeder farms. In Mexico, all of our breeder flocks are maintained on company-owned farms totaling approximately 4.1 million square feet.

We own eleven chicken hatcheries in the United States. These hatcheries are located in Nacogdoches, Center and Pittsburg, Texas, DeQueen and Nashville, Arkansas, Broadway, Virginia, Concord, North Carolina and Moorefield, West Virginia, where eggs are incubated and hatched in a process requiring 21 days. Once hatched, the day-old chicks are inspected and vaccinated against common poultry diseases and transported by our vehicles to grow-out farms. Our eleven hatcheries in the U.S. have an aggregate production capacity of approximately 15.5 million chicks per week. In Mexico, we own seven hatcheries, which have an aggregate production capacity of approximately 3.5 million chicks per week.

Grow-out

We place our U.S. grown chicks on approximately 1,560 contract grow-out farms located in Texas, Arkansas, Virginia, West Virginia, North Carolina and Oklahoma, some of which are owned by our affiliates. These contract grow-out farms contain approximately 5,818 chicken houses with approximately 81.0 million square feet of growing facilities. Additionally, we own and operate grow-out farms containing approximately 390 chicken houses with approximately 4.4 million square feet of growing facilities in the U.S., which account for approximately 5.2% of our total annual U.S. chicken capacity. On the contracted grow-out farms, the farmers provide the facilities, utilities and labor. We supply the chicks, the feed and all veterinary and technical services. Contract grow-out farmers are paid based on live weight produced under an incentive arrangement. In Mexico, we place our grown chicks on contract grow-out farms containing approximately 756 chicken houses with approximately 9.7 million square feet of growing facilities. Additionally, we own and operate grow-out farms containing approximately 648 chicken houses with approximately 10.4 million square feet of growing facilities in Mexico, which account for approximately 52.0% of our total annual Mexican chicken capacity. Arrangements with independent farmers in Mexico are similar to our arrangements with contractors in the United States. The average grow-out cycle of our chickens is six to seven weeks.

Feed Mills

An important factor in the production of chicken is the rate at which feed is converted into body weight. The quality and composition of the feed is critical to the conversion rate. Accordingly, we formulate and produce our own feed. We purchase feed ingredients on the open market. The primary feed ingredients include corn, milo and soybean meal, which historically have been the largest component of our total production costs. In the U.S., we operate nine feed mills located in Nacogdoches, Tenaha and Pittsburg, Texas, Nashville and Hope, Arkansas, Broadway, Virginia, Wingate, North Carolina and Moorefield, West Virginia. In the U.S., we currently have annual feed requirements of approximately 3.4 million tons and the capacity to produce approximately 6.1 million tons. We own four feed mills in Mexico, which produce all of the requirements of our Mexico operations. Mexico's annual feed requirements are approximately 0.7 million tons with a capacity to produce approximately 1.0 million tons. In fiscal 2002, approximately 67% of the feed ingredients used by us in Mexico were imported from the United States, but this percentage fluctuates based on the availability and cost of local feed ingredient supplies.

Processing

Once the chickens reach processing weight, they are transported by truck to our processing plants. These plants utilize modern, highly automated equipment to process and package the chickens. We periodically review the possible application of new processing technologies in order to enhance productivity and reduce costs. We have nine U.S. processing plants, two of which are located in Mt. Pleasant, Texas, and the remainder of which are located in Dallas, Nacogdoches and Lufkin, Texas, DeQueen, Arkansas, Broadway, Virginia, Marshville, North Carolina and Moorefield, West Virginia. These processing plants have the capacity, under present USDA inspection procedures, to slaughter approximately 12.5 million head of chicken per week, assuming a

five-day work week. The Company's plant in Alma, Virginia, which had been acquired in the acquisition of WLR Foods, was closed during fiscal 2002, with the production from the Alma plant being consolidated with the Company's other processing plants in the area. Our three processing plants located in Mexico have the capacity to slaughter approximately 3.3 million head of chicken per week, assuming a six-day work week, which is typical in Mexico.

Turkey Operations

Breeding and Hatching

We purchase breeder poults, which we place with growers who supply labor and housing to produce breeder flocks. These breeder flocks are owned by us, and approximately 16.2% of them are maintained on three company-owned breeder farms. We currently own or contract for approximately 2.0 million square feet of turkey breeder housing on approximately 40 breeder farms, which produce eggs that are taken to the company-owned turkey hatchery. Our breeder flocks provide approximately 69% of our poult supply for grow-out. We own and operate one turkey stud farm with approximately 50,000 square feet, which houses 3,600 breeder males and supplies semen for 52% of our breeder production. The balance of our semen requirements and poults for grow-out are purchased from third parties.

We own and operate one turkey hatchery, which is located in Harrisonburg, Virginia, where eggs are incubated and hatched in a process requiring 28 days. Once hatched, the day-old poults are inspected and vaccinated against common poultry diseases and transported by our vehicles to grow-out farms. Our turkey hatchery has an aggregate production capacity of approximately 450,000 poults per week.

Grow-out

We place our turkey poults on approximately 350 contract grow-out farms located in Virginia, West Virginia, Pennsylvania, Maryland and North and South Carolina. These contract grow-out farms contain approximately 1,260 turkey houses with approximately 23.6 million square feet of growing facilities. In addition, we own and operate a grow-out farm containing 20 turkey houses with approximately 251,000 square feet of growing facilities in the U.S., which accounts for approximately 1.1% of our total annual turkey capacity. On the contracted grow-out farms, the farmers provide the facilities, utilities and labor. We supply the poults, the feed and all veterinary and technical services. Contract grow-out farmers are paid based on live weight produced under an incentive arrangement. The average grow-out cycle of our turkeys is 20 to 26 weeks.

Feed Mills

An important factor in the production of turkey is the rate at which feed is converted into body weight. The quality and composition of the feed is critical to the conversion rate. Accordingly, we formulate and produce the majority of our own feed. We purchase feed ingredients on the open market. The primary feed ingredients include corn, milo and soybean meal, which historically have been the largest component of our total production costs. We own and operate a turkey feed mill located in Harrisonburg, Virginia. We currently have the capacity to annually produce approximately 520,000 tons of turkey feed at this mill. We also produce turkey feed when required at our other three eastern division mills or purchase it on the open market.

Processing

Once the poults reach processing weight, they are transported by truck to our processing plants. These plants utilize modern, highly automated equipment to process and package the turkeys. We periodically review the possible application of new processing technologies in order to enhance productivity and reduce costs. Our two turkey processing plants, located in Hinton, Virginia and New Oxford, Pennsylvania, have the capacity, under present USDA inspection procedures, to process approximately 450,000 turkeys per week, assuming a five-day work week. The Company closed its Harrisonburg Plant, which had been acquired in the acquisition of WLR Foods, at the end of fiscal 2002 and consolidated all production from this plant to the Company's Hinton facility.

Prepared Foods Operations

We operate five prepared foods plants. Four of these plants process primarily chicken prepared foods products and are located in Mt. Pleasant, Waco, Dallas and Nacogdoches, Texas. Substantially all of our turkey prepared foods products are processed in our plant located in Franconia, Pennsylvania. In line with our stated business strategy to capitalize on the attractive U.S. prepared foods market, we have increased our prepared foods production capacity through expansion and acquisitions. The U.S. prepared foods market continues to be one of the fastest growing and most profitable segments in the poultry

industry. Further processed prepared foods products include items such as portion-controlled breast fillets, tenderloins and strips, formed nuggets and patties, turkey hams and roasts, salads and bone-in chicken parts. Prepared foods are sold frozen and may be either fully cooked, partially cooked or raw, breaded or non-breaded, pre-marinated or non-marinated or smoked.

Our largest prepared foods plant is located in Mt. Pleasant, Texas and was constructed in 1986 and has been expanded significantly since that time. This facility includes 281,000 square feet and employs approximately 2,300 people. This facility has de-boning lines, marinating systems, batter/breading systems, fryers, ovens, both mechanical and cryogenic freezers, a variety of packaging systems and cold storage including four fully-cooked lines and three ready-to-cook/par-frying/Individually Quick Frozen ("IQF") lines and one batter-breaded/IQF line and eight spiral freezers. This facility has capacity to produce approximately 350 million pounds of further processed product annually based on current production mix and is currently operating at 80% of capacity. We measure our operating capacity of our prepared foods plants on the basis of running two shifts per day, six days per week.

Our Waco, Texas prepared foods plant was purchased in 1999 and expanded in fiscal 2000 and again in fiscal 2001. It is functionally equivalent to the Mt. Pleasant plant and includes 150,146 square feet and employs approximately 700 people. This state of the art facility has marinating systems, batter/breading systems, fryers, ovens, both mechanical and cryogenic freezers, a variety of packaging systems and cold storage including two fully-cooked lines and two ready-to-cook lines and four spiral freezers. This facility has capacity to produce approximately 270 million pounds of further processed product annually based on current production mix and is currently operating at approximately 60% of capacity.

Our Franconia, Pennsylvania prepared foods plant was acquired in January 2001 and further processes chicken and turkey products, including grinding, marinating, spicing and cooking, producing premium delicatessen, foodservice and retail products, including roast turkey and salads. This facility includes approximately 170,000 square feet and employs approximately 775 people. Our Franconia facility employs the batching system of production as opposed to the line-production system used in our other plants. This plant has approximately 95 million annual pounds of oven capacity and 17 million annual pounds of salad capacity for a total capacity of approximately 112 million pounds of further processed product annually based on current product mix and is currently operating at approximately 80% of capacity. See Item 1. Business-General-Overview and Recent Developments for a discussion of the recent events at this facility.

Our Dallas, Texas prepared foods plant was constructed in 1999 and includes 84,000 square feet and employs approximately 900 people. This facility has de-boning and portioning capability, marinating systems, batter/breading and frying systems and IQF capabilities. This plant is currently running one par-frying line and one IQF production line, each with a spiral freezer. This facility has the capacity to produce approximately 105 million pounds of further processed product annually based on current product mix and is currently operating at approximately 70% of capacity.

Our Nacogdoches, Texas prepared foods plant was constructed in fiscal 2001. It is functionally equivalent to our Dallas, Texas prepared foods plant and includes 115,465 square feet and employs approximately 1,850 people. This facility has de-boning and portioning capability, marinating systems, batter/breading and frying systems and IQF capabilities. This plant is currently running one par-frying line with a spiral freezer and two IQF lines each with a spiral freezer with capability of making them par-fry lines as sales dictate. This facility has capacity to produce approximately 80 million pounds of further processed product annually based on current product mix and is currently operating at approximately 90% of capacity.

Egg Production

We produce table eggs at three farms near Pittsburg, Texas. One farm is owned by us, while two farms are leased from our major stockholder. The eggs are cleaned, sized, graded and packaged for shipment at processing facilities located on the egg farms. The farms have a housing capacity for approximately 2.2 million producing hens and are currently housing approximately 1.9 million hens.

Other Facilities and Information

We operate three rendering plants that convert by-products into protein products, located in Mt. Pleasant, Texas, Broadway, Virginia and Moorefield, West Virginia. These rendering plants currently process by-products from approximately 13.1 million chickens and 0.6 million turkeys weekly into protein products. These products are used in the manufacture of poultry and livestock feed and pet foods. In April 2002, we completed a partially automated

distribution freezer located outside of Pittsburg, Texas, which includes 125,000 square feet of storage area. We operate a commercial feed mill in Mt. Pleasant, Texas, which produces various bulk and sacked livestock feed sold to area dairies, ranches and farms. We also operate a feed supply store in Pittsburg, Texas, from which we sell various bulk and sacked livestock feed products, a majority of which is produced in our Mt. Pleasant commercial feed mill. We own an office building in Pittsburg, Texas, which houses our executive offices, and an office building outside of Pittsburg, Texas, which houses our Logistics and Customer Service offices, an office building in Mexico City, which houses our Mexican marketing offices, and an office building in Broadway, Virginia, which houses our Eastern Division sales and marketing, research and development, and Eastern Division support activities.

Substantially all of our U.S. property, plant and equipment, except those in our turkey segment, are pledged as collateral on our secured debt.

ITEM 3. LEGAL PROCEEDINGS

On November 4, 2002, an individual who allegedly consumed our meat products filed a putative class action lawsuit in the Philadelphia County Court of Common Pleas in the Commonwealth of Pennsylvania. Plaintiff allegedly contracted Listeriosis. The case is styled "Frank Niemtow, individually and on behalf of all others similarly situated, v. Pilgrim's Pride Corporation and Wampler Foods, Inc" The complaint seeks recovery on behalf of a putative class of all persons that purchased and/or consumed meat products manufactured by us between May 1, 2002, and October 11, 2002, bearing establishment code P-1351 and who have suffered an injury. This class represents all individuals who have suffered Listeriosis and symptoms of Listeriosis and other medical injuries. Plaintiff also seeks to represent a putative class of all persons that purchased and/or consumed meat products manufactured by us between May 1, 2002 and October 11, 2002 bearing establishment code P-1351 and who have not suffered any personal injury. The complaint seeks compensatory and punitive damages under theories of negligence, alleged violation of the Pennsylvania Unfair Trade Practices Act and Consumer Protection Law, strict liability in tort, and unjust enrichment. The time for responding to the complaint has not yet arrived. We intend to defend vigorously both certification of the case as a class action and questions concerning ultimate liability and damages, if any. No discovery has been conducted to date. Neither the likelihood of an unfavorable outcome nor the amount of ultimate liability, if any, with respect to this case can be determined at this time. We do not expect this matter to have a material impact on our financial position, operation or liquidity after considering our available insurance coverage.

In January of 1998, seventeen of our current and/or former employees filed the case of "Octavius Anderson, et al. v. Pilgrim's Pride Corporation" in the United States District Court for the Eastern District of Texas, Lufkin Division claiming Pilgrim's Pride violated requirements of the Fair Labor Standards Act. The suit alleged Pilgrim's Pride failed to pay employees for all hours worked. The suit generally alleged that (1) employees should be paid for time spent to put on, take off, and clean certain personal gear at the beginning and end of their shifts and breaks and (2) the use of a master time card or production "line" time fails to pay employees for all time actually worked. Plaintiffs sought to recover unpaid wages plus liquidated damages and legal fees. Approximately 1,700 consents to join as plaintiffs were filed with the court by current and/or former employees. During the week of March 5, 2001, the case was tried in the Federal Court of the Eastern District of Texas, Lufkin, Texas. The Company prevailed at the trial with a judgment issued by the judge, which found no evidence presented to support the plaintiffs' allegations. The plaintiffs filed an appeal in the Fifth Circuit Court of Appeals to reverse the judge's decision. The plaintiff's brief was submitted to the court on November 5, 2001. Pilgrim's Pride's response to the plaintiff's brief to the Fifth Circuit Court of Appeals was submitted on December 5, 2001. The Fifth Circuit Court of Appeals heard oral arguments in this matter on June 4, 2002. On June 6, 2002 the Fifth Circuit Court of Appeals entered a per curiam opinion affirming the opinion of the trial court. Appellants did not file any motion for a rehearing and the deadline for filing of such a motion has passed.

In August of 2000, four of our current and/or former employees filed the case of "Betty Kennell, et al. v. Wampler Foods, Inc." in the United States District Court for the Northern District of West Virginia, claiming we violated requirements of the Fair Labor Standards Act. The suit generally makes the same allegations as "Anderson v. Pilgrim's Pride" discussed above. Plaintiffs seek to recover unpaid wages plus liquidated damages and legal fees. Approximately 150 consents to join as plaintiffs were filed with the court by current and/or former employees. No trial date has been set. To date, only limited discovery has been performed. Neither the likelihood of an unfavorable outcome nor the amount of ultimate liability, if any, with respect to this case can be determined at this time. We do not expect this matter, individually or collectively, to have a material impact on our financial position, operations or liquidity.

On August 20, 1999, the former WLR Foods brought legal action as a plaintiff in an antitrust lawsuit filed in the U.S. District Court in Washington D.C. alleging a world-wide conspiracy by approximately 34 named defendants to control production capacity and raise prices of common vitamins such as A, B-4, C, and E. The Company, as successor to WLR Foods in this suit, received \$9.5 million in fiscal 2002 in partial settlement of its claims, \$4.3 million of which was recorded by the Company as a component of "Other Expense (Income): Miscellaneous, Net" in fiscal 2002 as the recovery amount received during the period exceeded the \$5.2 million recovery amount recorded at the time of the acquisition of WLR Foods. The initial estimate of the amount that would be recovered under the WLR Foods claims was based on the ratio of recoveries to vitamin purchases that was inherent in similar claims settled by the Company in fiscal 2001 on substantially similar claims. To date, claims related to approximately one-third of the WLR Foods affected vitamin purchases have been settled by or on behalf of the former WLR Foods, which settlements have resulted in payments to the Company and the former WLR Foods of \$11.0 million. No assurances can be made regarding the likelihood or timing of future settlements or whether or not future recoveries, if any, will be proportionally less than, equal to or greater than these previous recovery amounts.

On June 7, 2001, the Company brought legal action as a plaintiff in an antitrust lawsuit filed in the U.S. District Court in San Francisco alleging a world-wide conspiracy by defendant suppliers and producers of methionine to control production capacity and raise prices of methionine. The Company estimates that it was overcharged by approximately \$50 million in connection with the alleged conspiracy and expects the litigation of this matter to be resolved during calendar year 2003. No assurances can be made regarding the likelihood or timing of future awards or settlements.

On July 1, 2002, three individuals, on behalf of themselves and a putative class of chicken growers, filed their original class action complaint against us in the United States District Court for the Eastern District of Texas, Texarkana Division. The case is styled "Wheeler vs. Pilgrim's Pride Corporation". The complaint alleges that we violated the Packers and Stockyards Act (7 U.S.C. Section 192) and breached fiduciary duties allegedly owed to the plaintiff growers. The plaintiffs also brought individual actions under the Packers and Stockyards Act alleging common law fraud, negligence, breach of fiduciary duties and breach of contract. On July 29, 2002, we filed our Motion to Dismiss under Rules 12(b) (1), 12(b) (6) and 9(b). We also filed a Motion to Transfer Venue on August 19, 2002, and the plaintiffs have filed a Motion for Preliminary Injunction to prohibit any alleged retaliation against the growers. Discovery has not yet been conducted in this case. In addition, the Court has not ruled upon any of the above-referenced motions. We intend to defend vigorously both certification of the case as a class action and questions concerning ultimate liability and damages, if any. Neither the likelihood of an unfavorable outcome nor the amount of ultimate liability, if any, with respect to this case can be determined at this time. We do not expect this matter, to have a material impact on our financial position, operations or liquidity.

The Company is subject to various other legal proceedings and claims, which arise in the ordinary course of its business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the Company.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not Applicable

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

QUARTERLY STOCK PRICES AND DIVIDENDS

High and low sales prices of and dividends on the Company's Class B and Class A common stock for the periods indicated were:

Quarter	Prices 2002		Prices 2001		Dividends	
	High	Low	High	Low	2002	2001
Class B Common Stock						
First	\$14.48	\$12.24	\$ 8.15	\$ 6.03	\$.015	\$.01
Second	14.45	12.05	12.33	7.67	.015	.01
Third	14.80	12.90	12.55	9.43	.015	.01
Fourth	13.92	8.49	15.35	11.90	.015	.01
Class A Common Stock						
First	9.94	8.35	5.72	4.46	.015	.01
Second	10.90	8.66	8.42	5.47	.015	.01
Third	11.14	9.79	8.74	6.63	.015	.01
Fourth	\$10.53	\$6.59	\$10.98	\$7.50	\$.015	\$.01

The Company's Class B common stock (ticker symbol "CHX") and Class A common stock (ticker symbol "CHX.A") are traded on the New York Stock Exchange. The Company estimates there were approximately 13,676 and 26,022 holders (including individual participants in security position listings) of the Company's Class A and Class B common stock, respectively, as of November 5, 2002. See Note F-common stock of the Notes to Consolidated Financial Statements for additional discussion of the Company's common stock.

With the exception of two quarters in 1993, the Company's Board of Directors has declared cash dividends of \$0.015 per share of common stock (on a split adjusted basis) every fiscal quarter since the Company's initial public offering in 1986. Payment of future dividends will depend upon the Company's financial condition, results of operations and other factors deemed relevant by the Company's Board of Directors, as well as any limitations imposed by lenders under the Company's credit facilities. The Company's revolving credit facility and revolving/term borrowing facility currently limit dividends to a maximum of \$3.4 million per year. See Note C - Notes Payable and Long-Term Debt of the Notes to Consolidated Financial Statements for additional discussions of the Company's credit facilities.

ITEM 6. SELECTED FINANCIAL DATA

(In thousands, except per share data) Ten Years Ended September 28, 2002

2002	2001(a)	2000	1999(b)	1998
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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

GENERAL

Profitability in the poultry industry is materially affected by the commodity prices of feed ingredients, chicken and turkey, which are determined by supply and demand factors. As a result, the chicken and turkey industries are subject to cyclical earnings fluctuations. Cyclical earnings fluctuations can be mitigated somewhat by:

- Business strategy;
- Product mix;
- Sales and marketing plans; and
- Operating efficiencies.

In an effort to reduce price volatility and to generate higher, more consistent profit margins, we have concentrated on the production and marketing of prepared foods products. Prepared foods products generally have higher profit margins than our other products. Also, the production and sale in the U.S. of prepared foods products reduce the impact of the costs of feed ingredients on our profitability. Feed ingredient purchases are the single largest component of our cost of goods sold, representing approximately 30% of our consolidated cost of goods sold in fiscal 2002. The production of feed ingredients is positively or negatively affected primarily by weather patterns throughout the world, the global level of supply inventories and demand for feed ingredients, and the agricultural policies of the United States and foreign governments. As further processing is performed, feed ingredient costs become a decreasing percentage of a product's total production cost, thereby reducing their impact on our profitability. Products sold in this form enable us to charge a premium, reduce the impact of feed ingredient costs on our profitability and improve and stabilize our profit margins.

BUSINESS SEGMENTS

We operate in two reportable business segments as (1) a producer of chicken and other products and (2) a producer of turkey products.

Our chicken and other products segment primarily includes sales of chicken products we produce and purchase for resale in the United States and Mexico, but also includes the sale of table eggs, feed and other items. Our chicken and other products segment conducts separate operations in the United States and Mexico and is reported as two separate geographical areas. Our turkey segment includes sales of turkey products produced in our turkey operation, which operate exclusively in the United States.

Inter-area sales and inter-segment sales, which are not material, are accounted for at prices comparable to normal trade customer sales. Corporate expenses are included with chicken and other products.

The following table presents certain information regarding our segments:

FISCAL YEAR ENDED

SEPTEMBER 28, 2002	SEPTEMBER 29, 2001(A)	SEPTEMBER 30, 2000
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(IN THOUSANDS)

NET SALES TO CUSTOMERS:

Chicken and Other Products:

United States	\$1,842,749	\$1,652,199	\$1,192,077
Mexico	342,851	323,678	307,362
Sub-total	2,185,600	1,975,877	1,499,439
Turkey	348,118	238,835	--
Total	\$2,533,718	\$2,214,712	\$1,499,439
OPERATING INCOME:			
Chicken and Other Products:			
United States	\$ 32,663	\$ 78,096	\$ 45,928
Mexico	17,064	12,157	34,560
Sub-total	49,727	90,253	80,488
Turkey	(19,823)	4,289	--
Total	\$ 29,904	\$ 94,542	\$ 80,488
DEPRECIATION AND AMORTIZATION:(B)			
Chicken and Other Products:			
United States	\$ 47,528	\$ 38,155	\$ 24,444
Mexico	13,526	11,962	11,583
Sub-total	61,054	50,117	36,027
Turkey	9,919	5,273	--
Total	\$ 70,973	\$ 55,390	\$ 36,027

- (a) The acquisition of WLR Foods has been accounted for as a purchase, and the results of operations for this acquisition have been included in our consolidated results of operations since January 27, 2001 the acquisition date.
- (b) Includes amortization of capitalized financing costs of approximately \$1.4 million, \$0.9 million and \$1.2 million in fiscal years 2002, 2001, and 2000, respectively.

The following table presents certain items as a percentage of net sales for the periods indicated:

	2002	2001	2000
Net sales	100.0%	100.0%	100.0%
Cost of sales	93.5	90.3	88.9
Gross profit	6.5	9.7	11.1
Selling, general and administrative expense	5.3	5.4	5.7
Operating income	1.2	4.3	5.4
Interest expense, net	1.3	1.4	1.2
Income before income taxes	0.1	2.9	4.2
Net income	0.6	1.9	3.5

RESULTS OF OPERATIONS

FISCAL 2002 COMPARED TO FISCAL 2001

On January 27, 2001, we completed the acquisition of WLR Foods (now the Company's Eastern Division), a vertically integrated producer of chicken and turkey products located in the eastern United States, for approximately \$239.5 million and the assumption of approximately \$45.5 million of indebtedness. The acquisition was accounted for under the purchase method of accounting and the purchase price was allocated based on the estimated fair value of assets and liabilities. WLR Foods' operations have been included in our financial results since the acquisition on January 27, 2001. Accordingly, only 35 weeks of operations of the former WLR Foods are included in our results for fiscal 2001. WLR Foods was the seventh largest poultry company in the United States with \$836.9 million of revenue in calendar year 2000. The WLR Foods acquisition provided us with (1) chicken processing facilities in the eastern United States, where we previously had no facilities, enabling us to deliver poultry products within one day to markets accounting for approximately 40% of the U.S. population; (2) significant opportunities to realize synergies between WLR Foods and our pre-existing chicken operations; and (3) diversification of our revenue stream into the \$8 billion turkey industry, where we can capitalize on our prepared foods processing expertise. Currently, our Eastern Division's chicken sales mix consists mostly of lower margin fresh chicken products. However, we intend to convert more of our Eastern Division chicken sales mix into higher margin, fresh and prepared chicken products in the years to come. By consistent and continued application of our long-term business strategy to both our recently acquired Eastern Division and our existing fresh chicken mix, we believe that our overall product mix will return to the levels existing prior to the WLR Foods acquisition in subsequent years.

Since the acquisition of WLR Foods, our Eastern Division, which consists of the former WLR Foods' operations, has been affected by two significant unexpected challenges. First, on March 12, 2002 an outbreak of low-pathogenic avian influenza, a disease contagious to turkey, chicken and other birds, was discovered in Virginia. During fiscal 2002, we estimate that our operating income was negatively impacted by approximately \$26.0 million due to the negative impact of the avian influenza. As of September 28, 2002, poultry growers and producers have destroyed approximately 4.7 million head of poultry affected as a result of the virus. Turkeys represent approximately 70.0% of the destroyed poultry, with chickens representing approximately 30.0%. Approximately one-half of the turkeys and approximately three-quarters of the chickens destroyed by the poultry industry in Virginia belonged to the Company. No new flocks have tested positive for the presence of avian influenza in Virginia since July 2, 2002. We currently estimate that production in our turkey operation will be significantly reduced over the first six months of fiscal 2003 due to the effects of this viral outbreak. As a result of this lower production output in our turkey operation, we anticipate that operating income from our turkey operation will decrease for the first six months of fiscal 2003 by approximately \$8.0 to \$14.0 million, when compared to the first six months of fiscal 2002, assuming the outbreak of avian influenza has been contained. On June 19, 2002, U.S. Secretary of Agriculture Ann Veneman proposed to the Office of Management and Budget that the U.S. Department of Agriculture (USDA) cover one-half of the total estimated economic loss suffered by the poultry industry and independent growers in Virginia due to the avian influenza outbreak. Secretary Veneman also recommended that the government of Virginia cover the remaining portion. It is our understanding that, as part of her proposal, Secretary Veneman is suggesting that independent chicken and turkey growers are to be fully compensated for their losses first and that the remainder is to be allocated to other poultry producers (including us) whose flocks were destroyed by the virus. On November 4, 2002 the Department of Agriculture made public their estimate of total federal compensation at \$51 million, with growers being compensated \$13.9 million and owners being compensated \$37.1 million. No assurance can be given as to the amount of federal compensation that we may receive or that any state agencies will in fact provide further economic assistance to the poultry growers and producers affected by the avian influenza outbreak in Virginia. No anticipated recoveries have been recorded by us as our portion of the compensation has not yet been determined. In the event that state agencies do decide to grant economic assistance to the affected poultry growers and producers, it is impossible at this time to estimate how the state agencies would allocate any such assistance between affected poultry growers and producers whose flocks were destroyed by the virus.

The second challenge faced by our Eastern Division was that in October 2002 a limited number of USDA samples from the Company's Franconia, Pennsylvania plant tested positive for Listeria. As a result the Company voluntarily recalled all cooked deli products produced at the plant from May 1, 2002 through October 11, 2002. Additionally as a precautionary measure, we immediately suspended operations at our Franconia facility to redouble our food safety and sanitation efforts. No illnesses associated with the Listeria strain in a Northeastern outbreak have been linked to any of our products, and our Franconia facility has been reviewed and inspected by the USDA and reopened on November 13, 2002. As the recall occurred in early fiscal 2003, it did not have any significant impact on our consolidated financial statements as of September 28, 2002. In addition, we carry insurance designed to cover the direct recall related expenses and certain aspects of the related business interruption caused by the recall. As a result, we believe that the recall and its direct effects will not have a material impact on our financial position, results of operations, or liquidity after considering available insurance coverage. However, there will likely be differences between the accounting periods in which certain recall effects are realized and when insurance recoveries are received, and there can be no assurances as to the Company's ability to re-establish the products and sales affected by the recall.

Consolidated Net Income Before Tax. Consolidated net income before tax is affected by foreign exchange rate fluctuations between the U.S. dollar and the Mexican peso. Assuming the peso exchange rate does not change from the rate at the end of fiscal 2002, approximately \$1.7 million of future devaluation will result as remaining inventory is sold. On September 29, 2001, the Mexican peso closed at 9.54 to 1 U.S. dollar, compared to 10.02 to 1 U.S. dollar on September 28, 2002, and at 10.19 to 1 U.S. dollar on December 2, 2002. No assurances can be given as to how future movements in the peso could affect our future earnings.

Consolidated Net Sales. Consolidated net sales were \$2.5 billion for fiscal 2002, an increase of \$319.0 million, or 14.4%, from fiscal 2001. The increase in consolidated net sales resulted from a \$176.7 million increase in U.S. chicken sales to \$1.6 billion, a \$109.3 million increase in turkey sales to \$348.1 million, a \$20.3 million increase in Mexico chicken sales to \$323.8 million and a \$13.8 million increase in sales of other products to \$193.7 million. The increase in U.S. chicken sales was primarily due to a 17.2%

increase in dressed pounds produced, which resulted primarily from the acquisition of WLR Foods on January 27, 2001 offset partially by a 4.4% decrease in total revenue per dressed pound produced, caused in part by import restrictions on poultry products typically sold to Russia and Japan by the industry, resulting in production being liquidated at less favorable pricing levels. The increase in turkey sales was due to the acquisition of WLR Foods, partially offset by the impact of the avian influenza discussed above. The \$20.3 million increase in Mexico chicken sales was primarily due to an 8.0% increase in average revenue per dressed pound produced, partially offset by a 1.9% decrease in pounds produced. The \$13.8 million increase in sales of other U.S. products was primarily due to poultry by-products sales price increases, an increase in sales by the Company's wholesale feed division and the acquisition of WLR Foods.

Cost of Sales. Consolidated cost of sales was \$2.4 billion in fiscal 2002, an increase of \$367.8 million, or 18.4%, when compared to fiscal 2001. The U.S. operations accounted for \$356.9 million of the increase in the cost of sales and our Mexico operations accounted for \$10.9 million of the increase. The cost of sales increase in our U.S. operations of \$356.9 million was due primarily to the acquisition of WLR Foods, \$121.6 million of which is related to the turkey operations and was impacted by the avian influenza discussed above. The increase in cost of sales of chicken products also resulted from increased sales of higher cost prepared foods products.

The \$10.9 million cost of sales increase in our Mexico operations was primarily due to production of a higher cost, more value added product mix compared to the prior year.

Gross Profit. Gross profit was \$165.2 million for fiscal 2002, a decrease of \$48.8 million, or 22.8%, from the same period last year, due primarily to the negative effects of the avian influenza outbreak in our Eastern Division and to lower dark meat sales prices in the U.S. caused in part by import restrictions on poultry products typically sold to Russia and Japan by the industry.

Gross profit as a percentage of sales decreased to 6.5% in fiscal 2002, from 9.7% in fiscal 2001, primarily due to increased operating expenses incurred in connection with the avian influenza outbreak in our Eastern Division and lower dark meat sales prices in the U.S. caused in part by import restrictions on poultry products typically sold to Russia and Japan by the industry.

Consolidated Selling, General and Administrative. Consolidated selling, general and administrative expenses were \$135.3 million in fiscal 2002 and \$119.4 million in fiscal 2001. The \$15.9 million increase was due primarily to the acquisition of WLR Foods, which was completed on January 27, 2001. Consolidated selling, general and administrative expenses as a percentage of sales decreased slightly in fiscal 2002 to 5.3%, compared to 5.4% in fiscal 2001.

Operating Income. Consolidated operating income was \$29.9 million for fiscal 2002, decreasing by approximately \$64.6 million, when compared to fiscal 2001 due primarily to the negative effects of the avian influenza outbreak in our Eastern Division and to lower dark meat sales prices in the U.S. caused in part by import restrictions on poultry products typically sold to Russia and Japan by the industry.

Interest Expense. Consolidated net interest expense increased 4.0% to \$32.0 million in fiscal 2002, when compared to \$30.8 million for fiscal 2001, due primarily to higher average outstanding debt balances experienced in the year.

Income Tax Expense. Consolidated income tax benefit in fiscal 2002 was \$12.4 million compared to an income tax expense of \$21.3 million in fiscal 2001. This decrease was primarily caused by the \$11.9 million income tax benefit resulting from changes in the Mexico tax law and lower pretax earnings in fiscal 2002.

FISCAL 2001 COMPARED TO FISCAL 2000

On January 27, 2001, we completed the acquisition of WLR Foods, a vertically integrated producer of chicken and turkey products located in the eastern United States. Accordingly, 35 weeks of operations of the former WLR Foods are included in our results for fiscal 2001.

Consolidated Net Sales. Consolidated net sales were \$2.2 billion for fiscal 2001, an increase of \$715.3 million, or 47.7%, from fiscal 2000. The increase in consolidated net sales resulted from a \$422.0 million increase in U.S. chicken sales to \$1.5 billion, a \$238.8 million increase in turkey sales, a \$36.7 million increase in sales of other products to \$200.1 million and by a \$17.8 million increase in Mexico chicken sales to \$303.4 million. The increase

in U.S. chicken sales was primarily due to a 35.6% increase in dressed pounds produced, which resulted primarily from the acquisition of WLR Foods, and to a 3.4% increase in total revenue per dressed pound produced. The increase in turkey sales was due to the acquisition of WLR Foods. The \$36.7 million increase in sales of other U.S. products to \$200.1 million was primarily due to the acquisition of WLR Foods and higher prices in our commercial egg operations. The \$17.8 million increase in Mexico chicken sales was primarily due to a 13.4% increase in dressed pounds produced offset partially by a 7.1% decrease in average revenue per dressed pound produced, primarily due to lower prices caused by an over supply of chicken.

Cost of Sales. Consolidated cost of sales was \$2.0 billion in fiscal 2001, an increase of \$667.2 million, or 50.0%, compared to fiscal 2000. The U.S. operations accounted for \$630.8 million of the increase in the cost of sales and our Mexico operations accounted for \$36.4 million of the increase.

The cost of sales increase in our U.S. operations of \$630.8 million was due primarily to the acquisition of WLR Foods, \$222.6 million of which related to the turkey operations, but also resulted from increased production of higher cost prepared foods products, higher energy costs and higher feed ingredient costs.

The \$36.4 million cost of sales increase in our Mexico operations was primarily due to a 13.4% increase in dressed pounds produced.

Gross Profit. Gross profit was \$214.0 million for fiscal 2001, an increase of \$48.1 million, or 29.0%, over the same period last year, due primarily to the acquisition of WLR Foods. Gross profit as a percentage of sales decreased to 9.7% in fiscal 2001, from 11.1% in fiscal 2000, due primarily to lower sales prices in Mexico.

Selling, General and Administrative Expenses. Consolidated selling, general and administrative expenses were \$119.4 million in fiscal 2001 and \$85.3 million in fiscal 2000. The \$34.1 million increase was due primarily to the acquisition of WLR Foods and certain integration costs related thereto. Consolidated selling, general and administrative expenses as a percentage of sales decreased in fiscal 2001 to 5.4%, compared to 5.7% in fiscal 2000, due primarily to synergies resulting from the WLR Foods acquisition.

Operating Income. Consolidated operating income was \$94.5 million for fiscal 2001, an increase of \$14.1 million when compared to fiscal 2000, resulting primarily from higher volumes from the acquisition of WLR Foods and higher sales prices in the U.S.

Interest Expense. Consolidated net interest expense increased 73.1% to \$30.8 million in fiscal 2001, when compared to \$17.8 million for fiscal 2000, due to higher outstanding balances incurred for the acquisition of WLR Foods.

Income Tax Expense. Consolidated income tax expense in fiscal 2001 increased to \$21.3 million compared to an expense of \$10.4 million in fiscal 2000. This increase resulted from higher U.S. pre-tax earnings in fiscal 2001 than in fiscal 2000.

LIQUIDITY AND CAPITAL RESOURCES

We maintain \$130.0 million in revolving credit facilities, \$30 million of which is related to our Mexican operations, and \$400.0 million in a secured revolving/term borrowing facility, subject to certain limitations including availability of collateral. The \$400.0 million revolving/term borrowing facility provides for \$285.0 million and \$115.0 million of 10-year and 7-year commitments, respectively. Borrowings under these facilities are split pro rata between the 10-year and 7-year maturities as they occur. The credit facilities provide for interest at rates ranging from LIBOR plus five-eighths percent to LIBOR plus two and three-quarters percent, depending upon our total debt to capitalization ratio. Interest rates on debt outstanding under these facilities as of September 28, 2002 ranged from LIBOR plus one and three-quarters percent to LIBOR plus two percent. These facilities are secured by inventory and fixed assets; the \$30 million facility in Mexico is further secured by Mexican accounts receivables, inventories and certain fixed assets.

At September 28, 2002, \$115.9 million was available under the revolving credit facilities including \$30.0 million in Mexico and \$209.0 million was available under the revolving/term borrowing facility. At December 2, 2002 we had \$76.1 million available under our revolving credit facilities and \$180.0 million available under the revolving/term borrowing facility and cash on hand of \$81.3 million compared to \$14.9 million at September 28, 2002, due primarily to advances subsequent to year end on the various facilities, for a total liquidity of \$337.4 million at December 2, 2002 compared to \$339.8 million at September 28, 2002.

On June 26, 1998, we entered into an Asset Sale Agreement to sell up to

\$60 million of accounts receivable. In connection with the Asset Sale Agreement, we sell, on a revolving basis, certain of our trade receivables (the "Pooled Receivables") to a special purpose corporation wholly owned by us, which in turn sells a percentage ownership interest to third parties. At September 28, 2002 and September 29, 2001, an interest in these Pooled Receivables of \$58.5 million had been sold to third parties and is reflected as a reduction in accounts receivable during each period. This sales agreement expires on June 30, 2003. If this facility is not replaced or extended the Company will likely use its revolving/term borrowing facility to provide this liquidity. These transactions have been recorded as sales in accordance with Financial Accounting Standards Board Statement No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities. The gross proceeds resulting from the sale are included in cash flows from operating activities in our consolidated statements of cash flows. Losses on these sales were immaterial.

On June 29, 1999, the Camp County Industrial Development Corporation issued \$25.0 million of variable-rate environmental facilities revenue bonds supported by letters of credit obtained by us. We may draw from these proceeds over the construction period for new sewage and solid waste disposal facilities at a poultry by-products plant to be built in Camp County, Texas. We are not required to borrow the full amount of the proceeds from the bonds. All amounts borrowed from these funds will be due in 2029. The amounts that we borrow will be reflected as debt when received from the Camp County Industrial Development Corporation. The interest rates on amounts borrowed will closely follow the tax-exempt commercial paper rates. Presently, there are no borrowings outstanding under the bonds.

On August 9, 2001, Pilgrim's Pride issued \$200.0 million in senior unsecured notes with an interest rate of 9 5/8% maturing on September 15, 2011. The proceeds from the notes offering were used to redeem the remaining \$90.8 million outstanding of our 10 7/8% senior subordinated notes due 2003. The balance of the proceeds was used to reduce indebtedness under our \$400.0 million revolving/term borrowing facility.

At September 28, 2002, our working capital decreased to \$179.0 million and our current ratio decreased to 1.68 to 1, compared with working capital of \$203.4 million and a current ratio of 1.85 to 1 at September 29, 2001, primarily due to the working capital changes discussed below.

Contractual Obligations and Guarantees. Obligations under long-term debt and non-cancelable operating leases at September 28, 2002 are as follows (in millions):

Contractual Obligations	Total	Payments Due By Period			
		Less than 1 year	1-3 years	4-5 years	After 5 years
Long-term debt(a)	\$453.6	\$3.4	\$21.6	\$49.1	\$379.5
Guarantee Fees	13.2	2.5	4.8	4.1	1.8
Operating leases	110.3	32.4	38.2	26.8	12.9
Total	\$577.1	\$38.3	\$64.6	\$80.0	\$394.2

(a) Excludes \$14.1 million in letters of credit outstanding related to normal business transactions.

Trade accounts and other receivables were \$85.3 million at September 28, 2002, compared to \$95.0 million at September 29, 2001. The \$9.7 million, or 10.2%, decrease in trade accounts and other receivables was primarily due to improvements in collection efficiencies. Excluding the sale of receivables, trade accounts and other receivables would have decreased \$8.5 million, to \$143.8 million at the end of fiscal 2002 from \$153.5 million at the end of fiscal 2001.

Inventories were \$326.8 million at September 28, 2002, compared to \$314.4 million at September 29, 2001. The \$12.4 million, or 3.9%, increase in inventories was primarily due to increases in finished turkey products inventories resulting from changes made in product mix in connection with the outbreak of avian influenza (see General, Overview and Developments) which inventories are expected to be liquidated during the 2002 Thanksgiving and Christmas holiday seasons.

Accounts payable and accrued expenses increased \$18.6 million to \$248.5 million at September 28, 2002, compared to \$229.9 million at September 29, 2001 due to an increase in higher feed, other ingredients, packaging costs, and other expenses.

Capital expenditures of \$80.4 million, \$112.6 million and \$92.1 million, for fiscal years 2002, 2001 and 2000, respectively, were primarily incurred to acquire and expand certain facilities, improve efficiencies, reduce costs and for the routine replacement of equipment. We anticipate spending approximately \$65.0 million to \$75.0 million in fiscal 2003 to improve efficiencies and for the routine replacement of equipment. We expect to finance such expenditures with available operating cash flows and existing revolving/term and revolving credit facilities.

Cash flows provided by operating activities were \$98.1 million, \$87.8 million and \$130.8 million for the fiscal years 2002, 2001 and 2000, respectively. The increase in cash flows provided by operating activities for fiscal 2002 when compared to fiscal 2001, was primarily due to a full year impact from the former WLR Foods operations in fiscal 2002, compared to 35 weeks in fiscal 2001. The decrease in cash flows provided by operating activities in fiscal 2001 compared to fiscal 2000, was primarily due to an overall increase of accounts receivable, due primarily to a higher level of sales activity and increased inventories, due primarily to higher levels of live poultry and frozen turkey inventories due primarily to seasonal variations in the live production cycle and sales of turkey products, both of which were primarily a result of the WLR Foods acquisition; and lower net income for fiscal 2001.

Cash flows (used in) provided by financing activities were (\$21.2) million, \$254.2 million and (\$22.6) million for the fiscal years 2002, 2001 and 2000, respectively. The increase in cash used in financing activities for fiscal 2002, when compared to fiscal 2001, is primarily due to borrowings to finance the acquisition of WLR Foods in 2001. The increase in cash flows provided by financing activities for fiscal 2001, when compared to fiscal 2000, reflects the net proceeds from borrowings to finance the acquisition of WLR Foods.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

General. Our discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been

prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. On an ongoing basis, we evaluate our estimates, including those related to revenue recognition, customer programs and incentives, allowance for doubtful accounts, inventories and income taxes. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our financial statements.

Revenue Recognition. Revenue is recognized upon shipment or upon transfer of ownership of the product to the customer and is recorded net of estimated incentive offerings including special pricing agreements, promotions and other volume-based incentives. Revisions to these estimates are charged to income in the period in which the facts that give rise to the revision become known.

Allowance for Doubtful Accounts. We maintain allowances for doubtful accounts reflecting estimated losses resulting from the inability of our customers to make required payments. The allowance for doubtful accounts is based on management's review of the overall condition of accounts receivable balances and review of significant past due accounts. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Inventory. Live poultry inventories are stated at the lower of cost or market and breeder hens at the lower of cost, less accumulated amortization, or market. The costs associated with breeder hens are accumulated up to the production stage and amortized over the productive lives using the unit-of-production method. Finished poultry products, feed, eggs and other inventories are stated at the lower of cost (first-in, first-out method) or market. We record valuations and adjustments for our inventory and for estimated obsolescence at or equal to the difference between the cost of inventory and the estimated market value based upon known conditions affecting the inventories obsolescence, including significantly aged products, discontinued product lines, or damaged or obsolete products. We allocate meat costs between our various finished poultry products based on a by-product costing technique that reduces the cost of the whole bird by estimated yields and amounts to be recovered for certain by-product parts, primarily including leg quarters, wings, tenders and offal, which are carried in inventory at the estimated recovery amounts, with the remaining amount being reflected as our breast meat cost. As a result, our lower of cost or market evaluation is done separately on a pool basis for all chicken and turkey products. If actual market conditions are less favorable than those projected by management, additional inventory adjustments may be required.

Accrued Self Insurance. Insurance expense for casualty claims and employee-related health care benefits are estimated using historical experience and actuarial estimates. Stop-loss coverage is maintained with third party insurers to limit the Company's total exposure. The assumption used to arrive at periodic expenses is reviewed regularly by management. However, actual expenses could differ from these estimates and could result in adjustments to be recognized.

Income Taxes. We account for income taxes in accordance with SFAS No. 109, Accounting for Income Taxes, which requires that deferred tax assets and liabilities be recognized for the effect of temporary differences between the book and tax bases of recorded assets and liabilities. Taxes are provided for international subsidiaries based on the assumption that these earnings are indefinitely reinvested in the Company and within individual companies and as such taxes are not provided in the U.S. or local jurisdictions that would be required in the event of distribution of these earnings. SFAS No. 109 also requires that deferred tax assets be reduced by a valuation allowance if it is more likely than not that some portion or all of the deferred tax asset will not be realized. We review the recoverability of any tax assets recorded on the balance sheet, primarily operating loss carryforwards, based on both historical and anticipated earnings levels of the individual operations and provide a valuation allowance when it is more likely than not that amounts will not be recovered.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

MARKET RISK SENSITIVE INSTRUMENTS AND POSITIONS

The risk inherent in our market risk sensitive instruments and positions is

the potential loss arising from adverse changes in the price of feed ingredients, foreign currency exchange rates and interest rates as discussed below. The sensitivity analyses presented do not consider the effects that such adverse changes may have on overall economic activity, nor do they consider additional actions our management may take to mitigate our exposure to such changes. Actual results may differ.

Feed Ingredients

We purchase certain commodities, primarily corn and soybean meal. As a result, our earnings are affected by changes in the price and availability of such feed ingredients. As market conditions dictate, we will from time to time lock-in future feed ingredient prices using various hedging techniques, including forward purchase agreements with suppliers and futures contracts. We do not use such financial instruments for trading purposes and are not a party to any leveraged derivatives. Market risk is estimated as a hypothetical 10% increase in the weighted-average cost of our primary feed ingredients as of September 28, 2002. Based on our feed consumption during fiscal 2002, such an increase would have resulted in an increase to cost of sales of approximately \$69.5 million, excluding the impact of any hedging in that period. As of September 28, 2002, we had hedged 1.7% of our 2003 feed requirements.

Foreign Currency

Our earnings are affected by foreign exchange rate fluctuations related to the Mexican peso net monetary position of our Mexico subsidiaries denominated in Mexican pesos. We manage this exposure primarily by attempting to minimize our Mexican peso net monetary position, but from time to time we have also considered executing hedges to help minimize this exposure. Such instruments, however, have historically not been economically feasible. We are also exposed to the effect of potential exchange rate fluctuations to the extent that amounts are repatriated from Mexico to the United States. However, we currently anticipate that the cash flows of our Mexico subsidiaries will continue to be reinvested in our Mexico operations. In addition, the Mexican peso exchange rate can directly and indirectly impact our results of operations and financial position in several manners, including potential economic recession in Mexico resulting from a devalued peso. The impact on our financial position and results of operations of a hypothetical change in the exchange rate between the U.S. dollar and the Mexican peso cannot be reasonably estimated. Foreign currency exchange gains and losses, representing the change in the U.S. dollar value of the net monetary assets of our Mexico subsidiaries denominated in Mexican pesos, was a loss of \$1.5 million in fiscal 2002 and a loss of \$0.1 million and gain of \$0.2 million in fiscal 2001 and 2000, respectively. On December 2, 2002, the Mexican peso closed at 10.19 to 1 U.S. dollar, compared to 10.02 at September 28, 2002. No assurance can be given as to how future movements in the peso could affect our future earnings.

Interest Rates

Our earnings are also affected by changes in interest rates due to the impact those changes have on our variable-rate debt instruments. The acquisition of WLR Foods substantially increased our outstanding balances of variable rate debt. We have variable-rate debt instruments representing approximately 42.4% of our long-term debt at September 28, 2002. Holding other variables constant, including levels of indebtedness, a 25 basis points increase in interest rates would have increased our interest expense by \$0.5 million for fiscal 2002. These amounts are determined by considering the impact of the hypothetical interest rates on our variable-rate long-term debt at September 28, 2002.

Market risk for fixed-rate long-term debt is estimated as the potential increase in fair value resulting from a hypothetical 25 basis points decrease in interest rates and amounts to approximately \$11.6 million as of September 28, 2002, using discounted cash flow analysis.

Impact of Inflation

Due to low to moderate inflation in the U.S. and Mexico and our rapid inventory turnover rate, the results of operations have not been significantly affected by inflation during the past three-year period.

FORWARD LOOKING STATEMENTS

Statements of our intentions, beliefs, expectations or predictions for the future, denoted by the words "anticipate," "believe," "estimate," "expect," "project," "imply," "intend," "foresee" and similar expressions, are forward-looking statements that reflect our current views about future events and are subject to risks, uncertainties and assumptions. Such risks, uncertainties and assumptions include those described under "Risk Factors" below and elsewhere in this Annual Report on Form 10-K.

Actual results could differ materially from those projected in these forward-looking statements as a result of these factors, among others, many of which are beyond our control.

In making these statements, we are not undertaking, and specifically decline to undertake, any obligation to address or update each or any factor in future filings or communications regarding our business or results, and we are not undertaking to address how any of these factors may have caused changes or information contained in previous filings or communications. Though we have attempted to list comprehensively these important cautionary risk factors, we wish to caution investors and others that other factors may in the future prove to be important in affecting our business or results of operations.

RISK FACTORS

Cyclical and Commodity Prices. Industry cyclical and commodity prices can affect our earnings, especially due to fluctuations in commodity prices of feed ingredients, chicken and turkey.

Profitability in the chicken and turkey industries is materially affected by the commodity prices of feed ingredients, chicken and turkey, which are determined by supply and demand factors. As a result, the chicken and turkey industries are subject to cyclical earnings fluctuations.

The production of feed ingredients is positively or negatively affected primarily by weather patterns throughout the world, the global level of supply inventories and demand for feed ingredients, and the agricultural policies of the United States and foreign governments. In particular, weather patterns often change agricultural conditions in an unpredictable manner. A sudden and significant change in weather patterns could affect supplies of feed ingredients, as well as both the industry's and our ability to obtain feed ingredients, grow chickens and turkeys or deliver products.

High feed ingredient prices have had a material adverse effect on our operating results in the past. We periodically seek, to the extent available, to enter into advance purchase commitments or financial hedging contracts for the purchase of feed ingredients in an effort to manage our feed ingredient costs. The use of such instruments may not be successful.

Substantial Leverage. Our substantial indebtedness could adversely affect our financial condition.

We presently have, and expect to continue to have, a substantial amount of indebtedness. Our substantial indebtedness could have important consequences to you. For example, it could:

- Make it more difficult for us to satisfy our obligations under our indebtedness, including our debt securities;
- Increase our vulnerability to general adverse economic conditions;
- Limit our ability to obtain necessary financing and to fund future working capital, capital expenditures and other general corporate requirements;
- Require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and for other general corporate purposes;
- Limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- Place us at a competitive disadvantage compared to our competitors that have less debt;
- Limit our ability to pursue acquisitions and sell assets;
- Make us vulnerable to increases in interest rates because a substantial portion of our borrowings are at variable interest rates; and
- Limit, along with the financial and other restrictive covenants in our indebtedness, our ability to borrow additional funds, and failing to comply with those covenants could result in an event of default or require redemption of indebtedness. Either of these events could have a material adverse effect on us.

Our ability to make payments on and to refinance our indebtedness will depend on our ability to generate cash in the future, which is dependent on various factors. These factors include the commodity prices of feed

ingredients, chicken and chicken parts and general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control.

Additional Borrowings Available. Despite our substantial indebtedness, we may still be able to incur significantly more debt. This could intensify the risks described above.

Despite our substantial indebtedness, we are not prohibited from incurring additional indebtedness in the future. If additional debt is added to our current debt levels, the related risks that we now face could intensify.

Integration of the Eastern Division. We have only recently acquired the Eastern Division and may not be able to successfully integrate its operations over the long term.

We only recently began to operate the businesses of Pilgrim's Pride and the Eastern Division as a combined entity. The acquisition of the Eastern Division has significantly increased our size and operations. Our prospects should be considered in light of the numerous risks commonly encountered in business combinations. Although our management has significant experience in the chicken industry, there can be no assurance as to our ability to effectively integrate WLR Foods or fully realize the associated cost savings and operating synergies currently anticipated.

Contamination of Products. If our poultry products become contaminated, we may be subject to product liability claims and product recalls.

Poultry products may be subject to contamination by disease producing organisms, or pathogens, such as *Listeria monocytogenes*, *Salmonella* and generic *E. coli*. These pathogens are generally found in the environment and, as a result, there is a risk that they, as a result of food processing, could be present in our processed poultry products. These pathogens can also be introduced as a result of improper handling at the further processing, foodservice or consumer level. These risks may be controlled, but may not be eliminated, by adherence to good manufacturing practices and finished product testing. The Company has little, if any, control over proper handling once the product has been shipped. Illness and death may result if the pathogens are not eliminated at the further processing, foodservice or consumer level. Even an inadvertent shipment of contaminated products is a violation of law and may lead to increased risk of exposure to product liability claims, product recalls and increased scrutiny by federal and state regulatory agencies and may have a material adverse effect on our business, reputation and prospects.

As described in detail under "Item 1. Business - General - Overview and Recent Developments," in October 2002 one product sample produced in our Franconia, Pennsylvania facility that had not been shipped to customers tested positive for *Listeria* and we later received information from the USDA suggesting that environmental samples taken at the facility had tested positive for both the strain of *Listeria* identified in the product and a strain having characteristics similar to those of the strain identified in a Northeastern *Listeria* outbreak. As a result of these findings, we recalled all cooked deli products produced at the facility from May 1, 2002 through October 11, 2002 and temporarily suspended operations at the facility to redouble our food safety and sanitation efforts. There can be no assurance that there will not be additional recalls of our products in the future or that this recall or any such future recall or any litigation arising therefrom will not have a material adverse effect on our ability to market our products successfully or on our business, reputation, prospects, financial condition and results of operations.

Livestock and Poultry Disease. Outbreaks of livestock diseases in general, and poultry disease in particular, can significantly restrict our ability to conduct our operations.

We take all reasonable precautions to ensure that our flocks are healthy and that our processing plants and other facilities operate in a sanitary and environmentally sound manner. However, events beyond our control, such as the outbreak of disease, could significantly restrict our ability to conduct our operations. Furthermore, an outbreak of disease could result in governmental restrictions on the import and export of our fresh chicken, turkey or other products to or from our suppliers, facilities or customers, or require us to destroy one or more of our flocks. This could result in the cancellation of orders by our customers and create adverse publicity that may have a material adverse effect on our ability to market our products successfully and on our business, reputation and prospects.

As described in more detail under "Item 1. Business - General - Overview and Recent Developments," an outbreak of low-pathogenic avian influenza, a disease contagious to turkey, chicken and other birds, has had a material adverse effect on our fiscal 2002 operating results and is expected to continue to have a material adverse effect on our results through at least the first six months

of fiscal 2003. There can be no assurance that the losses associated with this avian influenza outbreak will not be greater than anticipated or that any future poultry disease outbreaks will not have a material adverse effect on our ability to market our products successfully or on our business, reputation, prospects, financial condition and results of operations.

Product Liability. Product liability claims or product recalls can adversely affect our business reputation and expose us to increased scrutiny by federal and state regulators.

The packaging, marketing and distribution of food products entails an inherent risk of product liability and product recall and the resultant adverse publicity. We may be subject to significant liability if the consumption of any of our products causes injury, illness or death. We could be required to recall certain of our products in the event of contamination or damage to the products. In addition to the risks of product liability or product recall due to deficiencies caused by our production or processing operations, we may encounter the same risks if any third party tampers with our products. We cannot assure you that we will not be required to perform product recalls, or that product liability claims will not be asserted against us, in the future. Any claims that may be made may create adverse publicity that would have a material adverse effect on our ability to market our products successfully or on our business, reputation, prospects, financial condition and results of operations.

As described above under "Contamination of Products - If our poultry products become contaminated, we may be subject to product liability claims and product recalls." We recently recalled all cooked deli products produced at one of our facilities from May 1, 2002 through October 11, 2002. In connection with this recall, a class action lawsuit was filed against us on behalf of a putative class of persons that purchased and/or consumed meat products subject to the recall and we have received a substantial amount of press. See Item 3. Legal Proceedings. There can be no assurance that any class action litigation or reputational injury associated with this or any future product recalls will not have a material adverse effect on our ability to market our products successfully and on our business, reputation, prospects, financial condition and results of operations.

Insurance. We are exposed to risks relating to product liability, product recalls, property damage and injuries to persons, for which insurance coverage is expensive, limited and potentially inadequate.

Our business operations entail a number of risks, including risks relating to product liability claims, product recalls, property damage and injuries to persons. We currently maintain insurance with respect to certain of these risks, including product liability and recall insurance, property insurance, workers compensation insurance and general liability insurance, but in many cases such insurance is expensive, difficult to obtain and no assurance can be given that such insurance can be maintained in the future on acceptable terms, or in sufficient amounts to protect us against losses due to any such events, or at all. Moreover, even though our insurance coverage may be designed to protect us from losses attributable to certain events, it may not adequately protect us from liability and expenses we incur in connection with such events. For example, in the past one of our insurers encountered financial difficulties and was unable to fulfill its obligations under one of our insurance policies and one of our insurers contested coverage with respect to a claim forcing us to litigate the issue of coverage.

As described above under "Contamination of Products-If our poultry products become contaminated, we may be subject to product liability claims and product recalls," we recently recalled all cooked deli products produced at one of our facilities from May 1, 2002 through October 11, 2002, and a class action lawsuit was filed against us on behalf of a putative class of persons that purchased and/or consumed meat products subject to the recall. We have notified our insurers as to the occurrence of these events and made one claim to date under our product recall insurance policy. While we carry insurance designed to cover recall events such as this and we believe that the insurance policies purchased will cover the direct costs associated with the product recall and related product liability claims and, subject to the insurer's reservation of rights, we have received a \$4 million advance payment from our insurer with respect to the product recall claim, no assurances can be given that such insurance will in fact adequately protect us from liability and expenses we incur in connection with this recall or any such future events.

Potential Acquisitions. We may pursue opportunities to acquire complementary businesses, which could increase leverage and debt service requirements and could adversely affect our financial situation if we fail to successfully integrate the acquired business.

We intend to pursue selective acquisitions of complementary businesses in the future. Inherent in any future acquisitions are certain risks such as

increasing leverage and debt service requirements and combining company cultures and facilities, which could have a material adverse effect on our operating results, particularly during the period immediately following such acquisitions. Additional debt or equity capital may be required to complete future acquisitions, and there can be no assurance that we will be able to raise the required capital. Furthermore, acquisitions involve a number of risks and challenges, including:

- * Diversion of management's attention;
- * The need to integrate acquired operations;
- * Potential loss of key employees and customers of the acquired companies;
- * Lack of experience in operating in the geographical market of the acquired business; and
- * An increase in our expenses and working capital requirements.

Any of these and other factors could adversely affect our ability to achieve anticipated cash flows at acquired operations or realize other anticipated benefits of acquisitions.

Foreign Operations Risks. Our foreign operations pose special risks to our business and operations.

We have substantial operations and assets located in Mexico. Foreign operations are subject to a number of special risks, including among others:

- * Currency exchange rate fluctuations;
- * Trade barriers;
- * Exchange controls;
- * Expropriation; and
- * Changes in laws and policies, including those governing foreign-owned operations.

Currency exchange rate fluctuations have adversely affected us in the past. Exchange rate fluctuations or one or more other risks may have a material adverse effect on our business or operations in the future.

Our operations in Mexico are conducted through subsidiaries organized under the laws of Mexico. We may rely in part on intercompany loans and distributions from our subsidiaries to meet our obligations. Claims of creditors of our subsidiaries, including trade creditors, will generally have priority as to the assets of our subsidiaries over our claims. Additionally, the ability of our Mexican subsidiaries to make payments and distributions to us will be subject to, among other things, Mexican law. In the past, these laws have not had a material adverse effect on the ability of our Mexican subsidiaries to make these payments and distributions. However, laws such as these may have a material adverse effect on the ability of our Mexican subsidiaries to make these payments and distributions in the future.

Government Regulation. Regulation, present and future, is a constant factor affecting our business.

The chicken and turkey industries are subject to federal, state and local governmental regulation, including in the health and environmental areas. We anticipate increased regulation by various agencies concerning food safety, the use of medication in feed formulations and the disposal of poultry by-products and wastewater discharges. Unknown matters, new laws and regulations, or stricter interpretations of existing laws or regulations may materially affect our business or operations in the future.

Control of Voting Stock. Voting control over Pilgrim's Pride is maintained by Lonnie "Bo" Pilgrim and Lonnie Ken Pilgrim.

Through a limited partnership of which they are the only general partners, Lonnie "Bo" Pilgrim and his son Lonnie Ken Pilgrim have voting control of 60.8% of the voting power of our outstanding common stock. They are therefore in a position to control the outcome of all actions requiring stockholder approval, including the election of directors. This ensures their ability to control the future direction and management of Pilgrim's Pride. If Lonnie "Bo" Pilgrim and certain members of his family cease to own at least a majority of the voting power of the outstanding common stock, it will constitute an event of default under certain agreements relating to our indebtedness.

Risks Associated with Tax Status.

Potential payment of deferred taxes may affect our cash flow.

Before July 2, 1988, we used the cash method of accounting for income tax purposes. Pursuant to changes in the laws enacted by the Revenue Act of 1987, we were required to change our method of accounting for federal income tax purposes from the cash method to the accrual method. As a consequence of this change in our accounting method, we were permitted to create a "suspense account" in the amount of approximately \$89.7 million. The money in the suspense account represents deferred income arising from our prior use of the cash method of accounting.

Beginning in fiscal 1998, we are generally required to include 1/20th of the amount in the suspense account, or approximately \$4.5 million, in taxable income each year for the next 20 years. As of September 28, 2002, the balance in the suspense account was approximately \$64 million. However, the full amount must be included in taxable income in any year that Pilgrim's Pride ceases to be a "family corporation." We will cease to be a "family corporation" if Lonnie "Bo" Pilgrim's family ceases to own at least 50% of the total combined voting power of all classes of stock entitled to vote. If that occurs, we would be required to recognize the balance of the suspense account in taxable income.

Currently there exists no plan or intention on the part of Lonnie "Bo" Pilgrim's family to transfer enough Pilgrim's Pride stock so that we cease to qualify as a family corporation. However, this may happen, and the suspense account might be required to be included in our taxable income.

Potential accrual of deferred taxes may affect our net income and cash flow. The Company has not provided any deferred income taxes on the undistributed earnings of its Mexico subsidiaries based upon its determination that such earnings will be indefinitely reinvested. As of September 28, 2002, the cumulative undistributed earnings of these subsidiaries were approximately \$191.7 million. If such earnings were not considered indefinitely reinvested, deferred U.S. and foreign income taxes would have been provided, after consideration of estimated foreign tax credits. However, determination of the amount of deferred federal and foreign income taxes is not practical.

Significant Competition. Competition in the chicken and turkey industries with other vertically integrated poultry companies, especially companies with greater resources, may make us unable to compete successfully in these industries, which could adversely affect our business.

The chicken and turkey industries are highly competitive. Some of our competitors have greater financial and marketing resources than us. In both the United States and Mexico, we primarily compete with other vertically integrated poultry companies.

In general, the competitive factors in the U.S. poultry industry include:

- * Price;
- * Product quality;
- * Brand identification;
- * Breadth of product line; and
- * Customer service.

Competitive factors vary by major market. In the foodservice market, competition is based on consistent quality, product development, service and price. In the U.S. retail market, we believe that competition is based on product quality, brand awareness and customer service. Further, there is some competition with non-vertically integrated further processors in the U.S. prepared food business.

In Mexico, where product differentiation has traditionally been limited, product quality and price have been the most critical competitive factors. Additionally, the North American Free Trade Agreement, which went into effect on January 1, 1994, requires annual reductions in tariffs for chicken and chicken products in order to eliminate those tariffs by January 1, 2003. As those tariffs are reduced, increased competition from chicken imported into Mexico from the U.S. may have a material adverse effect on the Mexican chicken industry in general, and on our Mexican operations in particular.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements together with the report of independent auditors, and financial statement schedule are included on pages 71 through 95 this document. Financial statement schedules other than those included herein have been omitted because the required information is contained in the consolidated financial statements or related notes, or such information is not applicable.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not Applicable

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF REGISTRANT

Certain information regarding our executive officers has been presented under "Executive Officers" included in Item 1. Business, above.

Reference is made to the section entitled "Election of Directors" of the Company's Proxy Statement for its 2002 Annual Meeting of Stockholders, which section is incorporated herein by reference.

Reference is made to the section entitled "Compliance with Section 16(a) of the Exchange Act" of the Company's Proxy Statement for its 2002 Annual Meeting of Stockholders, which section is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

As of September 28, 2002, the Company did not have any compensation plans (including individual compensation arrangements) under which equity securities of the Company are authorized for issuance by the Company.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Additional information responsive to Items 11, 12 and 13 is incorporated by reference from the sections entitled "Security Ownership", "Election of Directors", "Executive Compensation" and "Certain Transactions" of the Company's Proxy Statement for its 2002 Annual Meeting of Stockholders.

ITEM 14. CONTROLS AND PROCEDURES

An evaluation was performed under the supervision and with the participation of the Company's management, including the Chairman, Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of the design and operation of the Company's disclosure controls and procedures within 90 days of the filing date of this Annual Report on Form 10-K. Based on that evaluation, the Company's management, including the Chairman, CEO and CFO, concluded that the Company's disclosure controls and procedures were effective. There have been no significant changes in the Company's internal controls or in other factors that could significantly affect these internal controls subsequent to the date of their evaluation.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) Financial Statements

- (1) The financial statements and schedule listed in the accompanying index to financial statements and schedules are filed as part of this report.
- (2) All other schedules for which provision is made in the applicable accounting regulations of the SEC are not required under the related instructions or are not applicable and therefore have been omitted.
- (3) The financial statements schedule entitled "Valuation and Qualifying Accounts and Reserves" is filed as part of this report on page 92.

(a) Reports on Form 8-K

- (1) The Company filed a Form 8-K on July 17, 2002, to report certain supplemental historical financial information including quarterly information regarding net sales by primary market line that had generally previously only been reported on an annual basis.
- (1) The Company filed a Form 8-K on August 8, 2002, attaching two

exhibits entitled "Statement under Oath of Principal Executive Officer" and "Statement Under Oath of Principal Financial Officer", that were executed to comply with Securities and Exchange Commission Order No. 4-460.

- (2) The Company filed a Form 8-K on October 15, 2002, to report two press releases announcing a voluntary recall of cooked deli products produced at its Franconia, Pennsylvania facility.
- (3) The Company filed a Form 8-K on October 30, 2002, to report certain supplemental historical financial information including quarterly information regarding net sales by primary market line.

(c) Exhibits

Exhibit Number

- 2.1 Agreement and Plan of Reorganization dated September 15, 1986, by and among Pilgrim's Pride Corporation, a Texas corporation; Pilgrim's Pride Corporation, a Delaware corporation; and Doris Pilgrim Julian, Aubrey Hal Pilgrim, Paulette Pilgrim Rolston, Evanne Pilgrim, Lonnie "Bo" Pilgrim, Lonnie Ken Pilgrim, Greta Pilgrim Owens and Patrick Wayne Pilgrim (incorporated by reference from Exhibit 2.1 to the Company's Registration Statement on Form S-1 (No. 33-8805) effective November 14, 1986).
- 2.2 Agreement and Plan of Merger dated September 27, 2000 (incorporated by reference from Exhibit 2 of WLR Foods, Inc.'s Current Report on Form 8-K (No. 000-17060) dated September 28, 2000).
- 3.1 Certificate of Incorporation of the Company, as amended.*
- 3.2 Amended and Restated Corporate Bylaws of Pilgrim's Pride Corporation, a Delaware Corporation, effective May 14, 1999.
- 4.1 Certificate of Incorporation of the Company, as amended (included as Exhibit 3.1).
- 4.2 Amended and Restated Corporate Bylaws of Pilgrim's Pride Corporation, a Delaware Corporation, effective May 14, 1999 (included as Exhibit 3.2).
- 4.3 Indenture dated as of August 9, 2001 by and between Pilgrim's Pride Corporation and The Chase Manhattan Bank relating to Pilgrim's Pride's 9 5/8% Senior Notes Due 2011 (incorporated by reference from Exhibit 4.1 to Pilgrim's Pride's Current Report on Form 8-K (No. 001-09273) dated August 9, 2001).
- 4.4 First Supplemental Indenture dated as of August 9, 2001 by and between Pilgrim's Pride Corporation and The Chase Manhattan Bank relating to Pilgrim's Pride's 9 5/8% Senior Notes Due 2011 (incorporated by reference from Exhibit 4.2 to Pilgrim's Pride's Current Report on Form 8-K (No. 001-09273) dated August 9, 2001).
- 4.5 Form of 9 5/8% Senior Note Due 2011 (incorporated by reference from Exhibit 4.3 to Pilgrim's Pride's Current Report on Form 8-K (No. 001-09273) dated August 9, 2001).
- 10.1 Pilgrim's Industries, Inc. Profit Sharing Retirement Plan, restated as of July 1, 1987 (incorporated by reference from Exhibit 10.1 of the Company's Form 8 filed on July 1, 1992).
- 10.2 Bonus Plan of the Company (incorporated by reference from Exhibit 10.2 to the Company's Registration Statement on Form S-1 (No. 33-8805) effective November 14, 1986).
- 10.3 Employee Stock Investment Plan of the Company (incorporated by reference from Exhibit 10.28 of the Company's Registration Statement on Form S-1 (No. 33-21057) effective May 2, 1988).
- 10.4 Aircraft Lease Extension Agreement between B.P. Leasing Co., (L.A. Pilgrim, Individually) and Pilgrim's Pride Corporation (formerly Pilgrim's Industries, Inc.) effective November 15, 1992 (incorporated by reference from Exhibit 10.48 of the Company's Quarterly Report on Form 10-Q for the three months ended March 29, 1997).
- 10.5 Broiler Grower Contract dated May 6, 1997 between Pilgrim's Pride Corporation and Lonnie "Bo" Pilgrim (Farm 30) (incorporated by reference from Exhibit 10.49 of the Company's Quarterly Report on Form 10-Q for the three months

ended March 29, 1997).

- 10.6 Commercial Egg Grower Contract dated May 7, 1997 between Pilgrim's Pride Corporation and Pilgrim Poultry G.P. (incorporated by reference from Exhibit 10.50 of the Company's Quarterly Report on Form 10-Q for the three months ended March 29, 1997).
- 10.7 Agreement dated October 15, 1996 between Pilgrim's Pride Corporation and Pilgrim Poultry G.P. (incorporated by reference from Exhibit 10.23 of the Company's Quarterly Report on Form 10-Q for the three months ended January 2, 1999).
- 10.8 Heavy Breeder Contract dated May 7, 1997 between Pilgrim's Pride Corporation and Lonnie "Bo" Pilgrim (Farms 44, 45 & 46) (incorporated by reference from Exhibit 10.51 of the Company's Quarterly Report on Form 10-Q for the three months ended March 29, 1997).
- 10.9 Broiler Grower Contract dated January 9, 1997 by and between Pilgrim's Pride and O.B. Goolsby, Jr. (incorporated by reference from Exhibit 10.25 of the Company's Registration Statement on Form S-1 (No. 333-29163) effective June 27, 1997).
- 10.10 Broiler Grower Contract dated January 15, 1997 by and between Pilgrim's Pride Corporation and B.J.M. Farms (incorporated by reference from Exhibit 10.26 of the Company's Registration Statement on Form S-1 (No. 333-29163) effective June 27, 1997).
- 10.11 Broiler Grower Agreement dated January 29, 1997 by and between Pilgrim's Pride Corporation and Clifford E. Butler (incorporated by reference from Exhibit 10.27 of the Company's Registration Statement on Form S-1 (No. 333-29163) effective June 27, 1997).
- 10.12 Receivables Purchase Agreement between Pilgrim's Pride Funding Corporation, as Seller, Pilgrim's Pride Corporation, as Servicer, Pooled Accounts Receivable Capital Corporation, as Purchaser, and Nesbitt Burns Securities Inc., as Agent (incorporated by reference from Exhibit 10.33 of the Company's Quarterly Report on Form 10-Q for the three months ended June 27, 1998).
- 10.13 Purchase and Contribution Agreement dated as of June 26, 1998 between Pilgrim's Pride Funding Corporation and Pilgrim's Pride Corporation (incorporated by reference from Exhibit 10.34 of the Company's Quarterly Report on Form 10-Q for the three months ended June 27, 1998).
- 10.14 Second Amended and Restated Secured Credit Agreement between Pilgrim's Pride Corporation and Harris Trust and Savings Bank, individually and as agent, and the lenders from time to time parties thereto as lenders, dated November 5, 1999 (incorporated by reference from Exhibit 10.23 of the Company's Annual Report on Form 10-K for the fiscal year ended October 2, 1999).
- 10.15 Guaranty Fee Agreement between Pilgrim's Pride Corporation and Pilgrim Interests, LTD., dated June 11, 1999 (incorporated by reference from Exhibit 10.24 of the Company's Annual Report on Form 10-K for the fiscal year ended October 2, 1999).
- 10.16 Heavy Breeder Contract dated October 27, 1999 between Pilgrim's Pride Corporation and David Van Hoose (Timberlake Farms) (incorporated by reference from Exhibit 10.25 of the Company's Annual Report on Form 10-K for the fiscal year ended October 2, 1999).
- 10.17 First Amendment to the Second Amended and Restated Secured Credit Agreement between Pilgrim's Pride Corporation and Harris Trust and Savings Bank, individually and as agent, and the lenders from time to time parties thereto as lenders, dated November 5, 1999 (incorporated by reference from Exhibit 10.27 of the Company's Quarterly Report on Form 10-Q for the three months ended December 30, 2000).
- 10.18 Second Amendment to the Second Amended and Restated Secured Credit Agreement between Pilgrim's Pride Corporation and Harris Trust and Savings Bank, individually and as agent, and the lenders from time to time parties thereto as lenders, dated November 5, 1999 (incorporated by reference from Exhibit 10.28 of the Company's Quarterly Report on Form 10-Q for the three months ended December 30, 2000).
- 10.19 Second Amended and Restated Credit Agreement between Pilgrim's Pride Corporation and CoBank, ACB, individually and as agent and the lenders from time to time parties hereto as lenders, dated November 16, 2000 (incorporated by reference from Exhibit 10.29 of the Company's Quarterly Report on Form 10-Q for the three months ended December 30, 2000).
- 10.20 Commercial Property Lease dated December 29, 2000 between Pilgrim's Pride

Corporation and Pilgrim Poultry G.P. (incorporated by reference from Exhibit 10.30 of the Company's Quarterly Report on Form 10-Q for the three months ended December 30, 2000).

- 10.21 Revolving Credit Agreement, made as of September 7, 2001 by and between Grupo Pilgrim's Pride Funding S. de R.L. de C.V., Comerica Bank, and Comerica Bank Mexico, S.A., Institucion de Banca Multiple (incorporated by reference from Exhibit 10.27 of the Company's Annual Report on Form 10-K for the fiscal year ended September 29, 2001).
- 10.22 Third Amendment to Second Amended and Restated Secured Credit Agreement dated as of November 5, 1999, as amended, between Pilgrim's Pride Corporation and Harris Trust and Savings Bank, individually and as agent, and the lenders from time to time parties thereto as lenders, dated as of September 26, 2001 (incorporated by reference from Exhibit 10.28 of the Company's Annual Report on Form 10-K for the fiscal year ended September 29, 2001).
- 10.23 Promissory note dated January 4, 2002 signed by David Van Hoose in favor of Pilgrim's Pride Corporation (incorporated by reference from Exhibit 10.29 of the Company's Quarterly Report on Form 10-Q for the three months ended March 30, 2002).
- 10.24 Promissory note dated January 4, 2002 signed by Clifford E. Butler in favor of Pilgrim's Pride Corporation (incorporated by reference from Exhibit 10.30 of the Company's Quarterly Report on Form 10-Q for the three months ended March 30, 2002).
- 10.25 Promissory note dated January 4, 2002 signed by Richard A. Cogdill in favor of Pilgrim's Pride Corporation (incorporated by reference from Exhibit 10.31 of the Company's Quarterly Report on Form 10-Q for the three months ended March 30, 2002).
- 10.26 Promissory note dated January 4, 2002 signed by Robert L. Hendrix in favor of Pilgrim's Pride Corporation (incorporated by reference from Exhibit 10.32 of the Company's Quarterly Report on Form 10-Q for the three months ended March 30, 2002).
- 10.27 Promissory note dated January 4, 2002 signed by Mike Murray in favor of Pilgrim's Pride Corporation (incorporated by reference from Exhibit 10.33 of the Company's Quarterly Report on Form 10-Q for the three months ended March 30, 2002).
- 10.28 Promissory note dated January 4, 2002 signed by O.B. Goolsby, Jr. in favor of Pilgrim's Pride Corporation (incorporated by reference from Exhibit 10.34 of the Company's Quarterly Report on Form 10-Q for the three months ended March 30, 2002).
- 10.29 Promissory note dated January 4, 2002 signed by Lonnie Ken Pilgrim in favor of Pilgrim's Pride Corporation (incorporated by reference from Exhibit 10.35 of the Company's Quarterly Report on Form 10-Q for the three months ended March 30, 2002).
- 10.30 First Amendment to Amended and Restated Credit Agreement made as of December 14, 2001 by and among the Company, CoBank, ACB, individually and as agent for the benefit of the present and future lenders, Farm Credit Services of America, FLCA, individually and as a co-arranger, and the lenders parties thereto individually (incorporated by reference from Exhibit 10.36 of the Company's Quarterly Report on Form 10-Q for the three months ended June 29, 2002).
- 10.31 Second Amendment to Amended and Restated Credit Agreement made as of June 17, 2002 by and among the Company, CoBank, ACB, Individually and as agent for the benefit of the present and future lenders, Farm Credit Services of America, FLCA, individually and as co-arranger, and the lenders parties thereto individually (incorporated by reference from Exhibit 10.37 of the Company's Quarterly Report on Form 10-Q for the three months ended June 29, 2002).
- 10.32 Amendment No. 1 dated as of July 12, 2002 to Receivables Purchase Agreement dated as of June 26, 1998 among Pilgrim's Pride Funding Corporation, the Company, Fairway Finance Corporation (as successor in interest to Pooled Accounts Receivable Capital Corporation) and BMO Nesbitt Burns Corp. (f/k/a Nesbitt Burns Securities Inc.).*
- 10.33 Third Amended and Restated Note Purchase Agreement dated as of August 30, 2002 between the Company and John Hancock Life Insurance Company (formerly known as John Hancock Mutual Life Insurance Company).*
- 10.34 Retirement agreement dated November 11, 2002 between Pilgrim's Pride Corporation and David Van Hoose.*

- 10.35 Third Amendment to Amended and Restated Credit Agreement made as of October 17, 2002 by and among the Company, CoBank, ACB, individually and as agent for the benefit of the present and future lenders, Farm Credit Services of America, FLCA, individually and as co-arranger, and the lenders parties thereto individually.*
- 12 Ratio of Earnings to Fixed Charges for the years ended September 28, 2002, September 29, 2001, September 30, 2000, October 2, 1999 and September 26, 1998.*
- 21 Subsidiaries of Registrant.*
- 23 Consent of Ernst & Young LLP.*

*Filed herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on the 2nd day of December 2002.

PILGRIM'S PRIDE CORPORATION

By: /S/ Richard A. Cogdill
Richard A. Cogdill
Chief Financial Officer
Secretary and Treasurer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

Signature	Title	Date
<u>/s/ Lonnie "Bo" Pilgrim</u> Lonnie "Bo" Pilgrim	Chairman of the Board (Co-Principal Executive Officer)	12/5/2002
<u>/s/ Clifford E. Butler</u> Clifford E. Butler	Vice Chairman of the Board	12/5/2002
<u>/s/ David Van Hoose</u> David Van Hoose	Chief Executive Officer Director (Co-Principal Executive Officer)	12/5/2002
<u>/s/ Richard A. Cogdill</u> Richard A. Cogdill	Executive Vice President Chief Financial Officer Secretary and Treasurer Director (Principal Financial and Accounting Officer)	12/5/2002

Signature	Title	Date
<u>/s/ Lonnie Ken Pilgrim</u> Lonnie Ken Pilgrim	Senior Vice President Director of Transportation Director	12/5/2002
<u>/s/ Charles L. Black</u> Charles L. Black	Director	12/5/2002
<u>/s/ S. Key Coker</u>		

<u>S. Key Coker</u>	Director	12/5/2002
/s/ Vance C. Miller		
<u>Vance C. Miller</u>	Director	12/5/2002
/s/ James J. Vetter, Jr.		
<u>James J. Vetter, Jr.</u>	Director	12/5/2002
/s/ Donald L. Wass, Ph.D.		
<u>Donald L. Wass, Ph.D.</u>	Director	12/5/2002

CERTIFICATIONS

I, Lonnie "Bo" Pilgrim, certify that:

1. I have reviewed this annual report on Form 10-K of Pilgrim's Pride Corporation;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/s/ Lonnie "Bo" Pilgrim

Date: December 5, 2002

Lonnie "Bo" Pilgrim
Chairman of the Board
Co-Principal Executive Officer

CERTIFICATIONS

I, David Van Hoose, certify that:

1. I have reviewed this annual report on Form 10-K of Pilgrim's Pride Corporation;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: December 5, 2002

/s/ David Van Hoose

David Van Hoose
Chief Executive Officer
Co-Principal Executive Officer

CERTIFICATIONS

I, Richard A. Cogdill, certify that:

1. I have reviewed this annual report on Form 10-K of Pilgrim's Pride Corporation;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/s/ Richard A. Cogdill

Date: December 5, 2002

Richard A. Cogdill
Chief Financial Officer

PILGRIM'S PRIDE CORPORATION
CERTIFICATION

PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

(SUBSECTIONS (A) AND (B) OF SECTION 1350, CHAPTER 63 OF TITLE 18, UNITED STATES
CODE)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of Pilgrim's Pride Corporation, (the "Company"), does hereby certify, to such officer's knowledge, that:

The Annual Report on Form 10-K for the year ended September 28, 2002 (the "Form 10-K") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: December 5, 2002

/s/ Lonnie "Bo" Pilgrim

Lonnie "Bo" Pilgrim
Chairman of the Board
Co-Principal Executive Officer

PILGRIM'S PRIDE CORPORATION
CERTIFICATION

PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

(SUBSECTIONS (A) AND (B) OF SECTION 1350, CHAPTER 63 OF TITLE 18, UNITED STATES
CODE)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of Pilgrim's Pride Corporation, (the "Company"), does hereby certify, to such officer's knowledge, that:

The Annual Report on Form 10-K for the year ended September 28, 2002 (the "Form 10-K") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ David Van Hoose

Date: December 5, 2002

David Van Hoose
Chief Executive Officer
Co-Principal Executive Officer

PILGRIM'S PRIDE CORPORATION
CERTIFICATION

PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

(SUBSECTIONS (A) AND (B) OF SECTION 1350, CHAPTER 63 OF TITLE 18, UNITED STATES
CODE)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of Pilgrim's Pride Corporation, (the "Company"), does hereby certify, to such officer's knowledge, that:

The Annual Report on Form 10-K for the year ended September 28, 2002 (the "Form 10-K") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: December 5, 2002

/s/Richard A. Cogdill

Richard A. Cogdill
Chief Financial Officer

REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

Stockholders, the Board of Directors and
Pilgrim's Pride Corporation

We have audited the accompanying consolidated balance sheets of Pilgrim's Pride Corporation and subsidiaries as of September 28, 2002 and September 29, 2001, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended September 28, 2002. Our audits also included the financial statement schedule listed in the index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of Pilgrim's Pride Corporation as of September 28, 2002 and September 29, 2001, and the consolidated results of its operations and its cash flows for each of the three years in the period ended September 28, 2002, in conformance with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements, taken as a whole, presents fairly in all material respects the information set forth therein.

Dallas, Texas
October 29, 2002,
except for Note J and the first paragraph
of Note C as to which
the date is December 2, 2002

Ernst & Young LLP

Consolidated Balance Sheets
Pilgrim's Pride Corporation

(In thousands, except share and per share data)	September 28, 2002	September 29, 2001
ASSETS		
CURRENT ASSETS :		
Cash and cash equivalents	\$ 14,913	\$ 20,916
Trade accounts and other receivables, less allowance for doubtful accounts	85,347	95,022
Inventories	326,792	314,400
Other current assets	16,866	12,934
Total Current Assets	443,918	443,272
OTHER ASSETS	21,940	20,067
PROPERTY, PLANT AND EQUIPMENT:		
Land	38,718	36,350
Buildings, machinery and equipment	1,039,581	929,922
Autos and trucks	54,609	53,264
Construction-in-progress	30,433	71,427
	1,163,341	1,090,963
Less accumulated depreciation	401,309	338,607
	762,032	752,356
	\$1,227,890	\$1,215,695
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 163,892	\$ 151,265
Accrued expenses	84,618	78,658
Current deferred income tax	12,888	4,900
Current maturities of long-term debt	3,483	5,099
Total Current Liabilities	264,881	239,922
LONG-TERM DEBT, LESS CURRENT MATURITIES	450,161	467,242
DEFERRED INCOME TAXES	116,911	126,710
MINORITY INTEREST IN SUBSIDIARY	1,613	889
COMMITMENTS AND CONTINGENCIES	--	--
STOCKHOLDERS' EQUITY:		
Preferred stock, \$.01 par value, authorized 5,000,000 shares; none issued	--	--
Common stock - Class A, \$.01 par value, authorized 100,000,000 shares; and 13,794,529 shares issued and outstanding in 2002 and 2001, respectively;	138	138
Common stock - Class B, \$.01 par value, authorized 60,000,000 shares; 27,589,250 issued and outstanding in 2002 and 2001	276	276
Additional paid-in capital	79,625	79,625
Retained earnings	314,626	302,758
Accumulated other comprehensive income (loss)	1,227	(297)
Less treasury stock, 271,100 shares	(1,568)	(1,568)
Total Stockholders' Equity	394,324	380,932
	\$1,227,890	\$1,215,695

See Notes to Consolidated Financial Statements

Consolidated Statements of Income
Pilgrim's Pride Corporation

(In thousands, except per share data)	Three Years Ended September 28, 2002		
	2002	2001	2000

NET SALES	\$2,533,718	\$2,214,712	\$1,499,439
COST AND EXPENSES:			
Cost of sales	2,368,553	2,000,762	1,333,611
Selling, general and administrative	135,261	119,408	85,340
	2,503,814	2,120,170	1,418,951
Operating Income	29,904	94,542	80,488
OTHER EXPENSES (INCOME):			
Interest expense, net	32,003	30,775	17,779
Foreign exchange (gain) loss	1,463	122	(152)
Miscellaneous, net	(5,472)	351	75
	27,994	31,248	17,702
INCOME BEFORE INCOME TAXES AND EXTRAORDINARY CHARGE	1,910	63,294	62,786
INCOME TAX (BENEFIT) EXPENSE	(12,425)	21,263	10,442
INCOME BEFORE EXTRAORDINARY CHARGE	14,335	42,031	52,344
EXTRAORDINARY CHARGE, NET OF TAX	--	894	--
NET INCOME	\$ 14,335	\$ 41,137	\$ 52,344
INCOME PER COMMON SHARE BEFORE EXTRAORDINARY CHARGE - BASIC AND DILUTED	\$ 0.35	\$ 1.02	\$ 1.27
EXTRAORDINARY CHARGE, NET OF TAX	--	(.02)	--
NET INCOME PER COMMON SHARE-BASIC AND DILUTED	\$ 0.35	\$ 1.00	\$ 1.27

See Notes to Consolidated Financial Statements

Consolidated Statements of Stockholders' Equity
Pilgrim's Pride Corporation

(In thousands, except share data)

	Shares of Common Stock		Total Par Value	Additional Paid-In Capital
	Class A	Class B		
Balance at October 2, 1999	13,794,529	27,589,250	\$414	\$79,625
Treasury stock purchased	(271,100)			
Net income for year				
Cash dividends declared (\$.06 per share)				
Balance at September 30, 2000	13,523,429	27,589,250	414	79,625
Net income for year				
Other comprehensive income (loss):				
Losses on commodity hedging				
Hedging losses reclassified as earnings				
Total comprehensive income				
Cash dividends declared (\$.06 per share)				
Balance at September 29, 2001	13,523,429	27,589,250	\$414	\$79,625
Net income for year				
Other comprehensive income				
Gains on commodity hedging				
Hedging income reclassified as earnings				
Total comprehensive income				
Cash dividends declared (\$.06 per share)				
Balance at September 28, 2002	13,523,429	27,589,250	\$414	\$79,625

	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total
Treasury stock purchased			(1,568)	(1,568)
Net income for year	52,344			52,344
Cash dividends declared (\$.06 per share)	(2,476)			(2,476)
Balance at September 30, 2000	264,088	--	(1,568)	342,559
Net income for year	41,137			41,137
Other comprehensive income (loss):				
Losses on commodity hedging		(994)		(994)
Hedging losses reclassified as earnings		697		697
Total comprehensive income				40,840
Cash dividends declared (\$.06 per share)	(2,467)			(2,467)
Balance at September 29, 2001	302,758	(297)	(1,568)	380,932
Net income for year	14,335			14,335
Other comprehensive income				
Gains on commodity hedging		81		81
Hedging income reclassified as earnings		1,443		1,443
Total comprehensive income				15,858
Cash dividends declared (\$.06 per share)	(2,467)			(2,467)
Balance at September 28, 2002	\$314,626	\$1,227	(\$1,568)	\$394,324

See Notes to Consolidated Financial Statements

Consolidated Statements of Cash Flows
Pilgrim's Pride Corporation

(In thousands)

Three Years Ended September 28, 2002

	2002	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$14,335	\$41,137	\$52,344
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	70,973	55,390	36,027
(Gain) loss on property disposals	(149)	301	1,093
Deferred income taxes	(1,811)	12,737	444
Extraordinary charge	--	1,434	--
Changes in operating assets and liabilities:			
Accounts and other receivables	9,675	10,445	34,082
Inventories	(12,392)	(26,952)	(13,202)
Other current assets	(3,932)	(4,494)	245
Accounts payable and accrued expenses	18,587	(1,030)	19,982
Other	2,827	(1,135)	(212)
Cash Provided by Operating Activities	98,113	87,833	130,803
INVESTING ACTIVITIES:			
Acquisitions of property, plant and equipment	(80,388)	(112,632)	(92,128)
Business acquisition	--	(239,539)	--
Proceeds from property disposals	1,426	2,472	2,319
Other, net	(3,497)	571	(6,055)
Cash Used in Investing Activities	(82,459)	(349,128)	(95,864)
FINANCING ACTIVITIES:			
Borrowing for acquisition	--	285,070	--
Repayment on WLR Foods debt	--	(45,531)	--
Proceeds from notes payable to banks	214,500	136,000	71,000
Repayments on notes payable to banks	(214,500)	(136,000)	(71,000)
Proceeds from long-term debt	182,950	425,423	20,047
Payments on long-term debt	(201,646)	(408,316)	(38,622)
Purchase of treasury stock	--	--	(1,568)
Cash dividends paid	(2,467)	(2,467)	(2,476)
Cash Provided By (Used In) Financing Activities	(21,163)	254,179	(22,619)
Effect of exchange rate changes on cash and cash equivalents	(494)	(28)	37
Increase (decrease) in cash and cash equivalents	(6,003)	(7,144)	12,357
Cash and cash equivalents at beginning of year	20,916	28,060	15,703
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$14,913	\$20,916	\$28,060
SUPPLEMENTAL DISCLOSURE INFORMATION:			
Cash paid during the year for:			
Interest (net of amount capitalized)	\$35,234	\$26,948	\$17,178
Income taxes	(\$ 4,839)	\$ 7,255	\$13,258

See Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A - BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Pilgrim's Pride Corporation (referred to herein as "the Company", "we", "us", "our", or similar terms) is the second largest producer of poultry in both the United States and Mexico. In the United States, we produce both prepared and fresh chicken and turkey, while in Mexico, we produce exclusively fresh chicken. Through vertical integration, we control the breeding, hatching and growing of chickens and turkeys and the processing and preparation, packaging and sale of our product lines.

Our prepared chicken products include portion-controlled breast fillets, tenderloins and strips, delicatessen products, salads, formed nuggets and patties and bone-in chicken parts. These products are sold either refrigerated or frozen and may be fully cooked, partially cooked or raw. In addition, these products are breaded or non-breaded and either pre-marinated or non-marinated.

The Company also sells fresh chicken products to the foodservice and retail markets. Our fresh chicken products consist of refrigerated (non-frozen) whole or cut-up chicken, either pre-marinated or non-marinated, and pre-packaged chicken, which includes various combinations of freshly refrigerated, whole chickens and chicken parts.

Our prepared turkey products include products such as turkey sausages, ground turkey, turkey hams and roasts, ground turkey breast products, salads and flavored turkey burgers. We also have an array of cooked, further processed deli products. Effective November 13, 2002 we are no longer producing frankfurters, although we continue to sell frankfurters produced by others.

Our fresh turkey includes fresh traypack products, turkey burgers and fresh and frozen whole birds, as well as semi-boneless whole turkey, which has all bones except the drumsticks removed.

On January 27, 2001, we acquired WLR Foods, Inc. (formerly Nasdaq: WLRF) for \$239.5 million and the assumption of \$45.5 million of indebtedness. The purchase price and refinancing were provided by borrowings on the Company's existing secured term borrowing facility (see Note C). WLR operations have been included since the acquisition on January 27, 2001. The acquisition is being accounted for under the purchase method of accounting and the purchase price has been allocated based on the estimated fair value of assets and liabilities.

PRO FORMA FINANCIAL INFORMATION

The following unaudited pro forma financial information for the year ended September 29, 2001 has been presented as if the acquisition of WLR Foods, Inc. had occurred as of the beginning of fiscal 2001. The pro forma financial information does not necessarily reflect what the results of operations would have been if the acquisition had been completed at the beginning of fiscal 2001. In addition, certain reclassifications have been made to the WLR historical financial statements to conform to the presentation used by the Company.

In thousands, except per share data	Year ended
	2001
Net Sales	\$2,479,259
Operating Income	99,128
Interest Expense, Net	39,790
Income Before Taxes	58,607
Income before Extraordinary Charge	39,171
Net Income	38,277
Income per Common Share before Extraordinary Charge - Basic and Diluted	\$ 0.95
Extraordinary Charge, Net of Tax	(0.02)
Net Income per Common Share	\$ 0.93
Other Information:	
Depreciation and Amortization	\$ 64,565

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Pilgrim's Pride Corporation and its wholly and majority owned subsidiaries. Significant intercompany accounts and transactions have been eliminated.

The Company reports on the basis of a 52/53-week fiscal year, which ends on the Saturday closest to September 30. As a result, 2002, 2001 and 2000 each had 52 weeks.

The financial statements of the Company's Mexico subsidiaries are remeasured as if the U.S. dollar were the functional currency. Accordingly, assets and liabilities of the Mexico subsidiaries are translated at end-of-period exchange rates, except for non-monetary assets, which are translated at equivalent dollar costs at dates of acquisition using historical rates. Operations are translated at average exchange rates in effect during the period. Foreign exchange losses are separately stated as a component of "Other Expenses (Income)" in the Consolidated Statement of Income.

REVENUE RECOGNITION

Revenue is recognized upon shipment or upon transfer of ownership of the product to the customer and is recorded net, estimated incentive offerings including special pricing agreements, promotions and other volume-based incentives. Revisions to these estimates are charged to income in the period in which the facts that give rise to the revision become known.

ALLOWANCE FOR DOUBTFUL ACCOUNTS. We maintain allowances for doubtful accounts reflecting estimated losses resulting from the inability of our customers to make required payments. The accounts receivable balances and review of significant past due accounts. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

CASH EQUIVALENTS

The Company considers highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

INVENTORIES

Live poultry inventories are stated at the lower of cost or market and breeder hens at the lower of cost, less accumulated amortization, or market. The costs associated with breeder hens are accumulated up to the production stage and amortized over the productive lives using the unit-of-production method. Finished poultry products, feed, eggs and other inventories are stated at the lower of cost (first-in, first-out method) or market. Occasionally, the Company hedges a portion of its purchases of major feed ingredients using futures contracts to minimize the risk of adverse price fluctuations. The changes in market value of such agreements have a high correlation to the price changes of the feed ingredients being hedged. Gains and losses on the hedge transactions are deferred and recognized as a component of cost of sales when products are sold. Gains and losses on the futures contracts would be recognized immediately were the changes in the market value of the agreements cease to have a high correlation to the price changes of the feed ingredients being hedged.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of these assets. Depreciation expense was \$69.6 million, \$54.4 million and \$34.7 million in 2002, 2001 and 2000, respectively. Estimated useful lives for building, machinery and equipment is 5 years to 33 years and for automobiles and trucks is 3 years to 5 years.

In accordance with Statement of Financial Accounting Standards No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of (SFAS 121), the Company records impairment charges on long-lived assets used in operations when events and circumstances indicate that the assets may be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of those assets. The impairment charge is determined based upon the amount the net book value of the assets exceeds their fair market value. In making these determinations, the Company utilizes certain assumptions, including, but not limited to: (i) estimated fair market value of the assets, and (ii) estimated future cash flows expected to be generated by these assets, which are based on additional assumptions such as asset utilization, length of service the asset will be used in the Company's operations and estimated salvage values.

ACCRUED SELF INSURANCE. Insurance expense for casualty claims and employee-related health care benefits are estimated using historical experience and actuarial estimates. Stop-loss coverage is maintained with third party insurers to limit the Company's total exposure. The assumption used to arrive at periodic expenses is reviewed regularly by management. However, actual expenses could differ from these estimates and could result in adjustments to be recognized.

INCOME TAXES. We account for income taxes in accordance with SFAS No. 109, Accounting for Income Taxes, which requires that deferred tax assets and liabilities be recognized for the effect of temporary differences between the book and tax bases of recorded assets and liabilities. Taxes are provided for international subsidiaries based on the assumption that these earnings are indefinitely reinvested in the Company and within individual companies and as such taxes are not provided in the U.S. or local jurisdiction that would be required in the event of distribution of these earnings. SFAS No. 109 also requires that deferred tax assets be reduced by a valuation allowance if it is more likely than not that some portion or all of the deferred tax asset will not be realized. We review the recoverability of any tax assets recorded on the balance sheet, primarily operating loss carryforwards, based on both historical and anticipated earnings levels of the individual operations and provided a valuation allowance when it is more likely than not that these amounts will not be recovered.

ACCUMULATED OTHER COMPREHENSIVE INCOME

Statement of Accounting Standards No. 133; Accounting for Derivative Instruments and Hedging Activities ("SFAS 133"), was adopted on October 1, 2000. No transitional impact resulted from the adoption of SFAS 133. The Company recognizes all derivatives on the balance sheet at fair value. Derivatives that are not hedges are adjusted to fair value through income. If the derivative is a hedge, changes in the fair value of derivatives are offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value is immediately recognized in earnings. No significant ineffectiveness was recognized in 2002. The Company evaluates the effectiveness of the risk reduction and correlation criteria based on forecasted future purchases (primarily corn and soybean) and continues to evaluate the effectiveness of the hedge until the transaction is closed.

As of September 28, 2002 and September 29, 2001, accumulated other

comprehensive income consisted exclusively of mark-to-market adjustments on commodity future contracts. Comprehensive income for the years ended September 28, 2002 and September 29, 2001 was net of the related tax expense of \$738 thousand, and benefit of \$179 thousand, respectively.

NET INCOME PER COMMON SHARE

Net income per share is based on the weighted average number of shares of common stock outstanding during the year. The weighted average number of shares outstanding (basic and diluted) and per-share amounts included herein were 41,112,679 in 2002 and 2001 and 41,289,142 in 2000.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B - INVENTORIES

Inventories consist of the following:

(In thousands)	2002	2001
Chicken:		
Live chicken and hens	\$106,450	\$97,073
Feed, eggs and other	57,854	77,970
Finished chicken products	73,494	70,493
	237,798	245,536
Turkey:		
Live turkey and hens	29,140	30,694
Feed, eggs and other	12,871	3,906
Finished turkey products	46,983	34,264
	88,994	68,864
Total Inventory	\$326,792	\$314,400

NOTE C - NOTES PAYABLE AND LONG-TERM DEBT

At September 28, 2002, the Company maintained \$130.0 million in revolving credit facilities, \$30 million of which related to our Mexican Operations, and \$400.0 million in a secured revolving/term borrowing facility in the U.S. and Mexico. The \$400.0 million revolving/term borrowing facility provides for \$285.0 million and \$115.0 million of 10 year and 7 year commitments, respectively. Borrowings under these facilities are split pro rata between the 10 year and 7 year maturities as they occur. The credit facilities provide for interest at rates ranging from LIBOR plus five-eighths percent to LIBOR plus two and three-quarters percent, depending upon the Company's total debt to capitalization ratio. Interest rates on debt outstanding under these facilities at September 28, 2002 ranged from LIBOR plus one and one-quarter percent to LIBOR plus two. These facilities are secured by inventory and fixed assets; the \$30 million facility in Mexico is secured by Mexican accounts receivables, inventories and certain fixed assets. Borrowings against these facilities are subject to the availability of collateral, and no material adverse change provisions. At September 28, 2002, \$115.9 million was available under the revolving credit facilities, including \$30.0 million in Mexico, and \$209.0 million was available under the term borrowing facilities. At December 2, 2002 we had \$76.1 million available under revolving credit facilities, \$180.0 million available under the revolving/term borrowing facility and cash on hand of \$81.3 million compared to \$14.9 million at September 28, 2002, due primarily to advances subsequent to year end on the various facilities, for a total liquidity of \$337.4 million at December 2, 2002 compared to \$339.8 million at September 28, 2002.

Annual maturities of long-term debt for the five years subsequent to September 28, 2002 adjusted to consider the subsequent borrowing are: 2003 -- \$3.4 million; 2004 -- \$3.7 million; 2005 -- \$17.9 million; 2006 -- \$23.8 million; and 2007 -- \$25.3 million.

In August 2002, the Company consolidated several notes payable from an insurance company with fixed interest rates ranging from 7.11% to 9.45% into one note with a fixed interest rate of 6.68% and extended the maturities from 2006 to 2012. The consolidation did not result in any gain or loss being recognized.

On June 29, 1999, the Camp County Industrial Development Corporation issued \$25.0 million of variable-rate environmental facilities revenue bonds supported by letters of credit obtained by the Company. The Company may draw from these proceeds over the construction period of its new sewage and solid waste disposal facilities at a poultry by-products plant to be built in Camp County, Texas. The Company is not required to borrow the full amount of the proceeds from the bonds. All amounts borrowed from these funds will be due in 2029. The amounts the Company borrows will be reflected as debt when received from the Camp County Industrial Development Corporation. The interest rates on amounts borrowed will closely follow the tax-exempt commercial paper rates. Presently, there are no borrowings outstanding under these bonds.

On August 9, 2001, the Company issued \$200.0 million in senior unsecured notes with an interest rate of 9 5/8% maturing on September 15, 2011. The proceeds from the note offering were used to redeem the remaining \$90.8 million outstanding of our 10 7/8% senior subordinated notes due 2003. The balance of the proceeds was used to reduce outstanding under our \$400.0 million revolving/term borrowing facility. As a result of the Company's decision to retire all of the 10 7/8% Senior Subordinated Notes due 2003, the Company has recorded an extraordinary loss of \$894,000, net of a tax benefit of \$539,000 for the year ended September 29, 2001.

The Company is required, by certain provisions of its debt agreements, to maintain levels of working capital and net worth, to limit dividends to a maximum of \$3.4 million per year, and to maintain various fixed charge, leverage, current and debt-to-equity ratios. Substantially all of the Company's domestic property, plant and equipment, except those in its turkey segment, are pledged as collateral on its long-term debt and credit facilities. The Mexico credit facility is secured by accounts receivable, inventories and certain fixed assets.

Total interest was \$40.4 million, \$38.9 million and \$21.7 million in 2002, 2001 and 2000, respectively. Interest related to new construction capitalized in 2002, 2001 and 2000 was \$6.0 million, \$7.2 million and \$3.3 million, respectively.

Long-term debt consists of the following:

(In thousands)	Final Maturity	2002	2001
Senior unsecured notes, interest at 9 5/8%	2011	\$200,000	\$200,000
Revolving term/credit facility - 10 year tranche at LIBOR plus 2.00% payable monthly	2009	136,087	124,688
Note payable to an insurance company at 6.68% payable Monthly	2012	60,958	65,474
Revolving term/credit facility - 7 year tranche at LIBOR plus 1.75% payable monthly	2006	54,913	50,313
Notes payable to a bank at LIBOR plus 1.25 to 1.50	2004	--	30,000
Other notes payable	Various	1,686	1,866
		453,644	472,341
Less current maturities		3,483	5,099
		\$450,161	\$467,242

The fair value of long-term debt, at September 28, 2002 and September 29, 2001 based upon quoted market prices for the same or similar issues where available or by using discounted cash flow analysis, was approximately \$456.6 million and \$469.6 million, respectively.

NOTE D - INCOME TAXES

Income before income taxes after allocation of certain expenses to foreign operations for 2002, 2001 and 2000 was (\$7.3) million, \$57.8 million and \$32.7 million, respectively, for U.S. operations and \$9.2 million, \$5.5 million and \$30.0 million, respectively, for foreign operations. The provisions for income taxes are based on pre-tax financial statement income.

Effective January 1, 2002, the Mexican Congress passed the Mexican tax reform (the "Reform") legislation, which eliminated the previous tax exemption under Simplified Regime for the Company's Mexico subsidiaries. The Reform requires the Company's Mexico subsidiaries to calculate and pay taxes under a new simplified regime pursuant to Mexico's income tax laws beginning January 1, 2002, subject to certain transitional provisions. The primary transitional provision was an exit calculation, which generated a net operating loss carryforward for Mexican income tax purposes.

As a result of the Reform, the Company recognized a tax benefit of

approximately \$11.9 million during fiscal 2002, primarily to reflect the benefit of the net operating loss carryforward for Mexican tax purposes. The components of income tax expense (benefit) are set forth below:

(In thousands)	2002	2001	2000
Current:			
Federal	(\$11,570)	\$6,045	\$ 9,239
Foreign	1,712	1,594	138
State and other	(756)	348	621
	(10,614)	7,987	9,998
Deferred	(1,811)	12,737	444
	(\$12,425)	\$20,724	\$10,442

The following is a reconciliation between the statutory U.S. federal income tax rate and the Company's effective income tax rate:

	2002	2001	2000
Federal income tax rate	35.0%	35.0%	35.0%
State tax rate, net	(16.6)	2.4	1.4
Difference in U.S. statutory tax rate and Mexico's effective tax rate	(42.6)	(3.9)	(19.8)
Change in Mexico Tax Law	(626.3)		
	(650.5)%	33.5%	16.6%

Deferred income taxes reflect the net effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Significant components of the Company's deferred tax liabilities and assets are as follows:

(In thousands)	2002	2001
Deferred tax liabilities:		
Property and equipment	\$ 115,364	\$ 97,667
Inventories	37,917	27,926
Prior use of cash accounting	24,188	26,625
Other	11,666	2,419
Total deferred tax liabilities	189,135	154,637
Deferred tax assets:		
Net operating losses	44,821	--
Expenses deductible in different years	22,148	23,027
Total deferred tax asset	66,969	23,027
Valuation allowance	7,633	--
Net deferred tax liabilities	\$129,799	\$131,610

The Company has not provided any deferred income taxes on the undistributed earnings of its Mexico subsidiaries based upon its determination that such earnings will be indefinitely reinvested. As of September 28, 2002, the cumulative undistributed earnings of these subsidiaries were approximately \$191.7 million. If such earnings were not considered indefinitely reinvested, deferred U.S. and foreign income taxes would have been provided, after consideration of estimated foreign tax credits. However, determination of the amount of deferred federal and foreign income taxes is not practical.

The valuation allowance reflects the portion of the net operating losses attributable to certain of the Company's Mexico subsidiaries that currently do not have significant operations and, accordingly, such losses are expected to expire unutilized.

The Mexican tax operating loss carryforwards expire in the years ranging from 2008 through 2012.

NOTE E - ACCOUNTS RECEIVABLE

The Company does not believe it has significant concentrations of credit risk in its accounts receivable, which are generally unsecured. Credit evaluations are performed on all significant customers and updated as circumstances dictate. Allowances for doubtful accounts were \$2.4 million and \$3.9 million at September 28, 2002 and September 29, 2001, respectively.

On June 26, 1998, the Company entered into an Asset Sale Agreement to sell up to \$60.0 million of accounts receivable. In connection with the Asset Sale Agreement, the Company sells, on a revolving basis, certain of its trade receivables (the "Pooled Receivables") to a special purpose corporation wholly owned by the Company, which in turn sells a percentage ownership interest to third parties. At September 28, 2002 and September 29, 2001, an interest in these Pooled Receivables of \$58.5 million had been sold to third parties and is reflected as a reduction to accounts receivable during each period. This sales agreement expires on June 30, 2003. If this facility is not replaced or extended, the Company will likely use its revolving/term borrowing facility to provide this liquidity. These transactions have been recorded as sales in accordance with FASB Statement No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities. The gross proceeds resulting from the sale are included in cash flows from operating activities in the Consolidated Statements of Cash Flows. Losses on these sales were immaterial.

NOTE F - COMMON STOCK

The Company has two series of authorized common stock, Class A common stock and Class B common stock. The shares have substantially the same rights, powers and limitations, except that each share of Class B common stock entitles the holder thereof to 20 votes per share, except as otherwise provided by law, on any matter submitted for a stockholder vote, while each share of Class A common stock entitles the holder thereof to one vote per share on any such matter.

During fiscal 2000, the Company repurchased 271,100 shares of Class A common stock at a total cost of \$1.6 million. There was no repurchase of stock during fiscal 2001 or fiscal 2002.

NOTE G - SAVINGS PLAN

The Company maintains a Section 401(k) Salary Deferral Plan (the "Plan"). Under the Plan, eligible U.S. employees may voluntarily contribute a percentage of their compensation. The Plan provides for a contribution of up to four percent of compensation subject to an overall Company contribution limit of five percent of the U.S. operation's income before taxes. Under this plan, the Company's expenses were \$2.3 million, \$3.7 million and \$2.3 million in 2002, 2001 and 2000, respectively.

NOTE H - RELATED PARTY TRANSACTIONS

The major stockholder of the Company owns an egg laying and a chicken growing operation. In addition, at certain times during the year the major stockholder purchases from the Company live chickens and hens and certain feed inventories during the grow-out process and then contracts with the Company to resell the birds at maturity, determined on a market based formula price subject to a ceiling price calculated at his cost plus 2%. During the years ended September 28, 2002, September 29, 2001 and September 30, 2000 the formula resulted in a net operating profit (loss) to the major stockholder of (\$428,000), \$1,103,000 and \$100,000, respectively.

Transactions with related entities are summarized as follows:

(In thousands)	2002	2001	2000
Contract egg grower fees to major stockholder	\$ --	\$ 1,537	\$ 5,100
Lease payment on commercial egg property to major stockholder	750	564	--
Chick, feed and other sales to major stockholder	44,857	38,771	31,879
Live chicken purchases from major stockholder	44,429	39,784	31,979
Loan guaranty fees	2,615	3,142	795
Lease payments on airplane	396	396	396

On December 29, 2000 the Company entered into an agreement to lease a commercial egg property and assume all of the ongoing costs of the operation

from the Company's major stockholder. The Company had previously purchased the eggs produced from this operation pursuant to a contract grower arrangement. The lease term runs for ten years with a monthly lease payment of \$62,500. The Company has an option to extend the lease for an additional five years, with an option at the end of the lease to purchase the property at fair market value as determined by an independent appraisal.

The Company pays fees to the Company's major stockholder in return for the major stockholder's personal guarantee on certain debt obligations of the Company.

The Company leases an airplane from its major stockholder under an operating lease agreement that is renewable annually. The terms of the lease agreement require monthly payments of \$33,000 plus operating expenses. Lease expense was \$396,000 for each of the years 2002, 2001 and 2000. Operating expenses were \$212,520, \$234,066, and \$127,680 in 2002, 2001 and 2000, respectively.

The Company maintains depository accounts with a financial institution in which the Company's major stockholder is also a major stockholder. Fees paid to this bank in 2002, 2001 and 2000 are insignificant, and as of September 28, 2002 the Company had bank balances at this financial institution of approximately \$3.5 million.

On February 14, 2000, the Company purchased substantially all of the assets of a chicken litter disposal and fertilizer business operated by the Company's major stockholder's son for approximately \$8.5 million.

NOTE I - COMMITMENTS

The Consolidated Statements of Income include rental expense for operating leases of approximately \$28.1 million, \$28.7 million and \$22.4 million in 2002, 2001 and 2000, respectively. The Company's future minimum lease commitments under non-cancelable operating leases are as follows: 2003 -- \$31.7 million; 2004 -- \$20.9 million; 2005 -- \$15.8 million; 2006 -- \$13.9 million; 2007 -- \$11.4 million and thereafter \$10.5 million.

At September 28, 2002, the Company had \$14.1 million in letters of credit outstanding relating to normal business transactions.

NOTE J - CONTINGENCIES

In August of 2000, four of our current and/or former employees filed the case of "Betty Kennell, et al. v. Wampler Foods, Inc." in the United States District Court for the Northern District of West Virginia, claiming we violated requirements of the Fair Labor Standards Act. The suit alleged Pilgrim's Pride failed to pay employees for all hours worked. The suit generally alleged that (1) employees should be paid for time spent to put on, take off, and clean certain personal gear at the beginning and end of their shifts and breaks and (2) the use of a master time card or production "line" time fails to pay employees for all time actually worked. Plaintiffs seek to recover unpaid wages plus liquidated damages and legal fees. Approximately 150 consents to join as plaintiffs were filed with the court by current and/or former employees. No trial date has been set. To date, only limited discovery has been performed. Neither the likelihood of an unfavorable outcome nor the amount of ultimate liability, if any, with respect to this case can be determined at this time. We do not expect this matter, individually or collectively, to have a material impact on our financial position, operations or liquidity.

On August 20, 1999, the former WLR Foods brought legal action as a plaintiff in an antitrust lawsuit filed in the U.S. District Court in Washington D.C. alleging a world-wide conspiracy by approximately 34 named defendants to control production capacity and raise prices of common vitamins such as A, B-4, C, and E. The Company, as successor to WLR Foods in this suit, received \$9.5 million in fiscal 2002 in partial settlement of its claims, \$4.3 million of which was recorded by the Company as a component of "Other Expense (Income): Miscellaneous, Net" in fiscal 2002 as the recovery amount received during the period exceeded the \$5.2 million recovery amount recorded at the time of the acquisition of WLR Foods. The initial estimate of the amount that would be recovered under the WLR Foods claims was based on the ratio of recoveries to vitamin purchases that was inherent in similar claims settled by the Company in fiscal 2001 on substantially similar claims. To date, claims related to approximately one-third of the WLR Foods affected vitamin purchases have been settled by or on behalf of the former WLR Foods, which settlements resulted in payments to the Company or the former WLR Foods, Inc. of \$11.0 million. No assurances can be made regarding the likelihood or timing of future settlements or whether or not future recoveries, if any, will be proportionally less than, equal to or greater than these previous recovery amounts.

In October 2002 a limited number of USDA samples from our Franconia, Pennsylvania plant tested positive for Listeria. As a result, we voluntarily

recalled all cooked deli products produced at the plant from May 1, 2002 through October 11, 2002. The amount of product covered by the recall was approximately 7% of our annual turkey production and less than 1% of our total poultry production. As an additional precautionary measure, we immediately suspended operations at our Franconia facility to redouble our food safety and sanitation efforts. No illnesses associated with the Listeria strain in a Northeastern outbreak have been linked to any of our products. Our Franconia facility has been reviewed and inspected by the USDA and was reopened on November 13, 2002. As the recall occurred in early fiscal 2003, it did not have any significant impact on our consolidated financial statements as of September 28, 2002. In addition, we carry insurance designed to cover the direct recall related expenses and certain aspects of the related business interruption caused by the recall, and subject to the insurer's reservation of rights, we have received a \$4 million advance payment from our insurer with respect to the product recall claim. The Company believes that the recall and its direct effects will not have a material impact on our financial position, results of operations, or liquidity after considering available insurance coverage. However, there will likely be differences between the accounting periods in which certain recall effects are realized and when insurance recoveries are received, and there can be no assurances as to our ability to re-establish the products and sales affected by the recall.

As a result of the recall, on November 4, 2002, an individual who allegedly consumed our meat products filed a putative class action lawsuit in the Philadelphia County Court of Common Pleas in the Commonwealth of Pennsylvania. Plaintiff allegedly contracted Listeriosis. The case is styled Frank Niemtzw, individually and on behalf of all others similarly situated, v. Pilgrim's Pride Corporation and Wampler Foods, Inc. The complaint seeks recovery on behalf of a putative class of all persons that purchased and/or consumed meat products manufactured at the Company's Franconia, Pennsylvania facility between May 1, 2002, and October 11, 2002, who have suffered an injury. This class represents all individuals who have suffered Listeriosis and symptoms of Listeriosis and other medical injuries. Plaintiff also seeks to represent a putative class of all persons that purchased and/or consumed meat products manufactured at the Company's Franconia, Pennsylvania facility between May 1, 2002 and October 11, 2002, who have not suffered any personal injury. The complaint seeks compensatory and punitive damages under theories of negligence, alleged violation of the Pennsylvania Unfair Trade Practices Act and Consumer Protection Law, strict liability in tort, and unjust enrichment. The time for responding to the complaint has not yet arrived. We intend to defend vigorously both certification of the case as a class action and questions concerning ultimate liability and damages, if any. No discovery has been conducted to date. Neither the likelihood of an unfavorable outcome nor the amount of ultimate liability, if any, with respect to this case can be determined at this time. After considering our available insurance coverage, we do not expect this matter to have a material impact on our financial position, operation or liquidity.

On March 12, 2002 an outbreak of low-pathogenic avian influenza, a disease contagious to turkey, chicken and other birds, was discovered in Virginia. As a result we have destroyed a significant amount of poultry affected as a result of the virus. No new flocks have tested positive for the presence of avian influenza in Virginia since July 2, 2002 and the Company believes that the outbreak has been contained. We currently estimate that production in our turkey operation will be significantly reduced over the next six months due to the effects of this viral outbreak. On June 19, 2002, U.S. Secretary of Agriculture Ann Veneman proposed to the Office of Management and Budget that the U.S. Department of Agriculture cover one-half of the total estimated economic loss suffered by the poultry industry and independent growers in Virginia due to the avian influenza outbreak. Secretary Veneman also recommended that the government of Virginia cover the remaining portion. It is our understanding that, as part of her proposal, Secretary Veneman is suggesting that independent chicken and turkey growers are to be fully compensated for their losses first and that the remainder is to be allocated to other poultry producers (including us) whose flocks were destroyed by the virus. On November 4, 2002 the Department of Agriculture made public their estimate of total federal compensation at \$51 million, with growers being compensated \$13.9 million and owners being compensated \$37.1 million. No assurance can be given as to the amount of federal compensation that we may receive or that any state agencies will in fact provide further economic assistance to the poultry growers and producers affected by the avian influenza outbreak in Virginia. No anticipated recoveries have been recorded by us as our portion of the compensation has not yet been determined. In the event that state agencies do decide to grant economic assistance to the affected poultry growers and producers, it is impossible at this time to estimate how the state agencies would allocate any such assistance between affected poultry growers and producers whose flocks were destroyed by the virus.

On June 7, 2001, the Company brought legal action as a plaintiff in an antitrust lawsuit filed in the U.S. District Court in San Francisco alleging a world-wide conspiracy by defendant suppliers and producers of methionine to

control production capacity and raise prices of methionine. The Company estimates that it was overcharged by approximately \$50 million in connection with the alleged conspiracy and expects the litigation of this matter to be resolved during calendar year 2003. No assurances can be made regarding the likelihood or timing of future awards or settlements.

The Company is subject to various other legal proceedings and claims, which arise in the ordinary course of its business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the Company.

NOTE K - FINANCIAL INSTRUMENTS

The Company is a purchaser of certain commodities, primarily corn and soybeans. The Company periodically uses commodity futures and options for hedging purposes to reduce the effect of changing commodity prices and as a mechanism to procure the grains. The contracts that effectively meet risk reductions and correlation criteria are recorded using hedge accounting. Gains and losses on closed hedge transactions are recorded as a component of the underlying inventory purchase.

At September 28, 2002, the Company held the following commodity contracts consisting of delivery contracts settling between October 2002 and December 2003. The following table provides information about the Company's financial instruments that is sensitive to changes in commodity prices:

Dollars in thousands, except per unit contract/strike prices

Hedging Position:	Units	Notional Amount	Weighted Average Contract/Strike Price	Fair Value Gain
Long positions in corn	Bushels	2,645,000	\$2.53	\$50
Long positions in Soybean Meal	Tons	30,000	\$149.7	\$667

NOTE L - BUSINESS SEGMENTS

Since the acquisition of WLR Foods on January 27, 2001, the Company operates in two reportable business segments as (1) a producer of chicken and other products and (2) a producer of turkey products.

The Company's chicken and other products segment primarily includes sales of chicken products the Company produces and purchases for resale in the United States and Mexico, and also includes table eggs, feed and other items. The Company's chicken and other products segment conducts separate operations in the United States and Mexico and is reported as two separate geographical areas. The Company's turkey segment includes sales of turkey products produced in our turkey operation recently acquired from WLR Foods, whose operations are exclusively in the United States.

Inter-area sales and inter-segment sales, which are not material, are accounted for at prices comparable to normal trade customer sales. Total assets by segment and geographic area are those assets, which are used in the Company's operations in each segment or area. Corporate assets and expenses are included with chicken and other products.

The following table presents certain information regarding our segments:

	FISCAL YEAR ENDED		
	SEPTEMBER 28, 2002	SEPTEMBER 29, 2001	SEPTEMBER 30, 2000
	(IN THOUSANDS)		
NET SALES TO CUSTOMERS:			
Chicken and Other Products:			
United States	\$1,842,749	\$1,652,199	\$1,192,077
Mexico	342,851	323,678	307,362
Sub-total	2,185,600	1,975,877	1,499,439
Turkey	348,118	238,835	--
Total	\$2,533,718	\$2,214,712	\$1,499,439
OPERATING INCOME:			
Chicken and Other Products:			

United States	\$	32,663	\$	78,096	\$	45,928
Mexico		17,064		12,157		34,560
Sub-total		49,727		90,253		80,488
Turkey		(19,823)		4,289		--
Total	\$	29,904	\$	94,542	\$	80,488

DEPRECIATION AND AMORTIZATION: (B)

Chicken and Other Products:

United States	\$	47,528	\$	38,155	\$	24,444
Mexico		13,526		11,962		11,583
Sub-total		61,054		50,117		36,027
Turkey		9,919		5,273		--
Total	\$	70,973	\$	55,390	\$	36,027

TOTAL ASSETS:

Chicken and Other Products:

United States	\$	769,561	\$	764,073
Mexico		241,281		247,681
Sub-total		\$1,010,842		1,011,754
Turkey		210,576		203,941
Total		\$1,221,418		\$1,215,695

CAPITAL EXPENDITURES: (A)

Chicken and Other Products

United States	\$	65,775	\$	80,173
Mexico		7,934		29,425
Sub-total		73,709		109,598
Turkey		6,679		3,034
Total	\$	80,388	\$	112,632

(a) Excludes business acquisition cost of \$239,539, incurred in connection with the acquisition of WLR Foods on January 27, 2001.

(b) Includes amortization of capitalized financing costs of approximately \$1.4 million, \$0.9 million and \$1.2 million in fiscal years 2002, 2001 and 2000, respectively.

As of September 28, 2002, the Company had net assets in Mexico of \$226.4 million. There were no customers representing 10% or more of revenue in fiscal 2002 and 2001. During 2000 revenue from one customer represented 13.5% of consolidated net sales.

NOTE M - QUARTERLY RESULTS

Quarterly Results (Unaudited)

(In thousands, except per share data) Year ended September 28, 2002

	First Quarter	Second(a) Quarter	Third(b) Quarter	Fourth(a) Quarter	Fiscal Year
Net sales	\$656,030	\$600,753	\$637,116	\$639,819	\$2,533,718
Gross profit	57,865	28,631	47,000	31,670	165,166
Operating income (loss)	23,330	(4,372)	14,046	(3,100)	29,904
Net income (loss)	12,991	1,252	3,266	(3,174)	14,335
Per Share:					
Net income (loss)	0.32	0.03	0.08	(0.08)	0.35
Cash dividends	0.015	0.015	0.015	0.015	0.060

(In thousands, except per share data) Year ended September 28, 2002

	First Quarter	Second(a) Quarter	Third(b) Quarter	Fourth(a) Quarter	Fiscal Year
Net sales	\$386,032	\$541,593	\$645,836	\$641,251	\$2,214,712
Gross profit	47,166	29,216	75,625	61,943	213,950
Operating income (loss)	23,211	(5,272)	45,486	31,117	94,542
Income (loss) before extraordinary charge	12,737	(9,802)	25,267	13,829	42,031
Extraordinary charge, net of tax	--	--	--	894	894
Net income (loss)	12,737	(9,802)	25,267	12,934	41,137
Per Share:					
Net income (loss)	.31	(.24)	.61	.32	1.00
Cash dividends	.015	.015	.015	.015	.06

(a) Includes tax benefit of \$9.7 million in the second quarter and \$2.2 million in the fourth quarter resulting from the change in the Mexico tax law. See Note D.

- (b) Includes settlement from vitamin lawsuit of \$4.3 million. See Note J
- (c) The Company acquired WLR Foods on January 27, 2001 for \$239.5 million and the assumption of \$45.5 million of indebtedness. The acquisition has been accounted for as a purchase, and the results of operations for this acquisition have been included in our consolidated results of operations since the acquisition date.

PILGRIM'S PRIDE CORPORATION AND SUBSIDIARIES

SCHEDULE II-VALUATION AND QUALIFYING ACCOUNTS

DESCRIPTION	Col. A	Col. B	Col. C	
		Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts Describe
Year ended September 28, 2002:				
Reserves and allowances deducted from asset accounts:				
Allowance for doubtful accounts		\$3,961,000	\$(506,000)	\$ --
Year ended September 29, 2001:				
Reserves and allowances deducted from asset accounts:				
Allowance for doubtful accounts		\$4,086,000	\$1,132,000	\$ --
Year ended September 30, 2000:				
Reserves and allowances deducted from asset accounts:				
Allowance for doubtful accounts		\$4,703,000	\$(611,000)	\$ --

DESCRIPTION	Col. A	Col. D	Col. E
		Deductions- Describe	Balance at end of Period
Year ended September 28, 2002:			
Reserves and allowances deducted from asset accounts:			
Allowance for doubtful accounts		\$1,111,000(1)	\$ 2,344,000
Year ended September 29, 2001:			
Reserves and allowances deducted from asset accounts:			
Allowance for doubtful accounts		\$1,257,000(1)	\$ 3,961,000
Year ended September 30, 2000:			
Reserves and allowances deducted from asset accounts:			
Allowance for doubtful accounts		\$ 6,000(1)	\$ 4,086,000

(1)Uncollectable accounts written off, net of recoveries.

EXHIBIT 12
PILGRIM'S PRIDE CORPORATION

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

	Year Ended		
	C> SEPTEMBER 28, 2002	SEPTEMBER 29, 2001	SEPTEMBER 30, 2000
	(amounts in thousands, except ratio)		
EARNINGS:			
Income before income taxes and extraordinary charge	\$1,910	\$63,294	\$62,786
Add: Total fixed charges (see below)	49,801	48,406	29,168
Less: Interest Capitalized	6,014	7,153	3,313
Total Earnings	\$45,697	\$104,547	\$88,641
FIXED CHARGES:			
Interest (1)	40,444	\$38,852	\$21,712
Portion of rental expense representative of the interest factor (2)	9,357	9,554	7,456
Total fixed charges	\$49,801	\$48,406	\$29,168
Ratio of earnings to fixed charges	(3)	2.16	3.04

	Year Ended	
	C> OCTOBER 2, 1999	SEPTEMBER 26, 1998
	(amounts in thousands, except ratio)	
EARNINGS:		
Income before income taxes and extraordinary charge	\$90,904	\$56,522
Add: Total fixed charges (see below)	26,706	27,987
Less: Interest Capitalized	2,032	1,675
Total Earnings	\$115,578	\$82,834
FIXED CHARGES:		
Interest (1)	\$ 20,889	\$23,239
Portion of rental expense representative of the interest factor (2)	5,817	4,748
Total fixed charges	\$ 26,706	\$27,987
Ratio of earnings to fixed charges	4.33	2.96

(1) Interest includes amortization of capitalized financing fees.

(2) One-third of rental expenses is assumed to be representative of the interest factor.

(3) Earnings were insufficient to cover fixed charges by \$4,104.

EXHIBIT 21- SUBSIDIARIES OF REGISTRANT

1. COMERCIALIZADORA DE CARNES DE MEXICO S.A. DE C.V.
2. COMPANIA INCUBADORA HIDALGO S.A. DE C.V.
3. INMOBILIARIA AVICOLA PILGRIM'S PRIDE, S. DE R.L.
4. PILGRIM'S PRIDE S.A. DE C.V.
5. GALLINA PESADA S.A. DE C.V.
6. PILGRIM'S PRIDE FUNDING CORPORATION
7. PILGRIM'S PRIDE INTERNATIONAL INC.
8. PPC OF DELAWARE BUSINESS TRUST
9. PILGRIM'S PRIDE MKTG, LTD.
10. PILGRIM'S PRIDE AFFORDABLE HOUSING CORPORATION
11. GRUPO PILGRIM'S PRIDE FUNDING HOLDINGS S. DE R.L. DE C.V.
12. GRUPO PILGRIM'S PRIDE FUNDING S. DE R.L. DE C.V.
13. ROCKINGHAM POULTRY, INC. (FOREIGN SALES CORP.)
14. VALLEY RAIL SERVICE, INC.
15. PILGRIM'S PRIDE OF NEVADA, INC.
16. PILGRIM'S PRIDE DUTCH FUNDING B.V.
17. DALLAS REINSURANCE COMPANY, LTD
18. NACRAIL LLC
19. SERVICIOS ADMINISTRATIVOS PILGRIM'S PRIDE S.A. DE C.V.
20. FOOD PROCESSORS WATER COOPERATIVE INC.

EXHIBIT 23

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statements (Form S-8 No. 3-12043, Form S-8 No. 333-74984 and Form S-3 No. 333-84861) of Pilgrim's Pride Corporation, and in the related Prospectuses, of our report dated October 29, 2002, except for Note J and the first paragraph of Note C, as to which the date is December 2, 2002, with respect to the consolidated financial statements and schedule of Pilgrim's Pride Corporation included in this Annual Report (Form 10-K) for the year ended September 28, 2002.

ERNST & YOUNG LLP

Dallas, Texas
December 2, 2002

CERTIFICATE OF INCORPORATION
OF

PILGRIM'S PRIDE CORPORATION

FIRST: THE NAME OF THE CORPORATION IS PILGRIM'S PRIDE CORPORATION.

SECOND: THE ADDRESS OF THE REGISTERED OFFICE OF THE CORPORATION IN THE STATE OF DELAWARE IS 1209 ORANGE STREET IN THE CITY OF WILMINGTON, COUNTY OF NEW CASTLE. THE NAME OF ITS REGISTERED AGENT AT THAT ADDRESS IS THE CORPORATION TRUST COMPANY.

THIRD: THE PURPOSE OF THE CORPORATION IS TO ENGAGE IN ANY LAWFUL ACT OR ACTIVITY FOR WHICH A CORPORATION MAY BE ORGANIZED UNDER THE GENERAL CORPORATION LAW OF DELAWARE AS SET FORTH IN TITLE 8 OF THE DELAWARE CODE (THE "GCL").

FOURTH: THE AGGREGATE NUMBER OF SHARES OF CAPITAL STOCK WHICH THE CORPORATION SHALL HAVE AUTHORITY TO ISSUE IS 50,000,000 SHARES, CONSISTING OF 5,000,000 SHARES OF PREFERRED STOCK, PAR VALUE \$.01 PER SHARE ("PREFERRED STOCK"), AND 45,000,000 SHARES OF COMMON STOCK, PAR VALUE \$.01. PER SHARE (THE "COMMON STOCK").

THE FOLLOWING IS A STATEMENT OF THE DESIGNATIONS, PREFERENCES AND RELATIVE, PARTICIPATING, OPTIONAL OR OTHER SPECIAL RIGHTS IN RESPECT OF THE CLASSES OF STOCK OF THE CORPORATION, AND OF THE AUTHORITY WITH RESPECT THERETO EXPRESSLY VESTED IN THE BOARD OF DIRECTORS OF THE CORPORATION:

PREFERRED STOCK

SHARES OF THE PREFERRED STOCK MAY BE ISSUED FROM TIME TO TIME IN ONE OR MORE SERIES, THE SHARES OF EACH SERIES TO HAVE SUCH VOTING POWERS, FULL OR LIMITED, OR NO VOTING POWERS, AND SUCH DESIGNATIONS, PREFERENCES AND RELATIVE, PARTICIPATING, OPTIONAL OR OTHER SPECIAL RIGHTS, AND QUALIFICATIONS LIMITATIONS OR RESTRICTIONS THEREOF, AS SHALL BE STATED AND EXPRESSED IN A RESOLUTION OR RESOLUTIONS PROVIDING FOR THE ISSUE OF SUCH SERIES ADOPTED BY THE BOARD OF DIRECTORS OF THE CORPORATION. THE BOARD OF DIRECTORS OF THE CORPORATION IS HEREBY EXPRESSLY AUTHORIZED, SUBJECT TO THE LIMITATIONS PROVIDED BY LAW, TO ESTABLISH AND DESIGNATE SERIES OF THE PREFERRED STOCK, TO FIX THE NUMBER OF SHARES CONSTITUTING EACH SERIES, AND TO FIX THE DESIGNATIONS AND THE RELATIVE POWERS, RIGHTS, PREFERENCES AND LIMITATIONS OF THE SHARES OF EACH SERIES AND THE VARIATIONS IN THE RELATIVE POWERS, RIGHTS, PREFERENCES AND LIMITATIONS AS BETWEEN SERIES, AND TO INCREASE AND TO DECREASE THE NUMBER OF SHARES CONSTITUTING EACH SERIES.

COMMON STOCK

A. DIVIDENDS. SUBJECT TO THE PRIOR RIGHTS AND PREFERENCES OF THE PREFERRED STOCK AND SUBJECT TO THE PROVISIONS AND ON THE CONDITIONS SET FORTH IN THE FOREGOING PART OF THIS ARTICLE FOURTH OR IN ANY RESOLUTION OF THE BOARD OF DIRECTORS OF THE CORPORATION, DIVIDENDS MAY BE PAID ON THE COMMON STOCK IN MONEY, PROPERTY OR COMMON STOCK, AS AND WHEN DECLARED BY THE BOARD OF DIRECTORS OF THE CORPORATION OUT OF ANY FUNDS OF THE CORPORATION LEGALLY AVAILABLE FOR THE PAYMENT THEREOF.

B. VOTING. THE SHARES OF COMMON STOCK SHALL BE FULLY VOTING STOCK AT THE RATE OF ONE VOTE FOR EACH SHARE OF COMMON STOCK.

C. LIQUIDATION RIGHTS. IN THE EVENT OF ANY LIQUIDATION OR DISSOLUTION OR WINDING UP OF THE AFFAIRS OF THE CORPORATION, WHETHER VOLUNTARY OR INVOLUNTARY, AFTER PAYMENT OR PROVISION FOR PAYMENT OF THE DEBTS AND OTHER LIABILITIES OF THE CORPORATION AND AFTER DISTRIBUTION IN FULL OF THE PREFERENTIAL AMOUNTS TO BE DISTRIBUTED TO THE HOLDERS OF SHARES OF ANY AND ALL SERIES OF PREFERRED STOCK, THE HOLDERS OF SHARES OF COMMON STOCK SHALL BE ENTITLED TO RECEIVE ALL THE REMAINING ASSETS OF THE CORPORATION AVAILABLE FOR DISTRIBUTION TO ITS STOCKHOLDERS, RATABLY IN PROPORTION TO THE NUMBER OF SHARES OF COMMON STOCK HELD BY THEM.

FIFTH: THE NAME AND MAILING ADDRESS OF THE SOLE INCORPORATOR IS AS FOLLOWS:

NAME	MAILING ADDRESS
VAN M. JOLAS	RAIN HARRELL EMERY YOUNG & DOKE

4200

REPUBLICBANK TOWER

DALLAS, TEXAS 75201

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SIXTH: THE NAME AND MAILING ADDRESS OF EACH PERSON WHO IS TO SERVE AS A DIRECTOR UNTIL THE FIRST ANNUAL MEETING OF THE STOCKHOLDERS OR UNTIL HIS SUCCESSOR IS ELECTED AND QUALIFIED IS AS FOLLOWS:

NAME	MAILING ADDRESS
LONNIE A. PILGRIM	P.O. BOX 93, PITTSBURG, TEXAS 75686
CLIFFORD S. BUTLER	P.O. BOX 93, PITTSBURG, TEXAS 75686
ROBERT E. HENDRIX	P.O. BOX 93, PITTSBURG, TEXAS 75686
JAMES J. MINER, PH.D.	P.O. BOX 93, PITTSBURG, TEXAS 75686
CHARLES L. BLACK	P.O. BOX 93, PITTSBURG, TEXAS 75686
RICHARD C. LARKIN	P.O. BOX 93, PITTSBURG, TEXAS 75686
JAMES G. VETTER, JR.	P.O. BOX 93, PITTSBURG, TEXAS 75686
ROBERT E. HILGENFELD	P.O. BOX 93, PITTSBURG, TEXAS 75686
SCOTT D. JACKSON	P.O. BOX 93, PITTSBURG, TEXAS 75686
VANCE C. MILLER	P.O. BOX 93, PITTSBURG, TEXAS 75686
LONNIE KEN PILGRIM	P.O. BOX 93, PITTSBURG, TEXAS 75686

SEVENTH: THE FOLLOWING PROVISIONS ARE INSERTED FOR THE MANAGEMENT OF THE BUSINESS AND THE CONDUCT OF THE AFFAIRS OF THE CORPORATION, AND FOR FURTHER DEFINITION, LIMITATION AND REGULATION OF THE POWERS OF THE CORPORATION AND OF ITS DIRECTORS AND STOCKHOLDERS,

(1) THE BUSINESS AND AFFAIRS OF THE CORPORATION SHALL BE MANAGED BY OR UNDER THE DIRECTION OF THE BOARD OF DIRECTORS.

(2) THE DIRECTORS SHALL HAVE CONCURRENT POWER WITH THE STOCKHOLDERS TO MAKE, ALTER, AMEND, CHANGE, ADD OR TO REPEAL THE BY-LAWS OF THE CORPORATION.

(3) THE NUMBER OF DIRECTORS OF THE CORPORATION SHALL BE AS FROM TIME TO TIME FIXED BY, OR IN THE MANNER PROVIDED IN, THE BY-LAWS OF THE CORPORATION. ELECTION OF DIRECTORS NEED NOT BE BY WRITTEN BALLOT UNLESS THE BY-LAWS SO PROVIDE.

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(4) IN ADDITION TO THE POWERS AND AUTHORITY HEREIN-BEFORE OR BY STATUTE EXPRESSLY CONFERRED UPON THEM, THE DIRECTORS ARE HEREBY EMPOWERED TO EXERCISE ALL SUCH POWERS AND DO ALL SUCH ACTS AND THINGS AS MAY BE EXERCISED OR DONE BY THE CORPORATION, SUBJECT, NEVERTHELESS, TO THE PROVISIONS OF THE GCL, . THIS CERTIFICATE OF INCORPORATION, AND ANY BY-LAWS ADOPTED BY THE STOCKHOLDERS; PROVIDED, HOWEVER, THAT NO BY-LAWS HEREAFTER ADOPTED BY THE STOCKHOLDERS SHALL INVALIDATE ANY PRIOR ACT OF THE DIRECTORS WHICH WOULD HAVE BEEN VALID IF SUCH BY-LAWS HAD NOT BEEN ADOPTED.

EIGHTH: MEETINGS OF STOCKHOLDERS MAY BE HELD WITHIN OR WITHOUT THE STATE OF DELAWARE, AS THE CORPORATION'S BYLAWS MAY PROVIDE. THE BOOKS OF THE CORPORATION MAY BE KEPT (SUBJECT TO ANY PROVISION CONTAINED IN THE STATUTES) OUTSIDE THE STATE OF DELAWARE AT SUCH PLACE OR PLACES AS MAY BE DESIGNATED FROM TIME TO TIME BY THE BOARD OF DIRECTORS OR IN THE BYLAWS OF THE CORPORATION.

NINTH; WHENEVER A COMPROMISE OR ARRANGEMENT IS PROPOSED BETWEEN THE CORPORATION AND ITS CREDITORS OR ANY CLASS OF THEM AND/OR BETWEEN THE CORPORATION AND ITS STOCKHOLDERS OR ANY CLASS OF THEM, ANY COURT OF EQUITABLE JURISDICTION WITHIN THE STATE OF DELAWARE MAY, ON THE APPLICATION IN A SUMMARY

WAY OF THE CORPORATION OR OF ANY CREDITOR OR STOCKHOLDER THEREOF OR ON THE APPLICATION OF ANY RECEIVER OR RECEIVERS APPOINTED FOR THE CORPORATION UNDER THE PROVISIONS OF SECTION 291 OF THE GCL OR ON THE APPLICATION OF TRUSTEES IN DISSOLUTION OR OF ANY RECEIVER OR RECEIVERS APPOINTED FOR THE CORPORATION UNDER SECTION 279 OF THE GCL, ORDER A MEETING OF THE CREDITORS OR CLASS OF CREDITORS, AND/OR OF THE STOCKHOLDERS OR CLASS OF STOCKHOLDERS OF THE CORPORATION, AS THE CASE MAY BE, TO BE SUMMONED IN SUCH MANNER AS THE SAID COURT DIRECTS. IF A MAJORITY IN NUMBER REPRESENTING THREE-FOURTHS IN VALUE OF THE CREDITORS OR CLASS OF CREDITORS, AND/OR OF THE STOCKHOLDERS OR CLASS OF STOCKHOLDERS OF THE CORPORATION, AS THE CASE MAY BE, AGREE TO ANY COMPROMISE OR ARRANGEMENT AND TO ANY REORGANIZATION OF THE CORPORATION AS A CONSEQUENCE OF MUCH COMPROMISE OR ARRANGEMENT, THE SAID COMPROMISE OR ARRANGEMENT AND THE SAID REORGANIZATION SHALL, IF SANCTIONED BY THE COURT TO WHICH THE SAID APPLICATION HAS BEEN MADE, BE BINDING ON ALL THE CREDITORS OR CLASS OF CREDITORS, AND/OR ON ALL THE STOCKHOLDERS OR CLASS OF STOCKHOLDERS, OF THE CORPORATION, AS THE CASE MAY BE, AND ALSO ON THE CORPORATION.

TENTH: THE DIRECTORS OF THE CORPORATION SHALL NOT BE PERSONALLY LIABLE TO THE CORPORATION OR ITS STOCKHOLDERS FOR MONETARY DAMAGES FOR BREACH OF FIDUCIARY DUTY AS A DIRECTOR; PROVIDED, HOWEVER, THAT THIS PROVISION SHALL NOT ELIMINATE OR LIMIT THE LIABILITY OF A DIRECTOR OF THE CORPORATION (I) FOR ANY BREACH OF THE DIRECTOR'S DUTY OF LOYALTY TO THE CORPORATION OR ITS STOCKHOLDERS, (II) FOR ACTS OR OMISSIONS NOT IN GOOD FAITH OR WHICH INVOLVE INTENTIONAL MISCONDUCT OR A KNOWING VIOLATION OF LAW, (III) UNDER SECTION 174 OF THE GCL, OR (IV) FOR ANY TRANSACTION FROM WHICH THE DIRECTOR DERIVED AN IMPROPER PERSONAL BENEFIT.

ELEVENTH: THE CORPORATION RESERVES THE RIGHT TO AMEND, ALTER, CHANGE OR REPEAL ANY PROVISION CONTAINED IN THIS CERTIFICATE OF INCORPORATION, IN THE MANNER NOW OR HEREAFTER PRESCRIBED BY STATUTE, AND ALL RIGHTS CONFERRED UPON STOCKHOLDERS HEREIN ARE GRANTED SUBJECT TO THIS RESERVATION.

I, THE UNDERSIGNED, BEING THE SOLE INCORPORATOR HEREINBEFORE NAMED, FOR THE PURPOSE OF FORMING A CORPORATION PURSUANT TO THE GCL, DO MAKE THIS CERTIFICATE, HEREBY DECLARING AND CERTIFYING THAT THIS IS MY ACT AND DEED AND THE FACTS HEREIN STATED ARE TRUE, AND ACCORDINGLY HAVE HEREUNTO SET MY HAND THIS 9TH DAY OF SEPTEMBER, 1986.

/s/ Van M. Jolas
VAN M. JOLAS

CERTIFICATE OF MERGER

PURSUANT TO THE PROVISIONS OF SECTION 252(C) OF THE GENERAL CORPORATION LAW OF THE STATE OF DELAWARE, PILGRIM'S PRIDE CORPORATION, A DELAWARE CORPORATION, DOES HEREBY ADOPT THE FOLLOWING CERTIFICATE OF MERGER:

1. THE NAME AND STATE OF INCORPORATION OF EACH OF THE CONSTITUENT CORPORATIONS IS:

NAME OF CORPORATION	STATE
PILGRIM'S PRIDE CORPORATION	TEXAS
PILGRIM'S PRIDE CORPORATION	DELAWARE

2. THE PLAN AND AGREEMENT OF MERGER (THE "MERGER AGREEMENT") BETWEEN PILGRIM'S PRIDE CORPORATION AND PILGRIM'S PRIDE CORPORATION, A TEXAS CORPORATION ("PPC"), DATED OCTOBER 25, 1986. ATTACHED HERETO AS EXHIBIT A, HAS BEEN APPROVED, ADOPTED, CERTIFIED, EXECUTED AND ACKNOWLEDGED BY EACH OF THE CONSTITUENT CORPORATIONS IN ACCORDANCE WITH SUBSECTION (C) OF SECTION 252 OF THE GENERAL CORPORATION LAW OF THE STATE OF DELAWARE.

3 THE NAME OF THE SURVIVING CORPORATION IS PILGRIM A PRIDE CORPORATION, A DELAWARE CORPORATION.

4 THE CERTIFICATE OF INCORPORATION OF PILGRIM'S PRIDE CORPORATION SHALL BE THE CERTIFICATE OF INCORPORATION OF THE SURVIVING CORPORATION.

5. THE EXECUTED MERGER AGREEMENT IS ON FILE AT THE PRINCIPAL PLACE OF BUSINESS OF PILGRIM'S PRIDE CORPORATION, 110 SOUTH TEXAS STREET, PITTSBURG, TEXAS 75686.

6. A COPY OF THE MERGER AGREEMENT WILL BE FURNISHED BY PILGRIM'S PRIDE CORPORATION ON REQUEST AND WITHOUT COST TO ANY STOCKHOLDER OF ANY CONSTITUENT CORPORATION.

7. THE AUTHORIZED CAPITAL STOCK OF PPC IS 1,750,000 SHARES OF COMMON STOCK, PAR VALUE \$1.00 PER SHARE.

IN WITNESS WHEREOF, THE UNDERSIGNED HAS CAUSED THIS CERTIFICATE TO BE SIGNED AS OF THE 1ST DAY OF NOVEMBER 1986.

ATTEST:

PILGRIM'S PRIDE CORPORATION
A DELAWARE CORPORATION

CLIFFORD E BUTLER
SECRETARYBY: /s/ Clifford E. Butler

/s/ Lonnie A. Pilgrim

LONNIE A. PILGRIM
CHAIRMAN OF THE BOARD OF DIRECTORS AND
CHIEF EXECUTIVE OFFICER

EXHIBIT A

PLAN AND AGREEMENT OF MERGER

THIS PLAN AND AGREEMENT OF MERGER, MADE AND ENTERED INTO AS OF THE 25TH DAY OF OCTOBER, 1986, BY AND BETWEEN PILGRIMS PRIDE CORPORATION, A TEXAS CORPORATION ("PPC"), AND PILGRIM'S PRIDE CORPORATION, A DELAWARE CORPORATION ("NEW PPC") (PPC AND NEW PPC ARE HEREINAFTER COLLECTIVELY REFERRED TO AS THE "CONSTITUENT CORPORATIONS");

W I T N E S S E T H:

WHEREAS, THE RESPECTIVE BOARDS OF DIRECTORS OF PPC AND NEW PPC HAVE DETERMINED THAT IT IS DESIRABLE AND IN THE BEST INTEREST OF EACH OF THE CORPORATIONS TO EFFECT A MERGER OF THE CORPORATIONS, WHEREBY (I) PPC WILL BE MERGED INTO NEW PPC, WHICH WILL BE THE SURVIVING CORPORATION IN THE MERGER. (II) EACH ISSUED AND OUTSTANDING SHARE OF COMMON STOCK, PAR VALUE \$.01. PER SHARE ("NEW PPC COMMON STOCK"), OF NEW PCC OWNED BY PPC WILL BE CANCELLED AND (III) EACH ISSUED AND OUTSTANDING SHARE OF COMMON STOCK, PAR VALUE \$1.00 PER SHARE ("PPC COMMON STOCK"), OF PPC WILL BE CONVERTED INTO AND BECOME SHARES OF NEW PPC COMMON STOCK; AND

WHEREAS, THE RESPECTIVE BOARDS OF DIRECTORS OF PPC AND NEW PPC HAVE DIRECTED THAT THE PLAN OF MERGER BE SUBMITTED TO A VOTE OF SHAREHOLDERS OF PPC AND NEW PCC, RESPECTIVELY;

WHEREAS, THE RESPECTIVE BOARDS OF DIRECTORS OF PCC AND NEW PPC HAVE DULY AUTHORIZED THE EXECUTION HEREOF;

NOW, THEREFORE, IN CONSIDERATION OF THE PREMISES AND OF THE MUTUAL COVENANTS AND AGREEMENTS HEREIN CONTAINED. PPC AND NEW PPC HEREBY AGREE THAT PPC SHALL BE MERGED WITH AND INTO NEW PCC IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF THIS AGREEMENT AND PRESCRIBE THE TERMS AND CONDITIONS OF THE MERGER OF PCC INTO NEW PPC, THE MODE OF CARRYING IT INTO EFFECT, THE NAME OF THE SURVIVING CORPORATION, AND SUCH OTHER DETAILS AND PROVISIONS AS ARE DEEMED NECESSARY OR DESIRABLE, AS FOLLOWS:

1. MERGER. SUBJECT TO THE CONDITIONS HEREINAFTER SET FORTH, UPON THE FILING OF ARTICLES OF MERGER AS REQUIRED UNDER APPLICABLE LAW (THE "EFFECTIVE TIME"), FF0 SHALL BE MERGED WITH AND INTO NEW PPC, AND NEW PPC SHALL BE THE SURVIVING CORPORATION AND SHALL BE GOVERNED BY THE LAWS OF THE STATE OF DELAWARE.

2. TERMS AND CONDITIONS OF THE MERGER. AT THE EFFECTIVE TIME, (I) THE CERTIFICATE OF INCORPORATION OF THE SURVIVING CORPORATION SHALL BE THE CERTIFICATE OF INCORPORATION OF NEW PPC IN EFFECT IMMEDIATELY PRIOR TO THE EFFECTIVE TIME, (II) THE BYLAWS OF THE SURVIVING CORPORATION SHALL BE THE BYLAWS OF NEW PPC IN EFFECT IMMEDIATELY PRIOR TO THE EFFECTIVE TIME, (III) THE DIRECTORS OF THE SURVIVING CORPORATION SHALL BE THE DIRECTORS OF NEW PPC IN OFFICE IMMEDIATELY PRIOR TO THE EFFECTIVE TIME, WHO SHALL SERVE UNTIL THEIR SUCCESSORS SHALL HAVE BEEN ELECTED AND SHALL QUALIFY, (IV) THE OFFICERS OF THE SURVIVING CORPORATION SHALL BE THE OFFICERS OF PPC III OFFICE IMMEDIATELY PRIOR TO THE EFFECTIVE TIME, AND (V) THE REGISTERED OFFICE OF THE SURVIVING CORPORATION IN THE STATE OF DELAWARE SHALL BE CORPORATION TRUST CENTER, 1209 ORANGE STREET, WILMINGTON. DELAWARE.

THIS MERGER AGREEMENT SHALL CONSTITUTE A PLAN OF REORGANIZATION PURSUANT TO SECTION 368(A)(L)(A) OF THE INTERNAL REVENUE CODE OF 1954, AS AMENDED.

AT THE EFFECTIVE TIME, THE SEPARATE CORPORATE EXISTENCE OF PPC SHALL CEASE, AND NEW PCC SHALL POSSESS ALL THE RIGHTS, PRIVILEGES, POWERS AND FRANCHISES OF A PUBLIC AS WELL AS OF A PRIVATE NATURE AND BE SUBJECT TO ALL THE RESTRICTIONS, DISABILITIES AND DUTIES OF EACH OF THE CONSTITUENT CORPORATIONS; AND ALL AND SINGULAR, THE RIGHTS, PRIVILEGES, POWERS AND FRANCHISES OF EACH OF THE CONSTITUENT CORPORATIONS, AND ALL PROPERTY, REAL, PERSONAL AND MIXED, AND ALL DEBTS DUE TO EITHER OF THE CONSTITUENT CORPORATIONS ON WHATEVER ACCOUNT, INCLUDING STOCK SUBSCRIPTIONS AND ALL OTHER CHOSSES OR THINGS IN ACTION OR BELONGING TO EACH OF THE CONSTITUENT CORPORATIONS SHALL BE VESTED IN THE SURVIVING CORPORATION; AND ALL PROPERTY, RIGHTS, PRIVILEGES, POWERS AND FRANCHISES, AND ALL AND EVERY OTHER INTEREST SHALL BE. THEREAFTER AS EFFECTUALLY THE PROPERTY OF THE SURVIVING CORPORATION AS THEY WERE OF THE SEVERAL AND RESPECTIVE CONSTITUENT CORPORATIONS, AND THE TITLE TO ANY REAL ESTATE VESTED BY DEED OR OTHERWISE, UNDER THE LAWS OF THE STATE OF DELAWARE, IN EITHER OF SUCH CONSTITUENT CORPORATIONS, SHALL NOT REVERT OR BE IN ANY WAY IMPAIRED BY REASON OF THE GENERAL CORPORATION LAW OF THE STATE OF DELAWARE; BUT ALL RIGHTS OF CREDITORS AND ALL LIENS UPON ANY PROPERTY OF ANY OF THE CONSTITUENT CORPORATIONS SHALL BE PRESERVED UNIMPAIRED, AND ALL DEBTS, LIABILITIES AND DUTIES OF THE RESPECTIVE CONSTITUENT CORPORATIONS SHALL THENCEFORTH ATTACH TO THE SURVIVING CORPORATION AND MAY BE ENFORCED AGAINST IT TO THE SAME EXTENT AS IF SAID DEBTS, LIABILITIES AND DUTIES HAD BEEN INCURRED OR CONTRACTED BY IT.

AT THE EFFECTIVE TIME, NEW PPC ASSUMES THE DUE AND PUNCTUAL PAYMENT OF THE PRINCIPAL OF AND PREMIUM, IF ANY, AND INTEREST ON, ALL OF THE NOTES (AS DEFINED IN THE COLLATERAL TRUST INDENTURE RE: PILGRIM'S PRIDE CORPORATION DATED AS OF OCTOBER 1, 1986 (THE "INDENTURE")), ACCORDING TO THEIR RESPECTIVE TENOR, AND THE DUE AND PUNCTUAL PERFORMANCE AND OBSERVANCE OF ALL OF THE COVENANTS IN THE NOTES, THE INDENTURE AND THE DOCUMENTS EVIDENCING OR CREATING ANY OTHER OBLIGATIONS SECURED BY THE INDENTURE.

NEW PCC, THE SURVIVING CORPORATION, HEREBY (I) AGREES THAT IT MAY BE SERVED WITH PROCESS IN THE STATE OF TEXAS IN ANY PROCEEDING FOR THE ENFORCEMENT OF ANY OBLIGATION OF PPC AND IN ANY PROCEEDING FOR THE ENFORCEMENT OF THE RIGHTS OF A DISSENTING SHAREHOLDER OF PPC AGAINST NEW PPC, (II) IRREVOCABLY APPOINTS THE SECRETARY -OF STATE OF TEXAS AS ITS AGENT TO ACCEPT SERVICE OF PROCESS IN ANY SUCH PROCEEDING, AND (III) AGREES THAT IT WILL PROMPTLY PAY TO THE DISSENTING SHAREHOLDERS OF PPC THE AMOUNT, IF ANY, TO WHICH THEY SHALL BE ENTITLED UNDER THE PROVISIONS OF THE TEXAS BUSINESS CORPORATION ACT WITH RESPECT TO THE RIGHTS OF DISSENTING SHAREHOLDERS.

3. THE MANNER OF CONVERTING THE SHARES. AT THE EFFECTIVE TIME, (I) EACH OF THE ISSUED AND OUTSTANDING SHARES OF NEW PPC COMMON STOCK OWNED BY PPC SHALL BE CANCELLED AND RETURNED AND RESUME THE STATUS OF AUTHORIZED BUT UNISSUED SHARES OF NEW PPC COMMON STOCK AND (II) THE ISSUED AND OUTSTANDING SHARES OF PPC COMMON STOCK SHALL, BY VIRTUE OF THE MERGER AND WITHOUT ANY ACTION, BE CONVERTED INTO AND BECOME FULLY PAID AND NONASSESSABLE SHARES OF NEW PCC COMMON STOCK AS SET FORTH IN THE FOLLOWING TABLET

OF SHARES OF NEW PPC COMMON OF PPC COMMON STOCK INTO WHICH SHAREHOLDER STOCK OUTSTANDING CONVERTED	NUMBER OF SHARES	NUMBER
LONNIE A. PILGRIM	480,718	16,920,000
LONNIE A. PILGRIM, TRUSTEE FOR LONNIE KEN PILGRIM	10,228	360,000
LONNIE A. PILGRIM TRUSTEE FOR GRETA PILGRIM 0~L4.	10,228	360,000
LONNIE A. PILGRIM, TRUSTEE FOR PATRICK WAYNE PILGRIM	10,228	360,000

4. TERMINATION. THIS AGREEMENT MAY BE TERMINATED AND ABANDONED AT ANY TIME PRIOR TO THE EFFECTIVE TIME, WHETHER BEFORE OR AFTER ACTION THEREON BY THE SHAREHOLDERS OF PVC OR NEW PVC. BY RESOLUTION OF THE BOARD OF DIRECTORS OF EITHER PVC OR NEW PVC. IN THE EVENT OF THE TERMINATION AND ABANDONMENT OF THIS AGREEMENT PURSUANT TO THE PROVISIONS OF THIS SECTION, THIS AGREEMENT SHALL BE OF NO FURTHER FORCE OR EFFECT.

5. FURTHER ACTIONS. THE PARTIES HERETO AGREE TO TAKE ALL FURTHER ACTIONS

AND TO EXECUTE AND ACKNOWLEDGE AND DELIVER ALL SUCH FURTHER INSTRUMENTS OR DOCUMENTS AS MAY BE NECESSARY OR DESIRABLE TO CARRY OUT THE TRANSACTIONS PROVIDED FOR IN THIS AGREEMENT.

6. STOCK CERTIFICATES. AT AND AFTER THE EFFECTIVE TIME, ALL OF THE OUTSTANDING CERTIFICATES WHICH, IMMEDIATELY PRIOR TO THE EFFECTIVE TIME, REPRESENTED SHARES OF PPC COMMON STOCK SHALL BE DEEMED FOR ALL PURPOSES TO EVIDENCE OWNERSHIP OF AND TO REPRESENT SHARES OF NEW PPC COMMON STOCK. THE REGISTERED OWNER ON THE BOOKS AND RECORDS OF NEW PPC OR ITS TRANSFER AGENT OF ANY SUCH OUTSTANDING STOCK CERTIFICATE SHALL, UNTIL SUCH CERTIFICATE SHALL HAVE BEEN SURRENDERED FOR TRANSFER OR OTHERWISE ACCOUNTED FOR TO NEW PPC OR ITS TRANSFER AGENT, HAVE AND BE ENTITLED TO EXERCISE ANY VOTING AND OTHER RIGHTS WITH RESPECT TO, AND TO RECEIVE ANY DIVIDENDS AND OTHER DISTRIBUTIONS ON, THE SHARES OF NEW PPC COMMON STOCK EVIDENCED BY SUCH OUTSTANDING CERTIFICATE AS ABOVE PROVIDED.

7. CONDITION TO EFFECTIVENESS. THE OBLIGATIONS OF THE PARTIES HERETO TO EFFECT THE MERGER CONTEMPLATED HEREBY ARE SUBJECT TO THE COMPLETION OF THE PURCHASE BY PPC OF SHARES OF PPC COMMON STOCK FROM CERTAIN OF ITS SHAREHOLDERS PURSUANT TO THE PROVISIONS OF THE STOCK PURCHASE AGREEMENT OF EVEN DATE HERewith AMONG PVC, DORIS PILGRIM JULIAN, AUBREY HAL PILGRIM, PAULETTE PILGRIM ROLSTON AND EVANNE PILGRIM BY MARCH 31, 1987.

IN WITNESS WHEREOF, EACH OF THE PARTIES HERETO HAS CAUSED THIS AGREEMENT TO BE SIGNED AS OF THE DATE FIRST ABOVE WRITTEN.

ATTEST:

/s/ Clifford E. Butler

CLIFFORD E. BUTLER
SECRETARY

PILGRIM'S PRIDE CORPORATION,
A TEXAS CORPORATION

/s/ Lonnie A. Pilgrim
BY: _____
LONNIE A. PILGRIM
CHAIRMAN OF THE BOARD OF
DIRECTORS AND
CHIEF EXECUTIVE OFFICER

ATTEST

/s/ Clifford E. Butler

CLIFFORD E. BUTLER
SECRETARY

PILGRIM'S PRIDE CORPORATION,
A DELAWARE COPORATION

/s/ Lonnie A. Pilgirm
BY: _____
LONNIE A. PILGRIM
CHAIRMAN OF THE BOARD OF
DIRECTORS AND
CHIEF EXECUTIVE OFFICER

STATE OF TEXAS
COUNTY OF DALLAS

BEFORE ME, A NOTARY PUBLIC IN AND FOR SAID COUNTY AND STATE, PERSONALLY APPEARED LONNIE A. PILGRIM AND CLIFFORD E. BUTLER, WHO BEING BY ME DULY SWORN, DECLARED THAT THEY ARE THE CHAIRMAN OF THE BOARD OF DIRECTORS AND CHIEF EXECUTIVE OFFICER AND SECRETARY, RESPECTIVELY, OF PILGRIM'S PRIDE CORPORATION, A DELAWARE CORPORATION, THAT THEY SIGNED THE FOREGOING DOCUMENT AS CHAIRMAN OF THE BOARD OF DIRECTORS AND CHIEF EXECUTIVE OFFICER AND SECRETARY, RESPECTIVELY, OF SAID CORPORATION, THAT THE STATEMENTS THEREIN CONTAINED ARE TRUE AND ACKNOWLEDGED THE INSTRUMENT TO BE THE FREE ACT AND DEED OF SAID CORPORATION.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, THIS 30th DAY OF October
, 1986

/s/Julia M. Martin

NOTARY PUBLIC IN AND OF
THE STATE OF TEXAS

STATE OF TEXAS

COUNTY OF DALLAS

BEFORE ME. A NOTARY PUBLIC IN AND FOR SAID COUNTY AND STATE, PERSONALLY APPEARED LONNIE A. PILGRIM AND CLIFFORD E. BUTLER. WHO BEING BY ME DULY SWORN, DECLARED THAT THEY ARE THE CHAIRMAN OF THE BOARD OF DIRECTORS AND CHIEF EXECUTIVE OFFICER AND SECRETARY, RESPECTIVELY, OF PILGRIM'S PRIDE CORPORATION, A TEXAS CORPORATION, THAT THEY SIGNED THE FOREGOING DOCUMENT AS CHAIRMAN OF THE BOARD OF DIRECTORS AND CHIEF EXECUTIVE OFFICER AND SECRETARY, RESPECTIVELY, OF SAID CORPORATION, THAT THE STATEMENTS THEREIN CONTAINED ARE TRUE AND ACKNOWLEDGED THE INSTRUMENT TO BE THE FREE ACT AND DEED OF SAID CORPORATION.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, THIS 30th DAY OF October, 1986.

/s/ Julia M. Martin

NOTARY PUBLIC IN AND OF THE
THE STATE OF TEXAS

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SECRETARY'S CERTIFICATE

I, CLIFFORD E. BUTLER, DO HEREBY CERTIFY THAT I AM THE DULY ELECTED AND QUALIFIED SECRETARY OF PILGRIM'S PRIDE CORPORATION, A DELAWARE CORPORATION ("NEW PPC"), AND THAT THE HOLDER OF ALL OF THE ISSUED AND OUTSTANDING SHARES OF COMMON STOCK, PAR VALUE \$.01 PER SHARE, OF NEW PPC HAS APPROVED AND ADOPTED THE PLAN AND AGREEMENT OF MERGER BY AND BETWEEN NEW PPC AND PILGRIM'S PRIDE CORPORATION, A TEXAS CORPORATION, DATED AS OF OCTOBER 25 , 1986 BY UNANIMOUS WRITTEN CONSENT DATED AS OF OCTOBER 25 , 1986.

IN WITNESS WHEREOF, I HAVE EXECUTED THIS CERTIFICATE AS OF THE 1st DAY OF NOVEMBER , 1986.

/s/ Clifford E. Butler

CLIFFORD E. BUTLER

SECRETARY' S CERTIFICATE

I, CLIFFORD E. BUTLER, DO HEREBY CERTIFY THAT I AM THE DULY ELECTED AND QUALIFIED SECRETARY OF PILGRIM'S PRIDE CORPORATION, A TEXAS CORPORATION ("PPC"), AND THAT THE HOLDERS OF ALL OF THE ISSUED AND OUTSTANDING SHARES OF COMMON STOCK, PAR VALUE \$1.00 PER SHARE, OF PPC HAVE APPROVED AND ADOPTED THE PLAN AND AGREEMENT OF MERGER BY AND BETWEEN PPC AND PILGRIM'S PRIDE CORPORATION A DELAWARE CORPORATION, DATED AS OF OCTOBER 25 1986 BY UNANIMOUS WRITTEN CONSENT DATED AS OF NOVEMBER 1 1986.

IN WITNESS WHEREOF, I HAVE EXECUTED THIS CERTIFICATE AS OF THE 1st DAY OF NOVEMBER , 1986.

/s/ Clifford E. Butler

CLIFFORD E. BUTLER

CERTIFICATE OF MERGER OF PILGRIM' S PRIDE CORPORATION * A CORPORATION ORGANIZED AND EXISTING UNDER THE LAWS OF TIC STATE OF TEXAS, MERGING WITH AND INTO "PILGRIM'S PRIDE CORPORATION", CORPORATION ORGANIZED AND EXISTING UNDER THE LAWS OF THE STATE OF DELAWARE, UNDER THE NAME OF "PILGRIM' S PRIDE CORPORATION" * AS RECEIVED AND FILED IN THIS OFFICE THE TWELFTH DAY OF NOVEMBER, A.D. 1986, AT 12 O'CLOCK NOON.

AND I DO HEREBY FURTHER CERTIFY THAT THE AFOSEAID CORPORATION SHALL BE GOVERNED BY THE LAWS OF THE STATE OF DELAWARE.

CERTIFICATE OF MERGER

PURSUANT TO THE PROVISIONS OF SECTION 252 OF THE GENERAL CORPORATION LAW OF THE STATE OF DELAWARE, PILGRIM'S PRIDE CORPORATION, A DELAWARE CORPORATION, DOES HEREBY ADOPT THE FOLLOWING CERTIFICATE OF OWNERSHIP AND MERGER:

1. THE NAME AND STATE OF INCORPORATION OF EACH OF THE CONSTITUENT CORPORATIONS IS:

NAME OF CORPORATION	STATE
CASH POULTRY, INC.	ARIZONA
PILGRIM'S PRIDE CORPORATION	DELAWARE

2. THE PLAN AND AGREEMENT OF MERGER (THE "MERGER AGREEMENT") BETWEEN PILGRIM'S PRIDE CORPORATION AND CASH POULTRY, INC. DATED March 10 , 1988, ATTACHED HERETO AS EXHIBIT A, HAS BEEN APPROVED, ADOPTED, CERTIFIED, EXECUTED AND ACKNOWLEDGE BY EACH OF THE CONSTITUENT CORPORATIONS.

3. THE NAME OF THE SURVIVING CORPORATION IS PILGRIM'S PRIDE CORPORATION, A DELAWARE CORPORATION.

4. THE CERTIFICATE OF INCORPORATION OF PILGRIM'S PRIDE CORPORATION SHALL BE THE CERTIFICATE OF INCORPORATION OF THE SURVIVING CORPORATION.

5. THE EXECUTED MERGER AGREEMENT IS ON FILE AT THE PRINCIPAL PLACE OF BUSINESS OF PILGRIM'S PRIDE CORPORATION~ 110 SOUTH TEXAS STREET, PITTSBURG, TEXAS 75686.

6. A COPY OF THE MERGER AGREEMENT WILL BE FURNISHED BY PILGRIM'S PRIDE CORPORATION ON REQUEST AND WITHOUT COST TO ANY STOCKHOLDER OF ANY CONSTITUENT CORPORATION.

7. THE AUTHORIZED CAPITAL STOCK OF CASH POULTRY, INC. IS 15,000 SHARES OF COMMON STOCK, PAR VALUE 100.00 PER SHARE, AND 15,000 SHARES OF PREFERRED STOCK, PAR VALUE \$100.00 PER SHARE.

8. PILGRIM'S PRIDE CORPORATION IS THE OWNER OF 100% OF THE ISSUED AND OUTSTANDING SHARES OF CASH POULTRY, INC.

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IN WITNESS WHEREOF, THE UNDERSIGNED HAS CAUSED. THIS CERTIFICATE TO BE SIGNED AS OR THE 10th DAY OF MARCH, 1988.

ATTEST:

/s/ Clifford E. Butler

CLIFFORD E. BUTLER
SECRETARY

PILGRIM'S PRIDE CORPORATION

A DELAWARE CORPORATION

/s/ Lonnie A. Pilgrim

BY _____

LONNIE A. PILGRIM
CHAIRMAN OF THE BOARD AND
CHIEF EXECUTIVE OFFICER

PLAN AND AGREEMENT OF MERGER

THIS PLAN AND AGREEMENT OF MERGER, MADE AN ENTERED INTO AS OF THE 10th DAY OF MARCH, 1988, BY AND BETWEEN CASH POULTRY, INC., AN ARIZONA CORPORATION ("CPI") AND PILGRIM'S PRIDE CORPORATION, A DELAWARE CORPORATION ("PPC") (HEREINAFTER COLLECTIVEAY REFERRED TO AS THE "CONSTITUENT CORPORATIONS");

W I T N E S S E T H:

WHEREAS, THE RESPECTIVE BOARDS OF DIRECTORS OF CPI AND PPC HAVE DETERMINED THAT IT IS DESIRABLE AND IN THE BEST INTEREST OF EACH OF THE CORPORATIONS TO EFFECT A MERGER OF THE CORPORATIONS, WHEREBY (I) CPI WILL BE MERGED INTO PPC, WHICH WILL BE THE SURVIVING CORPORATION IN THE MERGER, (II) EACH ISSUED AND OUTSTANDING SHARE OF COMMON AND PREFERRED STOCK, PAR VALUE \$100.00 PER SHARE ("CPI STOCK"), OF CPI OWNED BY PPC WILL BE CANCELLED ARID (III) NO NEW SHARES OF PPC SHALL BE ISSUED IN EXCHANGE THEREFOR; A -D

WHEREAS, THE RESPECTIVE BOARDS OF DIRECTORS OF CPI AND PPC HAVE DULY AUTHORIZED THE EXECUTION HEREOF;

NOW THEREFORE, IN CONSIDERATION OF THE PREMISES AND OF THE MUTUAL COVENANTS AND AGREEMENTS HEREIN CONTAINED, CPI AND PPC HEREBY AGREE THAT CPI SHALL BE MERGED WITH AND INTO PPC IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF THIS AGREEMENT AND PRESCRIBE THE TERMS AND CONDITIONS OF THE MERGER OF CPI INTO PPC, THE MODE OF CARRYING IT INTO EFFECT, THE NAME OF THE SURVIVING CORPORATION, AND SUCH OTHER DETAILS AND PROVISIONS AS ARE DEEMED NECESSARY OF DESIRABLE, AS FOLLOWS:

1. MERGER. SUBJECT TO THE CONDITIONS HEREINAFTER SET FORTH, UPON THE FILING OF ARTICLES OF MERGER AS REQUIRED UNDER APPLICABLE LAW (THE "EFFECTIVE TIME"), CPI SHALL BE MERGED WITH AND INTO PPC, AND PPC SHALL BE THE SURVIVING CORPORATION AND SHALL BE GOVERNED BY THE LAWS OF THE STATE OF DELAWARE.

2. TERMS AND CONDITIONS OF THE MERGER. AT THE EFFECTIVE TIME, (I) THE CERTIFICATE OF INCORPORATION OF THE SURVIVING CORPORATION SHALL BE THE CERTIFICATE OF INCORPORATION OF PPC IN EFFECT IMMEDIATELY PRIOR TO THE EFFECTIVE TIME, (II) THE BYLAWS OF THE SURVIVING CORPORATION SHALL BE THE BYLAWS OF PPC IN EFFECT IMMEDIATELY PRIOR TO THE EFFECTIVE TIME, (III) THE DIRECTORS OF THE SURVIVING CORPORATION SHALL BE THE DIRECTORS OF PPC IN OFFICE IMMEDIATELY PRIOR TO THE EFFECTIVE TIME, WHO SHALL SERVE UNTIL THEIR SUCCESSORS SHALL HAVE BEEN ELECTED AND SHALL QUALIFY, (IV) THE OFFICERS OF THE SURVIVING CORPORATIONS SHALL BE THE OFFICES OF PPC IN OFFICE IMMEDIATELY PRIOR TO THE EFFECTIVE TIME, AND (V) THE REGISTERED OFFICE OF THE SURVIVING CORPORATION IN THE STATE OF DELAWARE SHALL BE THE CORPORATION TRUST CENTER, 1209 ORANGE STREET, WILMINGTON, DELAWARE.

THIS MERGER AGREEMENT SHALL CONSTITUTE A PLAN OF REORGANIZATION PURSUANT TO SECTION 368(A) (L) (A) OF THE INTERNAL REVENUE CODE OF 1954, AS AMENDED.

AT THE EFFECTIVE TIME, THE SEPARATE CORPORATE EXISTENCE OF CPI SHALL CEASE, AND PPC SHALL POSSESS ALL THE RIGHTS, PRIVILEGES, POWERS AND FRANCHISES OF A PUBLIC AS WELL AS OF A PRIVATE NATURE AND BE SUBJECT TO ALL THE RESTRICTIONS, DISABILITIES AND DUTIES OF EACH OF THE CONSTITUENT CORPORATIONS: AND ALL AND SINGULAR, THE RIGHTS, PRIVILEGES, POWERS AND FRANCHISES OF EACH OF THE CONSTITUENT CORPORATIONS, AND ALL PROPERTY, REAL, PERSONAL AND MIXED, AND ALL DEBTS DUE TO EITHER OF THE CONSTITUENT CORPORATIONS ON WHATEVER ACCOUNT, INCLUDING STOCK SUBSCRIPTIONS AND ALL OTHER CHOSSES OR THINGS IN ACTION OR BELONGING TO EACH OF THE CONSTITUENT CORPORATIONS SHALL BE VESTED IN THE SURVIVING CORPORATION; AND ALL PROPERTY, RIGHTS, PRIVILEGES, POWERS AND FRANCHISES, AND ALL AND EVERY OTHER INTEREST SHALL BE THEREAFTER AS EFFECTUALLY THE PROPERTY OF THE SURVIVING CORPORATION AS THEY WERE OF THE SEVERAL AND RESPECTIVE CONSTITUENT CORPORATIONS, AND THE TITLE TO ANY REAL ESTATE VESTED BY DEED OR OTHERWISE, UNDER THE LAWS OF THE STATE OF DELAWARE, IN EITHER OF SUCH CONSTITUENT CORPORATIONS, SHALL NOT REVERT OR BE IN ANY WAY IMPAIRED BY REASON OF THE GENERAL CORPORATION LAW OF THE STATE OF DELAWARE: BUT ALL RIGHTS OF CREDITORS AND ALL LIENS UPON ANY PROPERTY OF ANY OF THE CONSTITUENT CORPORATIONS SHALL BE PRESERVED, UNIMPAIRED, AND ALL DEBTS, LIABILITIES AND DUTIES OF THE RESPECTIVE CONSTITUENT CORPORATIONS SHALL THENCEFORTH ATTACH TO THE SURVIVING CORPORATION AND MAY BE ENFORCED AGAINST IT TO THE SAME EXTENT AS IF SAID DEBTS, LIABILITIES AND DUTIES HAD BEEN INCURRED OR CONTRACTED TO IT.

PPC, THE SURVIVING CORPORATION, HEREBY (I) AGREES THAT IT MAY BE SERVED WITH PROCESS IN THE STATE OF ARIZONA IN ANY PROCEEDING FOR THE ENFORCEMENT OF ANY OBLIGATION OF CPI AND IN ANY PROCEEDING FOR THE ENFORCEMENT OF THE RIGHTS OF A DISSENTING SHAREHOLDER OF CPI AGAINST PPC, (II) IRREVOCABLY APPOINTS THE COMMISSIONER OF THE STATE OF ARIZONA AS ITS AGENT TO ACCEPT SERVICE OF PROCESS

IN ANY SUCH PROCEEDING, AND (III) AGREES THAT IT WILL PROMPTLY PAY TO THE DISSENTING SHAREHOLDERS OF CPI THE AMOUNT, IF ANY, TO WHICH THEY SHALL BE ENTITLED UNDER THE PROVISIONS OF ~10-007 OF THE CORPORATE LAWS OF THE STATE OF ARIZONA WITH RESPECT TO THE RIGHTS OF DISSENTING SHAREHOLDERS.

3. THE MANNER OF CONVERTING THE SHARES. AT THE EFFECTIVE TIME, EACH OF THE ISSUED AND OUTSTANDING SHARES OF CPI STOCK OWNED BY PPC SHALL BE CANCELLED AND RETURNED. NO SHARES OF STOCK OF PPC SHALL BE ISSUED IN EXCHANGE THEREFOR.

4. TERMINATION. THIS AGREEMENT MAY BE TERMINATED AND ABANDONED AT ANY TIME PRIOR TO THE EFFECTIVE TIME, WHETHER BEFORE OR AFTER ACTION THEREON BY THE SHAREHOLDERS OF CPI OR PPC, BY RESOLUTION OF THE BOARD OF DIRECTORS OF EITHER CPI OR PPC. IN THE EVENT OF THE TERMINATION AND ABANDONMENT OF THIS AGREEMENT PURSUANT TO THE PROVISIONS OF THIS SECTION, THIS AGREEMENT SHALL BE OF NO FURTHER FORCE OR EFFECT.

5. FURTHER ACTIONS. THE PARTIES HERETO AGREE TO TAKE ALL FURTHER ACTIONS AND TO EXECUTE AND ACKNOWLEDGE AND DELIVER ALL SUCH FURTHER INSTRUMENTS OR DOCUMENTS AS MAY BE NECESSARY OR DESIRABLE TO CARRY OUT THE TRANSACTIONS PROVIDED FOR IN THIS AGREEMENT.

IN WITNESS WHEREOF, EACH OF THE PARTIES HERETO HAS CAUSED THIS AGREEMENT TO BE SIGNED AS OF THE DATE FIRST ABOVE WRITTEN.

ATTEST	CASH POULTRY, INC. AN ARIZONA CORPORATION
/s/ Clifford E. Butler	/s/ Lonnie A. Pilgrim
_____ CLIFFORD E. BUTLER SECRETARY	_____ LONNIE A. PILGRIM PRESIDENT

ATTEST	PILGRIM'S PRIDE CORPORATION A DELAWARE CORPORATION
/s/ Clifford E. Butler	/s/ Lonnie A. Pilgrim
_____ CLIFFORD E. BUTLER SECRETARY	BY: _____ LONNIE A. PILGRIM CHIEF EXECUTIVE OFFICER

STATE OF TEXAS
COUNTY OF CAMP

BEFORE ME, A NOTARY PUBLIC IN AND FOR SAID COUNTY AND STATE, PERSONALLY APPEARED LONNIE A. PILGRIM AND CLIFFORD E. BUTLER, WHO BEING BY ME DULY SWORN, DECLARED THAT THEY ARE THE CHIEF EXECUTIVE OFFICER AND SECRETARY, RESPECTIVELY, OF PILGRIM'S PRIDE CORPORATION, A DELAWARE CORPORATION, THAT THEY SIGNED THE FOREGOING DOCUMENT AS CHIEF EXECUTIVE OFFICER AND SECRETARY, RESPECTIVELY, OF SAID CORPORATION, THAT THE STATEMENTS THEREIN CONTAINED ARE TRUE, AND ACKNOWLEDGED THE INSTRUMENT TO BE THE FREE ACT AND DEED OF SAID CORPORATION.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, THIS 10th DAY OF MARCH, 1988

/s/ Cynthia A. Jackson

MY COMMISSION EXPIRES: 7-12-89	_____ NOTARY PUBLIC IN AND FOR THE STATE OF TEXAS
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STATE OF TEXAS
COUNTY OF CAMP

BEFORE ME, A NOTARY PUBLIC IN AND FOR SAID COUNTY AND STATE, PERSONALLY APPEARED LONNIE A. PILGRIM AND CLIFFORD E. BUTLER, WHO BEING BY ME DULY SWORN, DECLARED THAT THEY ARE THE PRESIDENT AND SECRETARY, RESPECTIVELY, OF CASH POULTRY, INC., AN ARIZONA CORPORATION, THAT THEY SIGNED THE FOREGOING DOCUMENT AS PRESIDENT AND SECRETARY, RESPECTIVELY, OF SAID CORPORATION, THAT THE STATEMENTS THEREIN CONTAINED ARE TRUE, AND ACKNOWLEDGED THE INSTRUMENT TO BE THE FREE ACT AND DEED OF SAID CORPORATION.

GIVEN UNDER NY HAND AND SEAL OF OFFICE, THIS 10th DAY OF MARCH, 1988

7-12-89	/s/ Cynthia A. Jackson
MY COMMISSION EXPIRES:	_____ NOTARY PUBLIC IN AND OF

SECRETARY'S CERTIFICATE

I, CLIFFORD E. BUTLER, DO HEREBY CERTIFY THAT I AM THE DULY ELECTED AND QUALIFIED SECRETARY OF CASH POULTRY, INC. AND THAT THE HOLDERS OF ALL OF THE ISSUED AND OUTSTANDING SHARES OF NON-VOTING COMMON AND VOTING PREFERRED STOCK, PAR VALUE \$100.00 PER SHARE, OF CPI HAVE APPROVED AND ADOPTED THE PLAN AND AGREEMENT OF MERGER BY AND BETWEEN EN AND PILGRIM'S PRIDE CORPORATION, A DELAWARE CORPORATION, DATED MARCH 10, 1988 BY UNANIMOUS CONSENT DATED MARCH 10, 1988.

IN WITNESS WHEREOF, I HAVE EXECUTED THE CERTIFICATE AS OF THE 10th DAY OF MARCH, 1988

/s/ Clifford E. Butler

CLIFFORD E. BUTLER

CERTIFIED RESOLUTIONS APPROVING PLAN
AND AGREEMENT MERGER

WHEREAS, THERE HAS BEEN PRESENTED TO AND DISCUSSED AT THIS MEETING A PROPOSED PLAN AND AGREEMENT OF MERGER, A COPY OF WHICH IS ATTACHED HERETO, PROVIDING FOR THE MERGER OF CASH POULTRY, INC. INTO THIS CORPORATION; AND

WHEREAS, THIS BOARD OF DIRECTORS DEEMS IT TO BE IN THE BEST INTERESTS OF THIS CORPORATION AND ITS SHAREHOLDERS THAT THE PLAN AND AGREEMENT OF MERGER BE APPROVED AND THAT CASH POULTRY, INC. AND THIS CORPORATION BE MERGED;

RESOLVED, THAT THE TERMS AND CONDITIONS OF THE PROPOSED PLAN AND AGREEMENT OR MERGER PRESENT TO THIS MEETING, AND MODE OF CARRYING THEM INTO EFFECT AS VEIL AS THE MANNER AND BASIS OF CONVERTING THE SHARES OF THE CONSTITUENT CORPORATIONS INTO SHARES OF THE SURVIVING CORPORATION AS SET FORTH IN THE PLAN AND AGREEMENT OF MERGER, ARE HEREBY APPROVED;

RESOLVED FURTHER, THAT THE PRESIDENT AND THE SECRETARY OF THIS CORPORATION ARE DIRECTED TO EXECUTE SAID PLAN AND AGREEMENT OF MERGER IN THE NAME AND ON BEHALF OF THIS CORPORATION AND TO DELIVER A DULY EXECUTED COPY THEREOF TO PILGRIM'S PRIDE, INC.;

SECRETARY'S CERTIFICATE

II, CLIFFORD F. BUTLER, DO HEREBY CERTIFY THAT I AM THE DULY ELECTED AND QUALIFIED SECRETARY OF PILGRIM'S PRIDE CORPORATION, AND THAT THE DIRECTORS OF PILGRIM'S PRIDE CORPORATION HAVE APPROVED THE ABOVE AND FOREGOING RESOLUTIONS BY UNANIMOUS CONSENT AT A MEETING OF THE BOARD OF DIRECTORS DULY HELD ON FEBRUARY 3, 1988.

SIGNED AND DATES THIS 10th DAY OF MARCH, 1988.

/s/ Clifford E. Butler

CLIFFORD E. BUTLER

EXISTING UNDER THE LAWS OF THE STATE OF ARIZONA MERGING WITH AND INTO THE "PILGRIM'S PRIDE CORPORATION". A CORPORATION ORGANIZED AND EXISTING UNDER THE LAWS OF THE STATE OF DELAWARE UNDER THE NAME OF "PILGRIMS PRIDE CORPORATION", AS RECEIVED AND FILED IN THIS OFFICE THE TWENTY-FIRST DAY OF March 1988, AT 9 O'CLOCK AM.

AND I DO HEREBY FURTHER CERTIFY THAT THE AFORESAID CORPORATION SHALL BE GOVERNED BY THE LAWS OF THE STATE OF DELAWARE.

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 03:00 PM 06/30/1995
98125161-2101254

CERTIFICATE OF AMENDMENT OF
CERTIFICATE OF INCORPORATION OF
PILGRIM'S PRIDE CORPORATION

PILGRIM'S PRIDE CORPORATION A CORPORATION ORGANIZED AND EXISTING UNDER THE GENERAL CORPORATION LAW OF THE STATE OF DELAWARE (THE "CORPORATION"), DOES HEREBY CERTIFY THAT:

ARTICLE FOURTH OF THE CORPORATION CERTIFICATE INCORPORATION IS AMENDED TO READ IN ITS ENTIRETY AS FOLLOWS

"FOURTH:

AUTHORIZED SHARES

THE TOTAL NUMBER OF SHARES OF STOCK WHICH THE CORPORATION SHALL HAVE AUTHORITY TO ISSUE IS

165,000,000 SHARES CONSISTING OF THE FOLLOWING:

- (1) 100,000,000 SHARES OF CLASS A COMMON STOCK, PAR VALUE \$.01 PER SHARE (THE "CLASS A COMMON STOCK");
- (2) 60,000,000 SHARES OF CLASS B COMMON STOCK PAR VALUE \$.01 PER SHARE (THE "CLASS B COMMON STOCK" AND, TOGETHER WITH THE CLASS A COMMON STOCK, THE "COMMON STOCK"); AND
- (3) 5,000,000 SHARES OF PREFERRED STOCK PAR VALUE \$.01 PER SHARE (THE "PREFERRED STOCK").

UPON THE FILING OF THIS CERTIFICATE OF AMENDMENT OF CERTIFICATE OF INCORPORATION WITH THE SECRETARY OF STATE OF DELAWARE (THE "EFFECTIVE TIME"), AND WITHOUT ANY FURTHER ACTION ON THE PART OF THE CORPORATION OR ITS STOCKHOLDERS, EACH SHARE OF THE CORPORATION'S COMMON STOCK, PAR VALUE \$.01 PER SHARE, ISSUED AND OUTSTANDING IMMEDIATELY PRIOR TO THE EFFECTIVE TIME (THE "EXISTING COMMON STOCK"), INCLUDING SHARES HELD IN THE TREASURY OF THE CORPORATION, SHALL BE AUTOMATICALLY RECLASSIFIED, CHANGED, AND CONVERTED INTO ONE FULLY PAID AND NONASSESSABLE SHARE OF CLASS B COMMON STOCK, PAR VALUE \$.01 SHARE. ANY STOCK CERTIFICATE THAT, IMMEDIATELY PRIOR TO THE EFFECTIVE TIME, REPRESENTS SHARES OF THE EXISTING COMMON STOCK WILL FROM AND AFTER THE EFFECTIVE TIME AUTOMATICALLY AND WITHOUT THE NECESSITY OF PRESENTING THE SAME EXCHANGE REPRESENT THAT NUMBER OF SHARES OF CLASS B COMMON STOCK EQUAL TO THE NUMBER OF SHARES OF THE EXISTING COMMON STOCK REPRESENTED BY SUCH CERTIFICATE PRIOR TO THE EFFECTIVE TIME.

DESIGNATIONS, PREFERENCES, ETC. OF THE CAPITAL STOCK

THE DESIGNATIONS, PREFERENCES, POWERS, QUALIFICATIONS, AND SPECIAL RELATIVE RIGHTS OR PRIVILEGES OF THE CAPITAL STOCK OF THE CORPORATION SHALL BE AS SET FORTH BELOW.

COMMON STOCK

- (1) IDENTICAL RIGHTS EXCEPT AS HEREIN OTHERWISE EXPRESSLY PROVIDED ALL SHARES OF COMMON STOCK SHALL BE IDENTICAL AND SHALL ENTITLE THE HOLDERS THEREOF TO THE SAME RIGHTS AND PRIVILEGES.
- (2) DIVIDENDS ON THE COMMON STOCK
 - (A) SUBJECT TO THE PRIOR RIGHTS AND PREFERENCES, IF ANY, APPLICABLE TO SHARES OF THE PREFERRED STOCK OR ANY SERIES THEREOF, THE HOLDERS OF SHARES OF COMMON STOCK SHALL BE ENTITLED TO RECEIVE SUCH DIVIDENDS (PAYABLE IN CASH, STOCK, OR OTHERWISE) AS MAY BE DECLARED THEREOF BY THE CORPORATION'S BOARD OF DIRECTORS (THE "BOARD OF DIRECTORS") AT ANY TIME AND FROM TIME TO TIME OUT OF ANY FUNDS OF THE CORPORATION LEGALLY AVAILABLE THEREFORE,

EXCEPT THAT (I) IF DIVIDENDS ARE DECLARED THAT ARE PAYABLE IN SHARES OF COMMON STOCK, THEN SUCH STOCK DIVIDENDS SHALL BE PAYABLE AT THE SAME RATE ON EACH CLASS OF COMMON STOCK AND SHALL BE PAYABLE ONLY IN SHARES OF CLASS A COMMON STOCK TO HOLDERS OF CLASS A COMMON STOCK AND IN SHARES OF CLASS B COMMON STOCK TO HOLDERS OF CLASS B COMMON STOCK AND (II) IF DIVIDENDS ARE DECLARED THAT ARE PAYABLE IN SHARES OF COMMON STOCK OF ANOTHER CORPORATION, THE SUCH SHARES MAY DIFFER AS TO VOTING RIGHTS TO EXTENT THAT VOTING RIGHTS NOW DIFFER AMONG THE CLASS A COMMON STOCK AND THE CLASS THE CLASS B COMMON STOCK.

(B) DIVIDENDS PAYABLE UNDER THIS SUBPARAGRAPH (2) SHALL BE PAID TO THE HOLDERS OF RECORD OF THE OUTSTANDING SHARES OF COMMON STOCK AS THEIR NAMES SHALL APPEAR ON THE STOCK REGISTER OF THE CORPORATION ON THE RECORD DATE FIXED BY THE BOARD OF DIRECTORS IN ADVANOM OF DECLARATION AND PAYMENT OF EACH DIVIDEND. ANY SHARES OF COMMON STOCK ISSUED AS A DIVIDEND PURSUANT TO THIS SUBPARAGRAPH (2) SHALL WHEN SO ISSUED, BE DULY AUTHORIZED VALIDLY ISSUED, FULLY PAID AND NON ASSESSABLE AND FREE OF ALL LIENS AND CHARGES.

(C) NOTWITHSTANDING ANYTHING CONTAINED HEREIN TO THE CONTRARY, NO DIVIDENDS ON SHARES OF COMMON STOCK SHALL BE DECLARED BY THE BOARD OF DIRECTORS OR PAID OR SET APART FOR PAYMENT BY THE CORPORATION AT ANY TIME THAT SUCH DECLARATION PAYMENT OR SETTING APART IS PROHIBITED BY APPLICABLE LAW.

(3) STOCK SPLITS RELATING TO THE COMMON STOCK 'THE CORPORATION SHALL NOT IN ANY MANNER SUBDIVIDE (BY ANY STOCK SPLIT, RECLASSIFICATION, STOCK DIVIDEND, RECAPITALIZATION OR OTHERWISE) OR COMBINE THE OUTSTANDING SHARES OF ONE CLASS OF COMMON STOCK UNLESS THE OUTSTANDING SHARES OF BOTH CLASSES OF COMMON STOCK SHALL BE PROPORTIONATELY SUBDIVIDED OR COMBINED.

(4) LIQUIDATION RIGHTS OF THE COMMON STOCK, IN THE EVENT OF ANY VOLUNTARY OR INVOLUNTARY LIQUIDATION DISSOLUTION, OR WINDING -UP OF THE CORPORATION AFTER DISTRIBUTION IN FULL OF THE PREFERENTIAL AMOUNTS, IF ANY, TO BE DISTUBUTED TO THE HOLDERS OF SHARES OF THE PREFERRED STOCK OR ANY SERIES THEREOF THE HOLDERS OF SHARES OF COMMON STOCK SHALL BE ENTITLED TO RECEIVE ALL OF THE REMAINING ASSETS OF THE CORPORATION AVAILABLE FOR DISTRIBUTION TO ITS STOCKHOLDERS RATABLY IN PROPORTION TO THE NUMBER OF SHARES OF COMMON STOCK HELD BY THEM. A LIQUIDATION DISSOLUTION OR WINDING UP OF THE CORPORATION AS SUCH. TERMS ARE USED IN THIS SUBPARAGRAPH (4) SHALL NOT BE DEEMED TO BE OCCASIONED BY OR TO INCLUDE ANY CONSOLIDATION OR MERGER OF THE CORPORATION WITH OR INTO ANY OTHER CORPORATION OR CORPORATIONS OR OTHER ENTRY OR SALE LEASE EXCHANGE OR CONVEYANCE OF ALL OR A PART OF THE ASSETS OF THE CORPORATION.

(5) VOTING RIGHTS OF THE COMMON STOCK

(A) THE HOLDERS OF THE CLASS A COMMON STOCK AND 'THE CLASS B COMMON STOCK SHALL VOTE AS A SINGLE CLASS ON ALL MATTERS SUBMITTED TO A VOTE OF THE STOCKHOLDERS, WITH EACH SHARES OF CLASS A COMMON STOCK BEING ENTITLED TO ONE (1) VOTE AND EACH SHARE OF CLASS B COMMON STOCK BEING ENTITLED TO TWENTY (20) VOTES, EXCEPT AS OTHERWISE PROVIDED BY LAW.

(B) NO HOLDER OF COSTS STOCK SHALL BE ENTITLED TO PREEMPTIVE OR SUBSCRIPTION RIGHTS.

(6) CONSIDERATION ON MERGER CONSOLIDATION ETC IN MY MERGER , CONSOLIDATION OR BUSINESS COMBINATION THE CONSIDERATION TO BE RECEIVED PER SHARE BY THE HOLDER OF CLASS A COMMON STOCK AND CLASS B COMMON STOCK MUST BE IDENTICAL FOR EACH CLASS OF STOCK, EXCEPT THAT IN ANY SUCH TRANSACTION IN WHICH SHARES OF COMMON STOCK ARE TO BE DISTRIBUTED, SUCH SHARES MAY DIFFER AS TO VOTING RIGHTS TO THE EXTENT THAT VOTING RIGHTS NOW DIFFER AMONG THE CLASS A COMMON STOCK AND THE CLASS B COMMON STOCK.

PERFERRED STOCK

SHARES OF THE PREFERRED STOCK MAY BE ISSUED FROM TIME TO TIME IN ONE OR MORE SERIES THE SHARES OF EACH SERIES TO HAVE SUCH VOTING POWERS FULL OR LIMITED OR NO VOTING POWERS, AND SUCH DESIGNATIONS LIMITATIONS OR RESTRICTIONS THEREOF AS SHALL BE

STATED AND EXPRESSED IN A RESOLUTION OR RESOLUTIONS PROVIDING FOR THE ISSUE OF SUCH SERIES ADOPTED BY THE BOARD OF DIRECTORS OF THE CORPORATION. THE BOARD OF DIRECTORS OF THE CORPORATION IS HEREBY EXPRESSLY AUTHORIZED SUBJECT TO THE LIMITATIONS PROVIDED BY LAW, TO ESTABLISH AND DESIGNATE SERIES OF THE PREFERRED STOCK TO FIX THE NUMBER OF SHARES CONSTITUTING EACH SERIES AND TO FIX THE DESIGNATIONS AND THE RELATIVE POWERS RIGHTS, PREFERENCES AND LIMITATIONS OF THE SHARES OF EACH SERIES AND THE VARIATIONS IN THE RELATIVE POWERS, RIGHTS, PREFERENCES AND LIMITATIONS AS BETWEEN SERIES AND TO INCREASE AND TO DECREASE THE NUMBER OF SHARES CONSTITUTING EACH SERIES.

IN WITNESS WHEREOF, PILGRIM'S PRIDE CORPORATION HAS CAUSED THIS CERTIFICATE TO BE EXECUTED BY LONNIE A. PILGRIM ITS AUTHORIZED OFFICER ON THE 30TH DAY OF JUNE 1998.

PILGRIM'S PRIDE CORPORATION

LONNIE A PILGRIM CHAIRMAN OF THE
BOARD OF DIRECTOS
AND CHIEF EXECUTIVE OFFICER

SECRETARY OF STATE
CORPORATION

STATE OF DELAWARE

DIVISION OF

FILED 10:00 AM

07/20/1999

991296614-2101254

CERTIFICATE OF AMENDMENT OF
CERTIFICATE OF INCORPORATION OF
PILGRIM'S PRIDE CORPORATION

PILGRIM'S PRIDE CORPORATION , A CORPORATION ORGANIZED AND EXISTING UNDER THE GENERAL CORPORATION LAW OF THE STATE OF DELAWARE (THE "CORPORATION") DOES HEREBY CERTIFY THAT

- 1 THE AMENDMENT TO THE CORPORATION'S CERTIFICATE OF INCORPORATION SET FORTH BELOW WAS DULY ADOPTED IN ACCORDANCE WITH THE PROVISIONS OF SECTION 242 OF THE GENERAL CORPORATION LAW OF THE STATE OF DELAWARE
- 2 ARTICLE FOURTH OF THE CORPORATION'S CERTIFICATE OF INCORPORATION IS AMENDED TO READ IN ITS ENTIRELY AS FOLLOWS

"FOURTH:

AUTHORIZED SHARES

THE TOTAL NUMBER OF SHARES TO STOCK WHICH THE CORPORATION SHALL HAVE AUTHORITY TO ISSUE IS 165,000,000 SHARES, CONSISTING OF THE FOLLOWING

- (1) 100,000,000 SHARES OF CLASS A COMMON STOCK , PAR VALUE \$.01 PER SHARE (THE "CLASS A COMMON STOCK");
- (2) 60,000.000 SHARES OF CLASS B COMMON STOCK, PAR VALUE \$.01 PER SHARE (THE "CLASS B COMMON STOCK" AND, TOGETHER WITH THE CLASS A COMMON STOCK THE COMMON STOCK"); AND
- (3) 5,000.000 SHARES OF PREFERRED STOCK, PAR VALUE \$.01 PER SHARE (THE "PREFERRED STOCK")

DESIGNATIONS PREFERENCES ETC OF THE CAPITAL STOCK

THE DESIGNATIONS PREFERENCES POWERS QUALIFICATIONS AND SPECIAL OR RELATIVE RIGHTS OR PRIVILEGES OF THE CAPITAL STOCK OF THE CORPORATION SHALL BE AS SET FORTH BELOW.

COMMON STOCK

- (1) IDENTICAL RIGHTS EXCEPT AS HEREIN OTHERWISE EXPRESSLY PROVIDED, ALL SHARES OF COMMON STOCK SHALL BE IDENTICAL AND SHALL ENTITLE THE HOLDERS THEREOF TO THE SAME RIGHTS AND PRIVILEGES.
- (2) DIVIDENDS ON THE COMMON STOCK.
 - (A) SUBJECT TO THE PRIOR RIGHTS AND PREFERENCES IF ANY APPLICABLE TO SHARES OF THE PREFERRED STOCK OR ANY SERIES THEREOF THE HOLDERS OF SHARES OF COMMON STOCK SHALL BE ENTITLED TO RECEIVE SUCH DIVIDENDS (PAYABLE IN CASH, STOCK, OR OTHERWISE) AS MAY BE DECLARED THEREON BY THE CORPORATION'S BOARD OF DIRECTORS (THE "BOARD OF DIRECTORS) AT ANY TIME AND FROM TIME TO TIME OUT OF ANY FUNDS OF THE CORPORATION LEGALLY AVAILABLE THEREFORE EXCEPT THAT (1) IF DIVIDENDS ARE DECLARED THAT ARE PAYABLE IN SHARES OF COMMON STOCK, THEN SUCH STOCK DIVIDENDS SHALL BE PAYABLE AT THE SAME RATE ON EACH CLASS OF COMMON STOCK AND SHALL BE PAYABLE ONLY IN SHARES OF CLASS A COMMON STOCK TO HOLDERS OF CLASS A COMMON STOCK AND IN SHARES OF EITHER CLASS A COMMON STOCK OR CLASS B COMMON STOCK AS MAY BE SPECIFIED BY THE BOARD OF DIRECTORS IN A RESOLUTION AUTHORIZING AND SUCH STOCK DIVIDEND TO HOLDERS OF CLASS B COMMON STOCK AND (II) IF DIVIDENDS ARE DECLARED THAT ARE PAYABLE IN SHARES OF COMMON STOCK OF ANOTHER CORPORATION, THEN SUCH SHARES MAY DIFFER AS TO VOTING RIGHTS TO THE EXTENT THAT VOTING RIGHTS DIFFER AMONG THE CLASS A COMMON STOCK AND THE CLASS B COMMON STOCK.
 - (B) DIVIDENDS PAYABLE UNDER THIS SUBPARAGRAPH (2) SHALL BE PAID TO THE HOLDERS OF RECORD OF THE OUTSTANDING SHARES OF COMMON STOCK AS THEIR NAMES SHALL APPEAR ON THE STOCK REGISTER OF TO CORPORATION ON THE RECORD DATE FIXED BY THE BOARD OF DIRECTORS IN ADVANCE OF DECLARATION AND PAYMENT OF EACH PURSUANT TO THIS SUBPARAGRAPH (2) SHALL, WHEN SO ISSUED, BE DULY AUTHORIZED, VALIDLY ISSUED, FULLY PAID AND NON ASSESSABLE AND FREE OF ALL LIENS AND CHARGES.
 - (C) NOTWITHSTANDING ANYTHING CONTAINED HEREIN TO FLUE CONTRARY, NO DIVIDENDS ON SHARES OF COMMON STOCK SHALL BE DECLARED BY THE BOARD OF DIRECTORS OR PAID OR SET APART FOR PAYMENT BY THE CORPORATION AT ANY TIME THAT SUCH DECLARATION, PAYMENT OR SETTING APART IS PROHIBITED BY APPLICABLE LAW,
- (3) STOCK SPLITS RELATING TO THE COMMON STOCK. EXECPT AS EXPRESSLY PROVIDED IN SUBPARAGRAPH (2) ABOVE, THE CORPORATION SHALL NOT IN ANY MANNER SUBDIVIDE (BY ANY STOCK SPLIT RECLASSIFICATION STOCK DIVIDEND RECAPITALIZATION OR OTHERWISE) OR COMBINE THE OUTSTANDING SHARES OF ONE CLASS OF COMMON STOCK UNLESS THE OUTSTANDING SHARES OF BOTH CLASSES OF COMMON STOCK SHALL BE PROPORTIONATELY SUBDIVIDED OR COMBINED.
- (4) LIQUIDATION RIGHTS OF THE COMMON STOCK. IN THE EVENT OF ANY VOLUNTARY OR INVOLUNTARY LIQUIDATION. DISSOLUTION, OR WINDING UP OF THE CORPORATION AFTER DISTRIBUTION IN FILL OF THE PREFERENRIAL AMOUNTS IF ANY TO BE DISTRIBUTED TO THE HOLDERS OF SHARES OF THE PREFERRED STOCK OR ANY SERIES THEREOF, THE HOLDERS OF SHARES OF COMMON STOCK SHALL BE ENTITLED TO RECEIVE ALL OF THE REMAINING ASSETS OF THE CORPORATION AVAILABLE FOR DISTRIBUTION TO ITS STOCKHOLDERS RATABLY IN PROPORTION TO THE NUMBER OF SHARE OF COMMON STOCK HELD BY THEM. A LIQUIDATION DISSOLUTION OR WINDING UP OF THE CORPORATION AS SUCH TERMS ARE USED IN THIS SUBPARAGRAPH (4) SHALL NOT BE DEEMED TO BE OCCASIONED BY OR TO INCLUDE ANY CONSOLIDATION OR MERGER OF THE CORPORATION WITH OR INTO ANY OTHER CORPORATION OR CORPORATIONS OR OTHER ENTITY OR A SALE, LEASE EXCHANGE OR CONVEYANCE OF ALL OR A PART OF THE ASSETS OF THE CORPORATION .
- (5) VOTING RIGHTS OF THE COMMON STOCK
 - (A) THE HOLDER OF THE CLASS A COMMON STOCK AND THE CLASS B COMMON STOCK SHALL VOTE AS A SINGE CLASS ON ALL MATTERS SUBMITTED TO A VOTE OF THE STOCKHOLDERS WITH EACH SHARE OF CLASS A COMMON STOCK BEING ENTITLED TO ONE (1) VOTE AND EACH SHARE OF CLASS B COMMON STOCK BEING ENTITLED TO TWENTY (20)

VOTES EXCEPT AS OTHERWISE PROVIDED BY LAW.

(B) NO HOLDER OF COMMON STOCK SHALL BE ENTITLED TO
PREEMPTIVE OR SUBSCRIPTION RIGHTS.

(6) CONSIDERATION ON MERGER. CONSOLIDATION ETC. IN ANY MERGER
CONSOLIDATION, OR BUSINESS COMBINATION, THE CONSIDERATION TO BE
RECEIVED PER SHARE BY THE HOLDERS OF CLASS A. COMMON STOCK AND CLASS
B COMMON STOCK MUST BE IDENTICAL FOR EACH CLASS OF STOCK, EXCEPT
THAT IN ANY SUCH TRANSACTION IN WHICH SHARES OF COMMON STOCK ARE TO
BE DISTRIBUTED SUCH SHARES MAY DIFFER AS TO VOTING RIGHTS TO THE
EXTENT THAT VOTING RIGHTS NOW DIFFER AMONG THE CLASS A COMMON STOCK
AND THE CLASS B COMMON STOCK.

PREFERRED STOCK

SHARES OF THE PREFERRED STOCK MAY BE ISSUED FROM TIME TO TIME
IN ONE OR MOST SERIES, THE SHARES OF EACH SERIES TO HAVE SUCH
VOTING POWERS FULL OR LIMITED, OR NO VOTING POWERS AND SUCH
DESIGNATIONS, PREFERENCES AND RELATIVE, PARTICIPATING, OPTIONAL OR
OTHER SPECIAL RIGHTS, END QUALIFICATIONS LIMITATIONS OR RESTRICTIONS
THEREOF AS SHALL BE STATED AND EXPRESSED IN A RESOLUTION OR
RESOLUTIONS PROVIDING FOR THE ISSUE OF SUCH SERIES BY THE BOARD OF
DIRECTORS OF THE CORPORATION. THE BOARD OF DIRECTORS OF THE
CORPORATION IS HEREBY EXPRESSLY AUTHORIZED SUBJECT TO THE
LIMITATIONS PROVIDED BY LAW NO ESTABLISH AND DESIGNATE SERIES OF THE
PREFERRED STOCK TO FIX THE NUMBER OF SHARES CONSTITUTING EACH SERIES
AND TO FIX THE DESIGNATIONS AND THE RELATIVE POWERS, RIGHTS,
PREFERENCES AND LIMITATIONS OF THE SHARES OF EACH SERIES AND THE
VARIATIONS IN THE RELATIVE POWERS, RIGHTS, PREFERENCES AND
LIMITATIONS AS BETWEEN SERIES AND TO INCREASE AND TO DECREASE THE
NUMBER OF SHARES CONSULTING EACH SERIES.

IN WITNESS WHEREOF PILGRIM'S PRIDE CORPORATION CAUSED THIS CERTIFICATE
TO BE EXECUTED BY LONNIE A. PILGRIM ITS AUTHORIZED OFFICER ON THE 20TH DAY OF
JULY 1999

PILGRIM'S PRIDE CORPORATION

/s/ Lonnie A. Pilgrim

LONNIE A. PILGRIM, CHAIRMAN OF THE
BOARD OF DIRECTORS

CERTIFICATE OF OWNERSHIP AND MERGER
MERGING
PILGRIM'S PRIDE CORPORATION OF VIRGINIA, INC.

PILGRIM'S PRIDE CORPORATION

PURSUANT TO SECTION 253 OF THE
GENERAL CORPORATION LAW OF THE STATE OF DELAWARE

PILGRIM'S PRIDE CORPORATION, A CORPORATION ORGANIZED AND EXISTING
UNDER AND BY VIRTUE OF THE GENERAL CORPORATION LAW OF THE STATE OF
DELAWARE (THE "CORPORATION"), DOES HEREBY CERTIFY THAT:

1. THE NAME AND THE STATE OF INCORPORATION OF EACH OF THE
CONSTITUENT CORPORATIONS (HEREIN SO CALLED) IN THE MERGER IT AS FOLLOWS

NAME OF CORPORATION
PILGRIM PRIDE CORPORATION

STATE
DELAWARE

PILGRIM'S

PRIDE CORPORATION OF VIRGINIA, INC.
VIRGINIA

2. THE CORPORATION OWNS ALL OF THE OUTSTANDING SHARES OF CAPITAL
STOCK OF PILGRIM'S PRIDE CORPORATION OF VIRGINIA, INC.. A VIRGINIA
CORPORATION.

3. THE CORPORATION, BY A CONSENT IN WRITING EXECUTED BY ITS BOARD OF DIRECTORS, A COPY OF WHICH IS ATTACHED HERETO AS EXHIBIT "A" AND DULY ADOPTED ON THE 16TH DAY OF JULY, 2001, DETERMINED TO MERGE PILGRIM'S PRIDE CORPORATION OF VIRGINIA, INC. WITH AND INTO ITSELF ON THE CONDITIONS SET FORTH IN SODA RESOLUTIONS.

4. THE CORPORATION SHALL BE THE SURVIVING CORPORATION IN THE MERGER AND THE NAME OF THE CORPORATION AS THE SURVIVING CORPORATION SHALL CONTINUE TO BE PILGRIM'S PRIDE CORPORATION" (THE SURVIVING CORPORATION)

5. THE CERTIFICATE OF INCORPORATION OF THE CORPORATION AS IN EFFECT IMMEDIATELY PRIOR TO THE EFFECTIVE TIME (AS DEFINED HEREIN) SHALL CONSTITUTE THE CERTIFICATE OF INCORPORATION OF THE SURVIVING CORPORATION.

6. THE MERGE SHALL BECOME EFFECTIVE ON JULY 17, 2001, AT 11:59 P.M. (EASTERN TIME) (THE 'EFFECTIVE TIME") IN ACCORDANCE WITH THE PROVISIONS OF SECTION 103(D) OF THE GENERAL CORPORATION LAW OF THE STATE OF DELAWARE

IN WITNESS WHEREOF, THIS CERTIFICATE WAS EXECUTED FOR AND ON BEHALF AND BRA THE NAME OF THE UNDERSIGNED CORPORATION ON JULY 16,2001.
PILGRIM'S PRIDE CORPORATION

BY: _____
NAME: RICHARD A. COGDILL
TITLE EXECUTIVE VICE PRESIDENT
CHIEF FINANCIAL OFFICER
SECRETARY AND TREASURER

EXHIBIT A

UNANIMOUS WRITTEN CONSENT
OF THE BOARD OF DIRECTORS
OF
PILGRIM'S PRIDE CORPORATION

DATED AS OF JULY16, 2001

THE UNDERSIGNED, BEING ALL OF THE MEMBERS OF THE BOARD OF DIRECTORS OF PILGRIM'S PRIDE CORPORATION. A DELAWARE CORPORATION (THE "CORPORATION"), HEREBY, PURSUANT TO THE PROVISIONS OF SECTIONS 141(F) AND 253 OF THE DELAWARE GENERAL CORPORATION LAW (DGCL)". CONSENT TO, APPROVE AND ADOPT THE FOLLOWING RESOLUTIONS AND EACH AND EVERY ACTION EFFECTED THEREBY.

WHEREAS, IT IS PROPOSED THAT PILGRIM'S PRIDE CORPORATION OF VIRGINIA, INC., A VIRGINIA CORPORATION AND A WHOLLY OWNED SUBSIDIARY OF THE CORPORATION ("SUBSIDIARY"), MERGE WITH AND INTO THE CORPORATION (THE "MERGER"); AND

WHEREAS, THE BOARD OF DIRECTORS OF THE CORPORATION HAS DETERMINED THAT IT IS ADVISABLE AND IN THE BEST INTEREST OF THE CORPORATION THAT SUBSIDIARY MERGE WITH AND INTO THE CORPORATION, WITH THE CORPORATION BEING THE SURVIVING CORPORATION UNDER THE NAME OF "PILGRIM'S PRIDE CORPORATION".

RESOLVED, THAT SUBSIDIARY MERGE WITH AND INTO THE CORPORATION PURSUANT TO THE FOLLOWING TERMS AND PROVISIONS:

(A) IN ACCORDANCE WITH SECTION 253 OF THE DGCL AND AS A WHOLLY OWNED SUBSIDIARY OF THE CORPORATION. SUBSIDIARY SHALL BE MERGED WITH AND INTO THE CORPORATION EFFECTIVE ON JULY 17, 2001, AT 11:59 P.M. (EASTERN TIME) (THE EFFECTIVE TIME");

(B) AS A RESULT OF THE MERGER, THE OUTSTANDING SHARES OF CAPITAL STOCK OF SUBSIDIARY SHALL BE CANCELED, THE SEPARATE CORPORATE EXISTENCE OF SUBSIDIARY SHALL CEASE, AND THE CORPORATION WILL BE THE SURVIVING CORPORATION IN THE MERGER (THE "CORPORATION");

C) EACH SHARE OF CAPITAL STOCK OF THE CORPORATION ISSUED AND OUTSTANDING IMMEDIATELY PRIOR TO THE EFFECTIVE TIME SHALL REMAIN OUTSTANDING AND SHALL CONSTITUTE THE ONLY OUTSTANDING SHARES OF CAPITAL STOCK OF THE SURVIVING CORPORATION.

D) THE CERTIFICATE OF INCORPORATION OF THE CORPORATION SHALL CONSTITUTE THE CERTIFICATE OF INCORPORATION OF THE SURVIVING CORPORATION;

E) THE NAME OF THE SURVIVING CORPORATION SHALL BE "PILGRIM'S PRIDE CORPORATION"; AND

F) THE CORPORATION SHALL CAUSE THE MERGER TO BE CONSUMMATED BY FILING THE CERTIFICATE OF OWNERSHIP AND MERGER (THE "CERTIFICATE") WITH THE SECRETARY OF STATE OF THE STATE OF DELAWARE IN SUCH FORM AS IS REQUIRED BY, AND EXECUTED IN ACCORDANCE WITH, THE RELEVANT PROVISIONS OF THE DCCL, AND BY FILING ARTICLES OF MERGER (THE "ARTICLES") WITH THE STATE CORPORATION COMMISSION OF THE COMMONWEALTH OF VIRGINIA IN SUCH FORM AS IS REQUIRED BY, AND EXECUTED IN ACCORDANCE WITH, THE RELEVANT PROVISIONS OF THE VIRGINIA STOCK CORPORATION ACT;

RESOLVED, THAT SAID TERMS AND PROVISIONS ARE HEREBY RATIFIED, ADOPTED, APPROVED AND CONFIRMED;

RESOLVED, THAT FURTHER TO SUCH RESOLUTIONS AND FOR PURPOSES OF COMPLIANCE WITH VIRGINIA LAW AND FOR INCLUSION IN THE ARTICLES:

THE BOARD OF DIRECTORS OF THE CORPORATION, DETERMINING IT TO BE IN THE BEST INTEREST OF THE CORPORATION, HEREBY ADOPTS AND APPROVES THE FOLLOWING PLAN OF MERGER:

1. MERGER. PURSUANT TO 8 DEL C. 1953 & 253(A), AT THE EFFECTIVE TIME (AS DEFINED BELOW), PILGRIM'S PRIDE CORPORATION OF VIRGINIA, INC., A VIRGINIA CORPORATION ("PILGRIM'S OF VIRGINIA", SHALL BE MERGED (THE "MERGER") WITH AND INTO PILGRIM'S PRIDE CORPORATION, A DELAWARE CORPORATION ("PILGRIM'S"). PILGRIM'S SHALL CONTINUE IN EXISTENCE AS THE SURVIVING CORPORATION, AND THE SEPARATE CORPORATE EXISTENCE OF PILGRIM'S OF VIRGINIA SHALL CEASE.

2. EFFECTIVE DATE. PURSUANT TO 8 DEL C. 1953 & 103(D), THE EFFECTIVE TIME AND DATE OF THE MERGER SHALL BE 11:59 P.M., JULY 17, 2001 (THE "EFFECTIVE TIME").

3. EFFECT OF MERGER ON OUTSTANDING SHARES. AT THE EFFECTIVE TIME, EACH ISSUED AND OUTSTANDING SHARE OF COMMON STOCK OF PILGRIM'S OF VIRGINIA SHALL BE AUTOMATICALLY CANCELED AND CEASE TO EXIST.

4. CERTIFICATE OF INCORPORATION AND BYLAWS. THE CERTIFICATE OF INCORPORATION AND BYLAWS OF PILGRIM'S IN EFFECT IMMEDIATELY PRIOR TO THE EFFECTIVE TIME SHALL REMAIN IN EFFECT UNTIL THEREAFTER AMENDED AS PROVIDED BY LAW.

RESOLVED, THAT THE PROPER OFFICERS OF THE CORPORATION BE, AND EACH IS, HEREBY AUTHORIZED, EMPOWERED, AND DIRECTED, FOR AND ON BEHALF AND IN THE NAME OF THE CORPORATION, TO EXECUTE AND DELIVER THE CERTIFICATE FOR FILING WITH THE SECRETARY OF STATE OF THE STATE OF DELAWARE IN ACCORDANCE WITH THE RELEVANT PROVISIONS OF DELAWARE LAW AND THE ARTICLES FOR FILING WITH THE STATE CORPORATION COMMISSION OF THE COMMONWEALTH OF VIRGINIA IN ACCORDANCE WITH THE RELEVANT PROVISIONS OF VIRGINIA LAW;

RESOLVED, THAT THE OFFICERS OF THE CORPORATION ARE HEREBY SEVERALLY AUTHORIZED (A) TO SIGN, EXECUTE, CERTIFY, VERIFY, ACKNOWLEDGE, DELIVER, ACCEPT, FILE, AND RECORD ANY AND ALL INSTRUMENTS AND DOCUMENTS, AND (B) TO TAKE, OR CAUSE TO BE TAKEN, ANY AND ALL SUCH ACTIONS, IN THE NAME AND ON BEHALF OF THE CORPORATION, AS (IN SUCH OFFICERS' JUDGMENT) SHALL BE NECESSARY, DESIRABLE OR APPROPRIATE IN ORDER TO EFFECT THE PURPOSES OF THE FOREGOING RESOLUTIONS AND THE TRANSACTIONS CONTEMPLATED THEREBY; AND

RESOLVED, THAT ANY AND ALL ACTION TAKEN BY ANY PROPER OFFICERS OF THE CORPORATION PRIOR TO THE DATE THIS CONSENT IS ACTUALLY EXECUTED IN EFFECTING THE PURPOSES OF THE FOREGOING RESOLUTIONS IS HEREBY RATIFIED, APPROVED, CONFIRMED, AND ADOPTED IN ALL RESPECTS.

IN WITNESS WHEREOF, THE UNDERSIGNED DIRECTORS OF THE CORPORATION HAVE EXECUTED THIS CONSENT AS OF THE DATE FIRST ABOVE WRITTEN.

/S/ LONNIE "BO" PILGRIM

LONNIE "BO" PILGRIM

/S/CLIFFORD E. BUTLER

CLIFFORD E. BUTLER

/S/ DAVID VAN LOOSE

DAVID VAN HOOSE

/S/ RICHARD A. COGDILL

RICHARD A. COGDILL

/S/ LONNIE KEN PILGRIM

LONNIE KEN PILGRIM

/S/ CHARLES L. BLACK

CHARLES L. BLACK

/S/ S. KEY COKER

S. KEY COKER

/S/ VANCE C. MILLER

VANCE C. MILLER

/S/ JAMES G. VETTER, JR.

JAMES G. VETTER, JR.

/S/ DONALD L. WASS, PH.D.

DONALD L. WASS, PH.D.

AMENDMENT No. 1
Dated as of July 12, 2002
to
RECEIVABLES PURCHASE AGREEMENT
Dated as of June 26, 1998

This AMENDMENT NO. 1 (this "Amendment") dated as of July 12, 2002 is entered into among PILGRIM'S PRIDE FUNDING CORPORATION ("Seller"), PILGRIM'S PRIDE CORPORATION ("Pilgrim's Pride") as initial Servicer, FAIRWAY FINANCE CORPORATION (as successor in interest to Pooled Accounts Receivable Capital Corporation) ("Purchaser") and BMO NESBITT BURNS CORP. (f/k/a Nesbitt Burns Securities Inc.), as agent for the Purchaser (in such capacity, together with its successors and assigns, the "Agent").

RECITALS

WHEREAS, the parties hereto have entered into a certain Receivables Purchase Agreement dated as of June 26, 1998 (the "Agreement");

WHEREAS, the parties hereto wish to make certain changes to the Agreement as herein provided;

NOW, THEREFORE, in consideration of the promises and the mutual agreements contained herein and in the Agreement, the parties hereto agree as follows:

SECTION 1. Definitions. All capitalized terms not otherwise defined herein are used as defined in the Agreement.

SECTION 2. Amendments to the Agreement. The Agreement is hereby amended as follows:

2.1. The definition of "Receivable" set forth in Exhibit I to the Agreement is hereby amended in its entirety as follows:

"Receivable" means any indebtedness and other obligations owed to the Originator or the Seller or any right of the Originator or Seller to payment from or on behalf of an Obligor, or any right to reimbursement for funds paid or advanced by the Originator or Seller on behalf of an Obligor (other than any such indebtedness, obligation or right which arises from the sale and delivery of goods or services relating to the Originator's inventory of turkey and/or turkey related products), whether constituting an account, chattel paper, payment intangible, instrument or general intangible, however arising in connection with the sale of goods or the rendering of services by Originator or Seller (whether or not earned by performance), and includes, without limitation, the obligation to pay any finance charges, fees and other charges with respect thereto. Indebtedness and other obligations arising from any one transaction, including, without limitation, indebtedness and other obligations represented by an individual invoice or agreement, shall constitute a Receivable separate from a Receivable consisting of the indebtedness and other obligations arising from any other transaction.

2.2. Exhibit IV of the Agreement is hereby amended by adding to the end thereof the following new paragraph (s):

"(s) Turkey Operations. In addition to and without limiting any other obligations of the Seller or the Servicer herein or in the other Transaction Documents, the Seller and the Servicer shall have established, and shall at all times maintain, procedures for identifying and segregating collections relating to turkey and/or turkey related products from Collections on the Receivables which are financed under the Agreement and the other Transaction Documents, and have notified all applicable Obligors or other applicable Persons to make all payments in respect of such turkey and/or turkey related products other than to the Lock-Box Account(s) and/or the Collection Account (into which Collections solely on the Receivables are and will continue to be deposited), and no collections relating to turkey and/or turkey related products are or will be deposited in the Lock-Box Accounts and/or Collection Account or otherwise commingled with Collections on the Receivables. In addition, the Seller and/or the Servicer shall (or shall cause the applicable Originator to) invoice all sales or services relating to turkey and/or turkey related products separately from invoices relating to the Receivables which are financed under the Agreement and the other Transaction Documents."

SECTION 3. Miscellaneous.

3.1. Effectiveness. This Amendment shall become effective on the date when the Agent shall have received (a) an original counterpart (or counterparts) of this Amendment, executed and delivered by each of the parties hereto, (b) an opinion from counsel to the Seller, in form and substance satisfactory to the Agent, regarding such UCC matters as the Agent may request, (c) executed amendments to the Lock-Box Agreements, in form and substance

satisfactory to the Agent, which amend the original Lock-Box Agreements to cover only those Lock-Box Accounts into which Collections on Receivables (as such term is amended by this Amendment) are deposited and (d) evidence, satisfactory to the Agent, that all amendments to the UCC financing statements, of the Seller and/or the Originator, necessary to reflect the amendments contemplated hereby, have been filed in all applicable jurisdictions.

3.2. References to Agreement. Upon the effectiveness of this Amendment, each reference in the Agreement to "this Agreement", "hereunder", "hereof", "herein", or words of like import shall mean and be a reference to the Agreement as amended hereby, and each reference to the Agreement in any other document, instrument or agreement executed and/or delivered in connection with the Agreement shall mean and be a reference to the Agreement as amended hereby.

3.3. Effect on the Agreement. Except as specifically amended above, the Agreement and all other documents, instruments and agreements executed and/or delivered in connection therewith shall remain in full force and effect and are hereby ratified and confirmed.

3.4. No Waiver. The execution, delivery and effectiveness of this amendment shall not operate as a waiver of any right, power or remedy of any party under the Agreement or any other document, instrument or agreement executed in connection therewith, nor constitute a waiver of any provision contained therein, except as specifically set forth herein.

3.5. Governing Law. This Amendment, including the rights and duties of the parties hereto, shall be governed by, and construed in accordance with, the laws of the State of Texas (without giving effect to the conflict of laws principles thereof).

3.6. Successors and Assigns. This Amendment shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns.

3.7. Headings. The Section headings in this Amendment are inserted for convenience of reference only and shall not affect the meaning or interpretation of this Amendment or any provision hereof.

3.8. Counterparts. This Amendment may be executed by the parties hereto in several counterparts, each of which shall be deemed to be an original and all of which shall constitute together but one and the same agreement. IN WITNESS WHEREOF, the parties have caused this Amendment to be executed by their respective officers thereunto duly authorized as of the date first above written.

PILGRIM'S PRIDE FUNDING CORPORATION
By: /s/ R. A. Cogdill
Name: R. A. Cogdill
Title: Chief Financial Officer

PILGRIM'S PRIDE CORPORATION
By: /s/ R. A. Cogdill
Name: R. A. Cogdill
Title: Chief Financial Officer

FAIRWAY FINANCE CORPORATION, as Purchaser
By:
Name:
Title:

BMO NESBITT BURNS CORP., as Agent
By:
Name:
Title:

By:
Name:
Title:

EXHIBIT 10.33

PILGRIM'S PRIDE CORPORATION

and

JOHN HANCOCK LIFE INSURANCE COMPANY

(formerly known as John Hancock Mutual Life Insurance Company)

THIRD AMENDED AND RESTATED

NOTE PURCHASE AGREEMENT

Dated as of August 30, 2002

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THIRD AMENDED AND RESTATED NOTE PURCHASE AGREEMENT

This Third Amended and Restated Note Purchase Agreement (this "Agreement") dated as of August 30, 2002, by and between John Hancock Life Insurance Company (formerly known as John Hancock Mutual Life Insurance Company) ("Purchaser") and Pilgrim's Pride Corporation, a Delaware corporation (the "Company").

R E C I T A L S :

WHEREAS, the Company, Purchaser and Signature 1A (Cayman), Ltd. have heretofore entered into that certain Second Amended and Restated Note Purchase Agreement dated July 15, 2000 (the "2000 Note Purchase Agreement"), which amended and restated that certain Amended and Restated Note Purchase Agreement dated April 14, 1997 (the "1997 Note Purchase Agreement"), which amended and restated that certain Note Purchase Agreement dated February 15, 1996 (the "Original Note Purchase Agreement") between the Company and Purchaser in its entirety (collectively, the "Prior Note Purchase Agreements"); and

WHEREAS, pursuant to the Prior Note Purchase Agreements, the following promissory notes remain outstanding: a 9.39% note in the original principal amount of \$5,624,071.72, a 9.45% note in the original principal amount of \$1,614,122.43, a 7.21% note in the original principal amount of \$50,000,000.00, two 7.11% notes in the original principal amounts of \$9,761,805.00, and \$3,000,000.00, respectively, and a 7.07% note in the original principal amount of \$15,000,000.00 (each individually an "Old Note" and collectively, the "Old Notes"); and

WHEREAS, the parties desire to amend and restate the 2000 Note Purchase Agreement in its entirety pursuant to the terms and conditions of this Agreement, and in connection therewith, the parties desire to modify and restate the Old Notes through the issuance of new notes.

NOW, THEREFORE, in consideration of the mutual promises, covenants and agreements set forth in this Agreement, the parties to this Agreement mutually agree as follows:

ARTICLE 1.

DEFINITIONS

1.1. Defined Terms. As used herein the following terms have the following respective meanings:

Acquired Property: the meaning specified in Section 9.4.

Additional Fixed Notes: the meaning specified in Section 2.3.

Additional Floating Notes: the meaning specified in Section 2.3.

Additional Notes: collectively, the Additional Fixed Notes and Additional Floating Notes, if any.

Adverse Environmental Impact: the meaning specified in Section 11.1.

Affiliate: with respect to any Person, (a) any other Person directly or indirectly controlling, controlled by or under direct or indirect common control with, such Person, or (b) any director, officer or partner of such Person. A Person shall be deemed to control another Person if such Person possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of such other Person, whether through the ownership of voting securities, by contract or otherwise. The term "control" shall mean the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise, and shall in any event include the ownership or power to vote ten percent (10%) or more of the outstanding equity interests of such other Person. For purposes hereof, Archer Daniels Midland Company ("ADM") shall not be deemed an Affiliate of the Company so long as ADM does not own or control more than twenty percent (20%) of the outstanding stock of the Company.

Appraised Value: The appraised value of the Mortgaged Properties or

other Collateral acceptable to Purchaser, as determined by Bryan A. Carrell, MIA, or such other appraiser selected by Purchaser.

Bankruptcy Code: the meaning provided in Section 14.1(f).

Business Day: any day on which national banks are open in Dallas, Texas and Boston, Massachusetts.

Called Principal: with respect to any Fixed Note, the principal of such Fixed Note that is to be prepaid pursuant to Section 8.2 or is declared to be immediately due and payable pursuant to Article 14, as the context requires.

Capital Lease Obligations: all obligations to pay rent or other amounts under a lease of (or other agreement conveying the right to use) Property to the extent such obligations are required to be classified and accounted for as a capital lease on a balance sheet under GAAP, and for purposes of this Agreement, the amount of such obligation shall be the capitalized amount thereof, determined in accordance with GAAP.

Capitalization: as at any date of determination, and in conformity with GAAP, the amount of capital stock and additional paid-in-capital plus retained earnings (or minus accumulated deficits) of the Company.

Cash Equivalents: any type of instrument that would qualify as a Permitted Investment, but not otherwise.

Certificate: the meaning specified in Section 4.1(d).

Closing: the meaning specified in Article 3.

Closing Date: the meaning specified in Article 3.

Code: the Internal Revenue Code of 1986, as amended from time to time.

Collateral: the Mortgaged Properties and the properties described in the Financing Statements.

Collateral Agreements: the Security Documents, the Financing Statements, the Receipt of Exchanged Notes, the Certificate and all other documents and instruments that may be executed or delivered hereunder or in connection herewith.

Commission: the Securities and Exchange Commission or any other federal agency at the time administering the Securities Act.

Company: Pilgrim's Pride Corporation, a Delaware corporation, or any successor thereto by merger, consolidation, or otherwise.

Consolidated Free Cash Flow: in respect of any period, the sum of (a) Consolidated Net Income for such period and (b) the amount of all depreciation and amortization allowances and other non-cash expenses of the Company and its Subsidiaries but only to the extent deducted in the determination of Consolidated Net Income for such period.

Consolidated Intangible Assets: license agreements, trademarks, trade names, patents, capitalized research and development, proprietary products (the results of past research and development treated as long term assets and excluded from inventory) and goodwill (all determined on a consolidated basis in accordance with GAAP).

Consolidated Interest Expense: for any period, the aggregate consolidated interest expense of the Company and the Subsidiaries for such period, as determined in accordance with GAAP (minus, to the extent included therein, any interest expense not paid or payable in cash) including, without limitation (and without duplication in any instance), (a) all interest paid on Debt of the Company and the Subsidiaries, (b) all commissions, discounts and other fees and charges owed with respect to letters of credit and banker's acceptances allocable to or amortized over such period, (c) net costs under Interest Rate Agreements and (d) the portion of any amount payable under Capital Lease Obligations that is, in accordance with GAAP, allocable to interest expense.

Consolidated Net Income: for any period means all amounts which, in conformity with GAAP, would be included under net income (or deficit) on a consolidated income statement of the Company and the Subsidiaries for such period, after deducting all operating expenses, provisions for all taxes and reserves (including, but not limited to, reserves for deferred income taxes), and all other proper deductions, all in conformity with GAAP.

Consolidated Net Worth: the total assets minus the total liabilities of the Borrower and its Subsidiaries, all determined on a consolidated basis as in

accordance with GAAP.

Consolidated Working Capital: total Current Assets less Current Liabilities of the Company and its Subsidiaries on a consolidated basis.

Current Assets: the consolidated assets of the Company and its Subsidiaries which can be readily converted into cash within one year and all other assets deemed current assets in accordance with GAAP.

Current Liabilities: Debt, trade payables, accrued expenses and other obligations which must be satisfied or have maturities within one year, including the outstanding balance of the Company's revolving credit facility to the extent due and payable within one year.

Debt: (a) indebtedness for borrowed money, including long-term and short-term debt, obligations and liabilities secured by any Lien existing on property owned subject to such Lien, whether or not the indebtedness, obligation or liability secured thereby shall have been assumed, and (b) all guarantees given by such Person with respect to obligations described in clause (a) of this definition (other than with respect to the Company, guarantees of trade payables of Pilgrim's-Pride-Mexico).

Default Rate: an amount equal to the applicable interest rate for each Note plus two percent (2%), but not to exceed the Highest Lawful Rate.

Discounted Value: with respect to the Called Principal of any Fixed Note, the amount obtained by discounting all Remaining Scheduled Payments with respect to such Called Principal from their respective scheduled due dates to the Settlement Date with respect to such Called Principal, in accordance with accepted financial practice and at a discount factor (applied on a semiannual basis) equal to the Reinvestment Yield with respect to such Called Principal.

EBITDA: for any period, shall mean consolidated net income of the Company and the Subsidiaries after restoring amounts deducted for depreciation, amortization, interest expense and taxes.

Eligible Subsidiary: any corporation or other legal entity organized under the laws of a state of the United States and located entirely within the United States and 100% of all equity interests of which is owned by the Company either directly or through another Eligible Subsidiary.

Environmental Activity: the meaning specified in Section 11.1.

Environmental Condition: the meaning specified in Section 11.1.

Environmental Damages: the meaning specified in Section 11.1.

Environmental Laws: the meaning specified in Section 11.1.

ERISA: the Employee Retirement Income Security Act of 1974, as amended from time to time.

Event of Default: the meaning specified in Section 14.1.

Exchange Act: the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission thereunder, all as the same shall be in effect at the time.

Financial Statements: the meaning specified in Section 5.3.

Financing Statements: the financing statements specified in Section 4.1(d) and any other financing statements delivered by the Company to the Purchaser evidencing the lien granted by the Security Documents.

Fiscal Year: the fiscal year of the Company.

Fixed Charge Coverage Ratio: the ratio of (a) EBITDA plus total lease payments relating to non-cancelable operating leases (other than payments under Capital Lease Obligations) to (b) the sum of (i) Consolidated Interest Expense, (ii) total lease payments relating to non-cancelable operating leases (other than Capital Lease Obligations), (iii) principal payments due on or scheduled mandatory redemptions of Debt (including the Notes) within one year, whether or not actually paid and (iv) the current portion of Capital Lease Obligations, all determined on a consolidated basis for the Company and its Subsidiaries.

Fixed Notes: the 2002 Notes and any Additional Fixed Notes.

Floating Notes: any Additional Floating Notes.

Funded Debt: with respect to the Company and its Subsidiaries, all Debt of the Company and its Subsidiaries which by its terms or by the terms of any

instrument or agreement relating thereto matures, or which is otherwise payable or unpaid, one year or more from, or is directly or indirectly renewable or extendible at the option of the obligor in respect thereof to a date one year or more (including, without limitation, an option of such obligor under a revolving credit or similar agreement obligating the lender or lenders to extend credit over a period of one year or more) from, the date of the creation thereof.

GAAP: generally accepted accounting principles as in effect from time to time in the United States of America as set forth from time to time in the opinions of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements of the Financial Accounting Standards Board or in such opinions and statements of such other entities as shall be approved by a significant segment of the accounting profession.

Governmental Authority: any nation or government, any state or other political subdivision thereof, and any agency, department or other entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to any government.

Hazardous Substances: the meaning specified in Section 11.1.

Highest Lawful Rate: the meaning specified in Section 16.4.

Indemnified Party: the meaning specified in Section 11.2.

Interest Period: with respect to the Floating Notes, a period commencing (a) the date of issuance thereof (with respect to any Additional Floating Notes) or (b) in the case of subsequent Interest Periods under any Additional Floating Notes or Interest Period under any other Floating Notes, on the termination date of the immediately preceding Interest Period applicable thereto in the case of a rollover to a new Interest Period in accordance with Section 7.2, and ending in each case three (3) months, six (6) months or one year thereafter as the Company shall select in accordance with Section 7.2; provided, however, that (i) any Interest Period that would otherwise end on a day that is not a LIBOR Business Day shall be extended to the next succeeding LIBOR Business Day unless such next succeeding LIBOR Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding LIBOR Business Day and (ii) any Interest Period that would otherwise end after the Maturity Date shall end on the Maturity Date.

Interest Rate Agreement: any interest rate protection agreement, interest rate future, interest rate option, interest rate swap, interest rate cap or other interest rate hedge or arrangement under which the Company or any of the Subsidiaries is a party or a beneficiary.

Interest Rate Set Window: the period of time not more than ten (10) days nor less than five (5) days prior to the commencement of each Interest Period.

Investment: any direct or indirect purchase or other acquisition by a Person of stock or other securities of any other Person, or any direct or indirect loan, advance or capital contribution by a Person to any other Person, including all indebtedness and accounts receivable from such other Person that did not arise from sales to such other Person in the ordinary course of business.

LIBOR Business Day: a Business Day on which dealings in dollars are carried out in the London interbank eurodollar market.

LIBOR Premium: with respect to any Floating Note, a premium of (a) five percent (5%) of the principal amount prepaid, if the prepayment occurs after the date that is five (5) years following and on or before the date that is six (6) years following the date of issuance of such Floating Note; (b) four percent (4%) of the principal amount prepaid, if the prepayment occurs after the date that is six (6) years following and on or before the date that is seven (7) years following the date of issuance of such Floating Note; (c) three percent (3%) of the principal amount prepaid, if the prepayment occurs after the date that is seven (7) years following and on or before the date that is eight (8) years following the date of issuance of such Floating Note; (d) two percent (2%) of the principal amount prepaid, if the prepayment occurs after the date that is eight (8) years following and on or before the date that is nine (9) years following the date of issuance of such Floating Note; and (e) one percent (1%) of the principal amount prepaid, if the prepayment occurs after the date that is nine (9) years following and on or before the date that is ten (10) years following the date of issuance of such Floating Note.

LIBOR Rate: for any Interest Period in effect under the Floating Notes, the rate announced in The Wall Street Journal (Northeast Edition) as the London Interbank Offered Rates (LIBOR) for a period of corresponding duration.

Lien: with respect to any Property, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such Property. For purposes of this Agreement, a Person shall be deemed to own, subject to a Lien, any Property that it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement (other than an operating lease) relating to such Property.

Make-Whole Premium: with respect to any Fixed Note (including any Floating Note that becomes a Fixed Note pursuant to the Company's election to fix the interest rate thereunder in accordance with Section 7.3), a premium equal to the excess, if any, of (a) the Discounted Value of the Called Principal of such Fixed Note over (b) such Called Principal. The Make-Whole Premium shall in no event be less than zero.

Material Adverse Effect: a material adverse effect on the business, operations, affairs, condition or properties of the Company or the ability of the Company to perform its obligations hereunder or under the Collateral Agreements.

Maturity Date: the stated date of maturity of a Note or such earlier date upon which the maturity of the Note is accelerated pursuant to Section 14.2.

Moody's: Moody's Investors Services, Inc.

Mortgaged Properties: the aggregate of all properties pledged, conveyed and encumbered under or pursuant to the Security Documents.

Net Tangible Assets: total consolidated assets of the Company and its Subsidiaries less Consolidated Intangible Assets of the Company and its Subsidiaries determined in accordance with GAAP.

Note: collectively, any of the 2002 Notes and the Additional Notes, if any.

Officers' Certificate: a certificate executed by the Chief Financial Officer of the Company.

Old Notes: the meaning specified in the recitals.

Original Security Documents: the Texas Deed of Trust and Security Agreement and the Assignment of Leases, each dated February 15, 1996, that were executed and delivered by the Company pursuant to the Original Note Purchase Agreement and the Texas Deed of Trust and Security Agreement and the Assignment of Leases and Rents, each dated as of April 14, 1997, that were executed and delivered by the Company pursuant to the 1997 Note Purchase Agreement, in each case as amended.

PBGC: the Pension Benefit Guaranty Corporation or any Governmental Authority succeeding to any of its functions.

Payment Date: the first day of each calendar month, but if such day is not a Business Day, the first Business Day of such month.

Permitted Exceptions: those Liens permitted under the Security Documents and this Agreement.

Permitted Investments: (a) direct obligations of the United States, or of any agency thereof, or obligations guaranteed as to principal and interest by the United States, or of any agency thereof, in either case maturing not more than one year from the date of acquisition thereof; (b) direct obligations issued by any state of the United States or any political subdivision of any such state or any public instrumentality thereof maturing within one year from the date of the acquisition thereof and, at the time of such acquisition, having the highest rating obtainable from either S&P or Moody's; (c) certificates of deposit and banker's acceptances issued by any bank or trust company organized under the laws of the United States or any state thereof and having capital, surplus and undivided profits of at least \$50,000,000, maturing not more than one year from the date of acquisition thereof; (d) commercial paper rated A-1 or better or P-1 or better by S&P or Moody's, respectively, maturing not more than six months from the date of acquisition thereof; (e) Eurodollar time deposits having a maturity of less than six months purchased directly from any such bank (whether such deposit is with such bank or any other such bank); and (f) money market funds at least 95% of the assets of which constitute Investments of the kinds described in clauses (a) through (e) above. Notwithstanding the foregoing, the Company shall be permitted to have collected balances with Pilgrim's Bank, Pittsburg, Texas, in an amount not to exceed at any time 80% of such bank's capital base.

Person: a corporation, an association, a limited liability company, a partnership, an organization, a business, an individual, a government or

political subdivision thereof or a governmental agency.

Pilgrim's Pride-Mexico: Avicola Pilgrim's Pride de Mexico S.A. de C.V., a Mexican corporation and a wholly owned Subsidiary of the Company, and its Subsidiaries.

Plan: an "employee pension benefit plan" (as defined in Section 3(2) of ERISA) that is or has been established or maintained, or to which contributions are or have been made, by the Company or any of the Subsidiaries or any Related Person with respect to any of them, or an employee pension benefit plan as to which the Company or any of the Subsidiaries or any Related Person with respect to any of them, would be treated as a contributory sponsor under Section 4069 of ERISA if it were to be terminated but excluding any such Plan that is maintained outside of the United States primarily for the benefit of Persons substantially all of whom are nonresident aliens.

Potential Event of Default: a default that, with notice or lapse of time or both, becomes an Event of Default.

Premium: a LIBOR Premium or a Make-Whole Premium, as the case may be.

Property: any right or interest in or to property of any kind whatsoever, whether real, personal (including, without limitation, cash) or mixed and whether tangible or intangible.

Purchaser: John Hancock Life Insurance Company and its successors and assigns.

Receipt of Exchanged Notes: the meaning specified in Section 4.1(d).

Reinvestment Yield: with respect to the Called Principal of any Fixed Note, the yield to maturity implied by (a) the yields reported, as of 10:00 a.m. (New York City time) on the Business Day next preceding the Settlement Date with respect to such Called Principal, on the display designated as "Page 678" on the Telerate Service (or such other display as may replace Page 678 on the Telerate Service) for actively traded U.S. Treasury securities having a maturity equal to the Remaining Life of such Called Principal as of such Settlement Date, plus 100 basis points or (b) if such yields shall not be reported as of such time or the yields reported as of such time shall not be ascertainable, the Treasury Constant Maturity Series yields reported, for the latest day for which such yields shall have been so reported as of the Business Day next preceding the Settlement Date with respect to such Called Principal, in Federal Reserve Statistical Release H.15 (519) (or any comparable successor publication) for actively traded U.S. Treasury securities having a constant maturity equal to the Remaining Life of such Called Principal as of such Settlement Date, plus 100 basis points. Such implied yield shall be determined, if necessary, by (x) converting U.S. Treasury bill quotations to bond-equivalent yields in accordance with accepted financial practice and (y) interpolating linearly between reported yields.

Related Person: as to any Person, either (a) any corporation or trade or business that is a member of the same controlled group of corporations (within the meaning of Section 414(b) of the Code) as such Person, or (b) is under common control (within the meaning of Section 414(c) of the Code) with such Person, or (c) is a member of any affiliated service group (within the meaning of Section 414(m) of the Code) that includes such Person, or (d) is otherwise treated as part of the controlled group that includes such Person (within the meaning of Section 414(o) of the Code).

Release: the meaning specified in Section 11.1.

Remaining Life: with respect to the Called Principal of any Fixed Note, the number of years (calculated to the nearest one-twelfth year) that will elapse between the Settlement Date with respect to such Called Principal and the scheduled due date of such Remaining Scheduled Payment.

Remaining Scheduled Payments: with respect to the Called Principal of any Fixed Note, all payments of such Called Principal and interest thereon that would be due on or after the Settlement Date with respect to such Called Principal if no payment of such Called Principal were made prior to its scheduled due date.

Reportable Quantity: the meaning specified in Section 11.1.

Responsible Officer: the President, the Secretary, the Treasurer, the Chief Executive Officer, the Chief Operating Officer or the Chief Financial Officer of the Company.

S&P: Standard & Poor's Ratings Group, a division of McGraw-Hill, Inc.

Schedule of Information for Payment and Notices: the meaning specified

in Article 13.

Securities Act: the Securities Act of 1933, as amended, or any similar federal statute, and the rules and regulations of the Commission thereunder, all as the same shall be in effect at the time.

Security Documents: the Original Security Documents, the documents delivered pursuant to clauses (i), (ii), and (iii) of Section 4.1(d) and any other security agreements, mortgages, deeds of trust, leasehold mortgages or deeds of trust, pledge agreements, leasehold assignment, and/or other documents executed by the Company in favor of the Purchaser, to secure the Company's performance of its obligations under the Notes and this Agreement with a lien on the Collateral.

Settlement Date: with respect to the Called Principal of any Fixed Note, the date on which such Called Principal is to be prepaid pursuant to Section 8.2 or is declared to be immediately due and payable pursuant to Article 14.

Special Counsel: Locke Liddell & Sapp LLP, as special counsel to Purchaser in connection with this Agreement.

Subsidiary: any corporation or other entity of which more than fifty percent (50%) of the outstanding voting shares are at the time owned (either alone or through Subsidiaries or together with Subsidiaries) by the Company or another Subsidiary.

2002 Notes: the meaning specified in Section 2.1.

Unfunded Current Liability: as to any Plan, the amount, if any, by which the actuarial present value of the accumulated plan benefits under the Plan as of the close of its most recent plan year, determined in accordance with Statement of Financial Accounting Standards No. 35, based upon the actuarial assumptions used by the Plan's actuary in the most recent annual valuation of the Plan, exceeds the fair market value of the assets allocable thereto, determined in accordance with Section 412 of the Code.

Welfare Plan: an employee welfare benefit plan (as defined in Section 3(1) of ERISA) or a group health plan (as defined in Section 4980B(g)(2) of the Code) which is or has been established or maintained, or to which contributions are or have been made, by the Company or any of the Subsidiaries or any Related Person with respect to any of them.

1.2. Miscellaneous. References herein to an "Exhibit" or "Schedule" are, unless otherwise specified, to one of the exhibits or schedules attached to this Agreement, and references herein to a "Section" are, unless otherwise specified, to one of the Sections of this Agreement. As used in this Agreement, the words "herein," "hereof," "hereby," and "hereunder" refer to this Agreement as a whole and not to any particular Section or subdivision of this Agreement. References herein to masculine or neuter are construed to include masculine, feminine or neuter, where applicable, and references herein to singular include plural and to plural include singular, where applicable.

ARTICLE 2.

THE NOTES

2.1. Authorization of 2002 Notes. The Company has authorized the issue and sale of \$60,960,846.08 aggregate principal amount of its 6.68% Fixed Notes (together with all notes issued in substitution or exchange therefor pursuant to Article 12, the "2002 Notes") pursuant to this Agreement in exchange for the Old Notes. The 2002 Notes will bear interest on the unpaid principal balance thereof from the date of such Notes as prescribed herein, payable as set forth in Articles 7 and 8, will mature on August 30, 2012 and will be substantially in the form of Exhibit A-1.

2.2. Sale and Purchase of 2002 Notes. The Company will issue and sell to Purchaser and, subject to the terms and conditions hereof, at the Closing provided for in Article 3, Purchaser will accept the 2002 Notes in exchange for the Old Notes.

2.3. Sale and Purchase of Additional Notes.

(a) The Company may authorize the issue and sale from time to time of up to an additional \$50,000,000 of its notes ("Additional Notes"), consisting of fixed rate notes (together with all notes issued in substitution or exchange therefor pursuant to Article 12, the "Additional Fixed Notes") and floating rate notes (together with all notes issued in substitution or exchange therefor pursuant to Article 12, the "Additional Floating Notes") pursuant to this Agreement. Each Additional Note will be in the amount of \$5,000,000 (or at Purchaser's option, such smaller denominations that in the aggregate equal

\$5,000,000), will bear interest on the unpaid principal balance thereof from the date of the Additional Note as prescribed herein, payable as set forth in Articles 7 and 8, will mature on a date which is ten (10) years from the date of issuance and sale and will be substantially in the form of Exhibit A-1 (in the case of Additional Fixed Notes) or Exhibit A-2 (in the case of Additional Floating Notes).

(b) The Company shall give Purchaser not less than ten (10) Business Days prior written notice of its intent to issue and sell to Purchaser an Additional Note, which at the Company's option may be either an Additional Fixed Note or an Additional Floating Note, the issuance and sale of which shall be subject to the conditions set forth in Section 4.2. Subject to the satisfaction of the conditions set forth in Section 4.2, Purchaser agrees to purchase the Additional Notes authorized by the Company under this Section 2.3. No Additional Note may be issued and sold after August 30, 2005.

ARTICLE 3.

CLOSING

The closing of the sale of the 2002 Notes to Purchaser (the "Closing") shall take place at the offices of Locke Liddell & Sapp LLP, 2200 Ross Avenue, Suite 2200, Dallas, Texas 75201, at 10:00 a.m. Dallas, Texas time on such date as the parties may mutually agree (the "Closing Date"). At the Closing, the Company will deliver to Purchaser the 2002 Notes in the form of a single Note or Notes as prescribed by Purchaser, dated the Closing Date and registered in Purchaser's name (or the name of its nominee), against delivery by Purchaser to the Company of the Old Notes.

ARTICLE 4.

CONDITIONS TO CLOSING

4.1. Conditions to Purchase of 2002 Notes. Purchaser's obligation to accept the 2002 Notes in exchange for the Old Notes is subject to the fulfillment to Purchaser's satisfaction, at or prior to the Closing, of the following conditions:

(a) Opinion of Counsel. Purchaser shall have received an opinion, dated the Closing Date and satisfactory in form and substance to Purchaser, from Baker & McKenzie, counsel for the Company, in the form of Exhibit B-1.

(b) Representations, Warranties and Covenants. The representations and warranties of the Company contained in this Agreement shall be true and correct at the time of Closing as if made at and as of such time, and the Company shall have complied with all agreements and covenants hereunder required to be performed by the Company on or prior to the time of Closing.

(c) Notes. The 2002 Notes (with appropriate insertions) to be issued to and accepted by Purchaser, shall have been duly executed by the Company and delivered to Purchaser and shall be in full force and effect and no term or condition thereof shall have been amended, modified or waived, except with the prior written consent of Purchaser and the Company.

(d) Collateral Agreements.

(i) Modifications and Extensions of Deed of Trust and Assignment of Leases and Rents in form and substance satisfactory to Purchaser shall have been duly executed and delivered by the Company for the benefit of Purchaser and the registered holders from time to time of the Notes and shall be in full force and effect.

(ii) A Texas Deed of Trust and Security Agreement in form and substance satisfactory to Purchaser shall have been executed and delivered by the Company for the benefit of Purchaser and the registered holders of the Notes and shall be in full force and effect.

(iii) UCC Financing Statements and amendments shall have been authorized by the Company for filing.

(iv) A Receipt of Exchanged Notes, substantially in the form of Exhibit C (the "Receipt of Exchanged Notes"), shall have been duly executed and delivered by the Company and shall be in full force and effect.

(v) A certificate, substantially in the form of Exhibit D (the "Certificate"), shall have been duly executed and delivered by the Company and shall be in full force and effect.

(e) Recordings, Filings and Priority. Except as waived in writing by Purchaser, all recordings and filings of or with respect to the

Security Documents and the Financing Statements shall have been duly made and all other instruments relating thereto shall have been duly executed, delivered and recorded or filed, in all such places as may be required by law, or as may be deemed necessary or desirable by Special Counsel, in order to establish, protect and perfect as of the Closing Date the interests and rights (and the priority thereof) created or intended to be created thereby. The Lien of the Security Documents and Financing Statements shall constitute a first Lien of record on and a first security interest of record in the Mortgaged Properties, subject only to the Permitted Exceptions.

(f) Title Insurance. Purchaser shall have received title policy endorsements to its existing mortgagee policies of title insurance issued by Lawyers Title Insurance Corporation and Stewart Title Guaranty Company. Such endorsements shall be subject only to the same exceptions to title as now are specified in such policies and any additional conditions or exceptions to title as may be acceptable to Purchaser.

(g) Compliance with Securities Laws. The offering and sale of the 2002 Notes to be issued at the Closing shall have complied with all applicable requirements of federal and state securities laws.

(h) Proceedings and Documents. All corporate and other proceedings in connection with the transactions contemplated hereby and all documents and instruments incident to such transactions shall be reasonably satisfactory to Purchaser and Special Counsel, and Purchaser and Special Counsel shall have received an original executed counterpart of this Agreement, and all such other counterpart originals or certified or other copies of such documents as Purchaser or Special Counsel may reasonably request.

(i) No Event of Default or Potential Event of Default. There shall not exist and, upon consummation of the transactions contemplated hereby, there shall not exist any Event of Default or Potential Event of Default.

(j) Payment of Closing Fees. The Company shall have paid the reasonable fees, expenses and disbursements of Special Counsel and special local counsel that are reflected in statements of such counsel rendered prior to or on the Closing Date, without limitation on the Company's obligation to pay any additional fees and disbursements of all such counsel pursuant to Article 15.

(k) Loan to Appraised Values. Upon consummation of the transactions contemplated at the Closing, the ratio of the aggregate principal amount of the then outstanding Notes (including any Additional Notes to be issued at the Closing) to Appraised Value shall not be greater than seventy-five percent (75%).

(l) Insurance. Purchaser shall have received certificates reasonably satisfactory to Purchaser as to, or copies of, all insurance policies required by the Security Documents.

(m) Due Diligence. The results of any due diligence review of the Company and the Subsidiaries and their respective Properties, businesses, operations, affairs, results of operations, financial condition and prospects and the proposed organizational, legal and tax aspects of the proposed transactions, performed by or on behalf of Purchaser shall be reasonably satisfactory to Purchaser and Special Counsel.

4.2. Conditions to Purchase of Additional Notes. Purchaser's obligation to purchase each Additional Note is subject to the fulfillment to Purchaser's satisfaction prior to each such purchase of an Additional Note, of the following conditions:

(a) Representations, Warranties and Covenants. The representations and warranties of the Company contained in this Agreement shall be true and correct at the time of the purchase of each Additional Note, as if made at and as of such time, and the Company shall have complied with all agreements and covenants hereunder required to be performed at or prior to the purchase of such Additional Note.

(b) Notes. The Additional Note, in the form and substance of Exhibit A-1 (in the case of an Additional Fixed Note) or Exhibit A-2 (in the case of an Additional Floating Note) (with appropriate insertions) to be issued to and accepted by Purchaser, shall have been duly executed and delivered to Purchaser by the Company and shall be in full force and effect and no term or condition thereof shall have been amended, modified or waived, except with the prior written consent of Purchaser and the Company.

(c) Opinion of Counsel. Purchaser shall have received an opinion, dated the date of issuance of the Additional Note and satisfactory in form and substance to Purchaser, from counsel for the Company, substantially in the form of Exhibit B-2.

(d) Compliance with Securities Laws. The offering and sale of each Additional Note to be issued shall have complied with all applicable requirements of federal and state securities laws.

(e) No Event of Default or Potential Event of Default. There shall not exist and, upon consummation of the transactions contemplated hereby, there shall not exist any Event of Default or Potential Event of Default.

(f) No Material Adverse Effect. There shall not have been any Material Adverse Effect on the Company since September 30, 2001, which Material Adverse Effect is continuing.

(g) Loan to Appraised Value. Upon consummation of any purchase of an Additional Note, the ratio of the aggregate principal amount of the then outstanding Notes (including any Additional Notes to be issued pursuant thereto) to Appraised Value immediately prior to the consummation of any such transaction shall not be greater than seventy-five percent (75%). In the event the Company desires or is required to pledge additional assets or property as security for its obligations under this Agreement and the Collateral Agreements, the appraised value of such assets or property shall be included within the Appraised Value in calculating the Loan to Appraised Value ratio pursuant to this Section 4.2(g), and Company shall execute (where required) and cause to be delivered to Purchaser such closing documents, as Purchaser may require, as set forth in Exhibit F.

ARTICLE 5.

REPRESENTATIONS AND WARRANTIES RELATING TO THE COMPANY

The Company represents and warrants to Purchaser as follows:

5.1. Organization, Standing, etc. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has all requisite power and authority (a) to own and operate its properties, (b) to carry on its business as now conducted and as proposed to be conducted, (c) to enter into this Agreement, the Security Documents and each of the other Collateral Agreements, (d) to issue and sell the Notes, and (e) to carry out the terms of this Agreement, the Notes, the Security Documents and each of the other Collateral Agreements. This Agreement, the 2002 Notes, the Security Documents and the other Collateral Agreements (i) have been, and the Additional Notes upon issuance thereof will be, duly authorized by all necessary corporate action on the part of the Company, and duly executed and delivered and (ii) are, and the Additional Notes upon issuance thereof will be, valid and binding agreements of the Company, enforceable in accordance with their terms, except as enforceability may be subject to and limited by applicable principles of equity and by bankruptcy, reorganization, moratorium, insolvency or other similar laws from time-to-time in effect affecting the enforcement of creditors' rights generally.

5.2. Qualification. The Company is duly qualified and in good standing as a foreign corporation authorized to do business in each jurisdiction in which the nature of its activities or the character of the properties it owns or leases makes such qualification necessary, other than those jurisdictions where the failure to qualify would not have a Material Adverse Effect.

5.3. Business and Financial Statements. The Company has delivered to Purchaser true, complete and correct copies of the Company's audited consolidated financial statements for the Fiscal Year ended September 30, 2001, and the unaudited financial statements for the nine months ended June 29, 2002 (collectively, the "Financial Statements"). The Financial Statements have been prepared in accordance with GAAP (except that the unaudited financial statements contain no footnotes) applied on a consistent basis throughout the periods specified and present fairly in all material respects the historical financial positions of the Company as of the respective dates and for the respective periods specified.

5.4. Adverse Changes. There has been no Material Adverse Effect on the Company since September 30, 2001 that is continuing.

5.5. Tax Returns and Payments. The Company is a corporation subject to United States federal income taxation. The Company has timely and accurately filed all tax returns required by law to be filed by it and has paid all taxes, assessments and other governmental charges levied upon it or any of its properties, assets, income or franchises that are due and payable, other than those presently being contested in good faith by appropriate proceedings diligently conducted for which such reserves and other appropriate provision as are required by GAAP have been made or where the failure to make such filing or payment could not reasonably be expected to result in a Material Adverse Effect. As of the Closing Date, there are no material tax Liens upon any of the assets of the Company except for statutory liens in respect of taxes or

assessments the payment of which is not yet delinquent. If the Company is contesting any such tax or assessment in accordance with this Section 5.5, the Company has disclosed to Purchaser, in writing, the nature and extent of such contest.

5.6. Debt. Other than the Notes and the indebtedness disclosed in the Financial Statements or as listed on Schedule 5.6, the Company has no secured or unsecured Debt outstanding as of the Closing Date. Other than as provided in this Agreement and the Collateral Agreements, or in the instruments and agreements listed on Schedule 5.6 (as such schedule may be updated from time to time), no instrument or agreement applicable to or binding on the Company contains any restrictions on the incurrence by the Company of any Debt.

5.7. Title to Properties and Assets; Liens. The Company has good and marketable fee title to all the real property purported to be owned by it and good and marketable title to all other property and assets purported to be owned by it, free and clear of all Liens, except for Liens and other matters that constitute Permitted Exceptions. At the time of the Closing and upon giving effect to the transactions contemplated hereby, and except for the Permitted Exceptions, (a) no currently effective financing statement under the Uniform Commercial Code that names the Company as debtor or lessee will be on file in any jurisdiction in which the Company owns or leases real or personal property or in which the inventory of the Company is located or in any other jurisdiction, (b) neither the Company nor any Subsidiary has signed any currently effective financing statement or any currently effective security agreement authorizing any secured party thereunder to file any such financing statement, except (i) as required to perfect the Liens created by the Collateral Agreements, (ii) as listed on Schedule 5.7, or (iii) as evidenced by any Permitted Exception, and (c) the personal property comprising any portion of the Mortgaged Properties is free and clear of any and all purchase money security interests and other Liens.

5.8. Litigation. Except as set forth on Schedule 5.8, there is no action, proceeding or investigation pending or, to the best knowledge of the Company, threatened (or any basis therefor known to the Company) against the Company or any of its Subsidiaries or any of their respective Properties which is not adequately covered by insurance, which could reasonably be expected to have a Material Adverse Effect.

5.9. Compliance with Collateral Agreements. The Company has performed and complied in all material respects with every term, covenant, condition and provision of the Collateral Agreements to be performed or complied with by the Company on or prior to the date hereof, every representation or warranty of the Company contained in the Collateral Agreements is true and correct in all material respects on and as of the date hereof, and no default or Event of Default (as any such term may be defined in the Collateral Agreements) has occurred and is continuing (without regard to any applicable cure period) under the Collateral Agreements.

5.10. Compliance with Other Instruments. The Company (a) is not in violation of any term of any agreement or instrument to which it is a party or by which it is bound, or of any applicable law, ordinance, rule or regulation of any Governmental Authority, or of any applicable order, judgment or decree of any court, arbitrator or Governmental Authority (including, without limitation, any such law, ordinance, rule, regulation, order, judgment or decree relating to environmental protection or pollution control, occupational health and safety standards and controls, consumer protection or equal employment practice requirements), the consequence of any of which violations would, with reasonable probability, result in a Material Adverse Effect; and (b) is not in violation of any term of its Certificate of Incorporation or Bylaws. Neither the execution, delivery and performance of this Agreement, any Collateral Agreement, or the Notes nor the consummation of the transactions contemplated hereby or thereby will result in any violation of or be in conflict with or constitute a default under any such term or result in the creation of (or impose any obligation on the Company to create) any Lien upon any of the properties of the Company pursuant to any such term. There are no such terms in the aforementioned documents that, either in any individual case or in the aggregate, materially and adversely affect the business, operations, affairs, condition or properties of the Company, including the Mortgaged Properties.

5.11. Governmental Consents. Other than those that have been duly obtained and are in full force and effect (copies of which have been delivered to Purchaser or Special Counsel) and any filings contemplated by the Security Documents and the Financing Statements (which filings will be made promptly after Closing), no consent, approval or authorization of, or declaration or filing with, any Governmental Authority on the part of the Company is currently required for the valid execution and delivery of this Agreement or any Collateral Agreement, or the consummation of the transactions contemplated hereby or thereby, or the valid offer, issue, sale and delivery of the Notes pursuant to this Agreement.

5.12. Permits and Licenses. Except for any failure to obtain or recover permits and licenses that could not reasonably be expected to have a Material Adverse Effect, the Company has all permits and licenses necessary for the operation of its business as presently conducted.

5.13. Status Under Certain Federal Statutes. Neither the Company nor any Subsidiary is subject to regulation under the Investment Company Act of 1940, as amended, the Public Utility Holding Company Act of 1935, as amended, the Interstate Commerce Act, as amended, or the Federal Power Act, as amended.

5.14. Use of Proceeds; Margin Regulations. The Company will apply the proceeds of the sale of Additional Notes for general corporate purposes. No part of the proceeds from the sale of the Notes hereunder will be used, directly or indirectly, for the purpose of buying or carrying any margin stock within the meaning of Regulation U of the Board of Governors of the Federal Reserve System (12 CFR 221), or for the purpose of buying or carrying or trading in any securities under such circumstances as to involve the Company in a violation of Regulation X of said Board (12 CFR 224) or to involve any broker or dealer in a violation of Regulation T of said Board (12 CFR 220). Margin stock does not constitute more than 10% of the value of the consolidated assets of the Company and its Subsidiaries and the Company does not have any present intention that margin stock will constitute more than 10% of the value of such assets. As used in this Section, the terms "margin stock" and "purpose of buying or carrying" shall have the meanings assigned to them in said Regulation U.

5.15. Compliance with ERISA.

(a) As of the Closing Date, each Plan that is or has been maintained for employees of the Company or any of the Subsidiaries, or any Related Person with respect to any of them, or to which the Company or any of the Subsidiaries, or any Related Person with respect to any of them, has made or was required to make contributions has been administered in material compliance with its terms and all applicable statutes (including but not limited to ERISA and the Code, and all regulations and interpretations thereunder). No reportable event (as defined in Section 4043 of ERISA and regulations issued thereunder) has occurred with respect to any Plan that is a defined benefit plan (as defined in Section 3(35) of ERISA and regulations issued thereunder) and subject to Title IV of ERISA ("Title IV Plan"). As of the Closing Date, no material liability to the PBGC has been incurred, or is expected to be incurred, by the Company or any of the Subsidiaries or any Related Person with respect to any Title IV Plan. The PBGC has not instituted any proceedings, and there exists no event or condition that would constitute grounds for institution of proceedings, against the Company, the Subsidiaries or any Related Person by the PBGC to terminate any Title IV Plan under Section 4042 of ERISA. No case, matter or action with respect to any Plan, pursuant to any federal or state law, is pending or, to the Company's knowledge, is threatened, against the Company or any of the Subsidiaries or any Related Person with respect to any of them, or any officer, director or employee of any of them, or any fiduciary of any Plan which could reasonably be expected to result in a Material Adverse Effect.

(b) No Title IV Plan had an accumulated funding deficiency (as such term is defined in Section 302 of ERISA and regulations issued thereunder) as of the last day of the most recent plan year of such Plan ended prior to the date hereof. All contributions payable to each qualified Plan of the Company or any of the Subsidiaries (that is an employee pension benefit plan as defined in Section 3(2) of ERISA and regulations issued thereunder and that is intended to meet the qualification requirements of the Code ("Qualified Plan")), for all benefits earned or other liabilities accrued through the end of the latest plan year for such Qualified Plan, determined in accordance with the terms and conditions of such Qualified Plan, ERISA and the Code, have been paid or otherwise provided for, and to the extent unpaid are reflected in the pro forma consolidated balance sheet of the Company. No waiver of the minimum funding standard requirements of Section 302 of ERISA and Section 412 of the Code has been obtained, applied for or is contemplated with respect to any Title IV Plan.

(c) Except as disclosed to Purchaser in writing, none of the Company or any of the Subsidiaries nor any Related Person with respect to any of them, is or has been a contributor to any multi-employer plan within the meaning of Section 3(37) of ERISA and regulations issued thereunder.

(d) The execution and delivery of this Agreement and the Collateral Agreements, the issue of the Notes hereunder and the consummation of the transactions contemplated hereby will not involve any transaction that is subject to the prohibitions of Section 406 of ERISA or in connection with which a tax would be imposed pursuant to Section 4975 of the Code.

(e) No Lien imposed under Section 412(n) of the Code exists in

favor of any Plan upon any property belonging to the Company or any of the Subsidiaries, or any Related Person of any of them.

5.16. Disclosure. Neither this Agreement, the Financial Statements nor any other document, certificate or instrument delivered to Purchaser by or on behalf of the Company in connection with the transactions contemplated hereby, when all such documents, certificates and instruments are taken as a whole, contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein or therein not misleading. There is no fact actually known to the Company that could reasonably be expected to have a Material Adverse Effect that has not been set forth herein or in the other documents, certificates and instruments delivered to Purchaser by or on behalf of the Company specifically for use in connection with the transactions contemplated hereby.

5.17. Solvency of the Company. The fair saleable value of the business and assets of the Company, upon giving effect to the transactions contemplated hereby, will be in excess of the amount that will be required to pay the probable liabilities of the Company (including contingent, subordinated, unmatured and unliquidated liabilities) on existing debts as they may become absolute and matured. The Company, upon giving effect to the transactions contemplated hereby, will not be engaged in any business or transaction, or about to engage in any business or transaction, for which the Company has an unreasonably small capital, and the Company has no intent (a) to hinder, delay or defraud any entity to which it is, or will become, on or after the Closing Date, indebted, or (b) to incur debts that would be beyond its ability to pay as they mature.

5.18. Environmental Matters. The Company has been complying with, and is in compliance with, all Environmental Laws in each jurisdiction where it is presently doing business except for failures to comply which would not have a Material Adverse Effect. As of the Closing Date, to the best knowledge of the Company, none of the Mortgaged Properties is impacted by Hazardous Substances in any respect that would require investigation, reporting, monitoring, cleanup or other response under any Environmental Law.

5.19. Brokers. The Company represents that it has not dealt with any brokers or finders in connection with the transactions contemplated by this Agreement.

5.20. No Defaults. At the time of the Closing, there exists no Event of Default or Potential Event of Default.

5.21. Offer of Notes. Neither Company nor any Person acting on its behalf has directly or indirectly offered the Notes or any part thereof or any similar securities for sale to, or solicited any offer to buy any of the same from, or otherwise approached or negotiated in respect thereof with anyone other than Purchaser. Neither the Company nor any Person acting on its behalf has taken or will take any action that would subject the issuance and sale of the Notes to the provisions of Section 5 of the Securities Act, or to the provisions of any state securities law requiring registration of securities, notification of the issuance or sale thereof or confirmation of the availability of any exemption from such registration.

ARTICLE 6.
REPRESENTATIONS AND WARRANTIES RELATING
TO SECURITY FOR THE NOTES

The Company represents and warrants to Purchaser as follows:

6.1. Easements and Utility Services. The Company has all easements and other rights, including those for use, maintenance, repair and replacement of and access to structures, facilities or space for support, mechanical systems, roads, utilities (including electricity, gas, water, sewer disposal, telephone and CATV) and any other private or municipal improvements, services and facilities necessary or appropriate to the proper operation, repair, maintenance, occupancy or use of the Mortgaged Properties as currently being and proposed to be used.

6.2. Contracts. There are no service (other than utility) or construction contracts currently outstanding relating to any part of the Mortgaged Properties providing for payment in excess of \$500,000 per year, per contract (but not in excess of \$5,000,000 in the aggregate), except those contracts that have been delivered to Purchaser. As of the Closing Date, no labor or materials have been supplied to the Mortgaged Properties, other than in the ordinary course of business, that have not been fully paid for.

6.3. Permits. There are no permits, licenses, certificates or approvals that are required to occupy or operate (except as specified in Section 5.12) any part of the Mortgaged Properties as presently operated, except those permits, licenses, certificates and approvals that have been delivered to

Purchaser.

6.4. Reports of Engineers. The Company does not possess and is not aware of any reports of engineers, architects or other Persons relating to any part of the Mortgaged Properties, except those reports that have been delivered to Purchaser.

6.5. Plans and Specifications. The Company does not possess and is not aware of any plans and specifications relating to any part of the Mortgaged Properties, except those plans and specifications that have been delivered to Purchaser.

6.6. Soil Reports. There are no soil reports in the possession of the Company or its Affiliates relating to any part of the Mortgaged Properties except as delivered to Purchaser.

6.7. Zoning. The Mortgaged Properties that constitute real property are zoned in the manner that permits the use of the Mortgaged Properties as currently being and proposed to be used by the Company and its Subsidiaries.

6.8. Certificates of Occupancy. A certificate of occupancy or similar permit has been issued by the appropriate Governmental Authority for each of the Mortgaged Properties that constitutes improvements to real property that permits the occupancy of the Mortgaged Properties as currently occupied by the Company.

6.9. Compliance with Laws. Each Mortgaged Property, and the current activities at each Mortgaged Property, comply in all material respects with applicable laws, ordinances, rules and regulations of any Governmental Authority and any applicable order, judgment or decree of any court, arbitrator or Governmental Authority.

ARTICLE 7.

INTEREST RATE PROVISIONS

7.1. Interest on Fixed Notes.

(a) Interest on the outstanding principal balance of the 2002 Notes shall accrue at the lesser of (i) 6.68% per annum or (ii) the Highest Lawful Rate, and shall be due and payable in accordance with Section 8.1.

(b) In the event the Company elects to issue an Additional Fixed Note pursuant to Section 2.3, not more than forty-five (45) nor less than five (5) days prior to the issuance of such Additional Fixed Note, the Company shall give written notice thereof to Purchaser, at which point the parties shall determine the interest rate applicable to such Additional Fixed Note based on the interest rates then quoted by Purchaser as provided in Section 7.4. Interest on the outstanding principal balance of such Additional Fixed Note shall accrue at the lesser of (i) the rate as so determined or (ii) the Highest Lawful Rate, and shall be due and payable in accordance with Section 8.1.

(c) Interest on the unpaid principal of the Fixed Notes shall be calculated on the basis of the actual days elapsed in a year consisting of 360 days.

7.2. Interest on Floating Notes.

(a) Interest on the outstanding principal balance of the Floating Notes shall accrue at an interest rate per annum during the applicable Interest Period equal to the lesser of (i) the LIBOR Rate plus the interest rate spread as provided in Section 7.4 or (ii) the Highest Lawful Rate. Interest on the Floating Notes accrued during a calendar month shall be due and payable in accordance with Section 8.1. Interest on the unpaid principal of the Floating Notes shall be calculated on the basis of the actual days elapsed in a year consisting of 360 days.

(b) Not more than ten (10) days nor less than five (5) days prior to Closing and during each Interest Rate Set Window, the Company shall notify Purchaser of its selection of the duration of the immediately following Interest Period with respect to the Floating Notes then outstanding, which may be three (3) months, six (6) months or one year (the "Interest Option Notice"). The duration of the Interest Period selected shall be the same for all Floating Notes with the same date of issuance. The Interest Option Notice must be in writing and must be sent via telecopy, with the originally executed copy delivered to Purchaser immediately thereafter. The LIBOR Rate for the following Interest Period shall be the applicable rate for a period of corresponding duration announced in The Wall Street Journal (Northeast Edition) on the first Business Day following receipt of the Interest Option Notice.

(c) In connection with determining the applicable LIBOR Rate for

the following Interest Period, Purchaser shall calculate the principal and interest payments due on the Floating Notes during such Interest Period, as required under Section 8.1(b), and shall provide such amount to the Company.

7.3. Interest Rate Lock. With respect to the Floating Notes, during any Interest Rate Set Window, the Company shall have the option to permanently set the interest rate on the Floating Notes. The Company shall provide notice to Purchaser of its desire to set the rate and Purchaser shall promptly thereafter notify the Company of the then prevailing fixed interest rates (based on Purchaser's interest rate spreads and the average remaining life of the Floating Notes) (the "Fixed Rate"). If the Company elects to have the Floating Notes accrue interest at the Fixed Rate, the Company shall so notify Purchaser in the Interest Option Notice (which election shall be irrevocable) and immediately following the then current Interest Period, the Floating Notes shall thereafter accrue interest at the Fixed Rate, and the Floating Notes shall for all purposes be deemed Fixed Notes. Any such election shall be with respect to any or all of the then outstanding Floating Notes and shall be made in full and not in part. Purchaser shall recompute the principal and interest payments required under Section 8.1(b) based on the outstanding principal balance on the Floating Notes and the Fixed Rate, and the Company shall thereafter make principal and interest payments on such Notes equal to such amount.

7.4. Setting of Interest Rates on Additional Notes. During the period of time not more than thirty (30) days nor less than five (5) days prior to the proposed issuance by the Company of any Additional Note(s), Purchaser shall set the interest rate on any Additional Fixed Note and the interest rate spread on any Additional Floating Note proposed to be issued. Purchaser shall consider its then-current interest rate spreads (based on average remaining life of such Additional Notes), the then-current financial condition of the Company and then-current market conditions when establishing the rates and interest rate spreads. The Company shall have no obligation to issue and sell any Additional Notes if it is not satisfied with the rate or interest rate spreads established by Purchaser. If the parties agree upon new rates, they shall promptly execute an amendment to this Agreement and the Company shall execute and deliver to Purchaser's new notes reflecting the new rates.

7.5. Past Due Payments. All payments of principal and, to the extent permitted by law, the applicable Premium (if any) and interest on or in respect of any Note or this Agreement that are not made when due shall bear interest at the Default Rate from the date due and payable to the date paid. Any payment in respect of any other obligation or amount payable hereunder that is not paid when due shall bear interest at the Default Rate for the 2002 Notes from the date due and payable to the date paid.

ARTICLE 8.

PAYMENT OF NOTES

8.1. Required Payments of Notes.

(a) On each Payment Date while the 2002 Notes are outstanding, the Company shall make a payment on the 2002 Notes, in cash, in an aggregate amount equal to \$537,085.21, which payment shall consist of principal and accrued interest. Each payment shall be allocated pro rata among the 2002 Notes then outstanding.

(b) Upon the issuance of any Additional Floating Notes, Company shall pay equal monthly payments of principal, plus interest accrued thereon, on each Payment Date based on a fifteen (15) year amortization. With respect to the issuance of each Additional Fixed Note, Purchaser shall compute the equal monthly combined principal and interest payment for each such Fixed Note based on a fifteen (15) year amortization. On each Payment Date following the issuance of such Additional Note, the Company shall make a payment on such Additional Note, in cash, in an amount equal to the payment calculated by Purchaser in accordance with this Agreement for such Additional Note, which shall consist of principal and accrued interest.

(c) If at any time the outstanding principal balance of the remaining Notes exceeds seventy-five percent (75%) of the Appraised Value, the Company shall immediately make a prepayment of principal of the Notes (together with accrued interest thereon) in an amount such that following the prepayment, the outstanding principal balance is less than or equal to seventy-five percent (75%) of the Appraised Value. The prepayment shall be applied pro rata among all of the Notes at the time outstanding.

(d) No partial prepayment of the Notes pursuant to Section 8.2 shall relieve the Company from its obligation to make the payments required under this Section 8.1, except to the extent that the outstanding principal balance of the Notes is less than the amount of the scheduled payment otherwise due under this Section 8.1.

8.2. Optional Prepayments of Notes; Allocations.

(a) At any time or from time to time, the Company is hereby granted the right, at its option, upon notice as provided in Section 8.3, to prepay all or any part (in a minimum amount of \$1,000,000 and in integral multiples of \$100,000 or the entire outstanding balance, if less) of the Fixed Notes, which prepayment shall be applied pro rata among all of the Fixed Notes at the time outstanding and shall be applied to the outstanding principal amount thereof in the inverse order of maturity.

(b) From time to time from and after the date that is five (5) years following the date of issuance of any Floating Note, the Company shall have the right, at its option, upon notice as provided in Section 8.3, to prepay all or any part (in a minimum amount of \$1,000,000 and in integral multiples of \$100,000 or the entire outstanding balance, if less) of such Floating Notes, which prepayment shall be applied to the outstanding principal amount in the inverse order of maturity. Notwithstanding the foregoing, from time to time from and after the date of issuance of any Floating Note until the date that is five (5) years following the date of issuance of such Floating Note, the Company shall have the right, at its option, upon notice as provided in Section 8.3, to prepay, without Premium, up to ten percent (10%) of the original principal balance of such Floating Note during each of the first five (5) years following the date of issuance of such Floating Note; provided, however, that the source of the funds used by the Company to make any such prepayment shall be Consolidated Free Cash Flow generated from the Company's normal and usual business operations or from contributions made to the capital of the Company and shall exclude any funds generated by the Company through the refinancing of any Debt or any sale, transfer, lease or other disposition of any assets.

(c) Each such prepayment shall include the principal amount of the Notes so prepaid, plus interest accrued thereon to the date of payment, plus the Premium described in Section 8.2(d) (based on such principal amount so prepaid). In the case of each partial prepayment of the Notes, the principal amount of the Notes to be prepaid shall be allocated among all of the Notes at the time outstanding (to the extent such Note may be prepaid) in proportion, as nearly as practicable, to the respective unpaid principal amounts thereof not theretofore called for prepayment, rounded upward to the nearest \$1,000 for each Note, with adjustments to the extent practicable, to compensate for any prior prepayments not made exactly in such proportion.

(d) Any prepayment of the Fixed Notes shall be subject to and include the Make-Whole Premium. Any prepayment of the Floating Notes shall be subject to and include the LIBOR Premium. Notwithstanding the foregoing, no Premium shall be due if (i) any of the Floating Notes are prepaid pursuant to the provisions of the last sentence of Section 8.2(b), (ii) any of the Notes are prepaid pursuant to Section 8.1(c) or (iii) any of the Notes are prepaid with insurance proceeds or proceeds of any condemnation award in accordance with the terms of the Security Documents.

8.3. Notice of Prepayments; Officers' Certificate. The Company will give each registered holder of any Note written notice of each prepayment of the Notes under Section 8.2 not less than thirty (30) days and not more than sixty (60) days prior to the date fixed for such prepayment, which notice shall be irrevocable. Each such notice and each such prepayment shall be accompanied by an Officers' Certificate (a) stating the principal amount and serial number of each Note to be prepaid and the principal amount thereof to be prepaid; (b) stating the proposed date of prepayment; (c) stating the accrued interest on each such Note to such date to be paid in accordance with Section 8.4; and (d) estimating the applicable Premium required under Section 8.2 (calculated as of the date of such prepayment and proffered solely as an estimate of the Premium due upon prepayment) and setting forth the method of determination and calculations used in computing such Premium, accompanied by a copy of the Statistical Release H.15(519) (or other source of market data) used in determining the United States Treasury Yield.

8.4. Maturity; Surrender. In the case of each prepayment of the Notes, the principal amount of each Note to be prepaid shall mature and become due and payable on the date fixed for such prepayment, together with interest on such principal amount accrued to such date and the Premium payable, if any. From and after such date, unless the Company shall fail to pay such principal amount when so due and payable, together with the interest and Premium, if any, as aforesaid, interest on such principal amount shall cease to accrue. Any Note paid or prepaid in full shall be surrendered to the Company and canceled and shall not be reissued, and no Note shall be issued in lieu of any prepaid principal amount of any Note.

From the date hereof through the Closing and thereafter so long as any Note shall be outstanding, the Company will perform and comply with each of the following covenants:

9.1. Accounting. The Company will maintain a system of accounting established and administered in accordance with GAAP and will accrue all such liabilities as shall be required by GAAP.

9.2. Financial Statements and Other Information. The Company will deliver (in duplicate) to Purchaser (except as hereinafter provided) so long as Purchaser or Purchaser's nominee shall hold any Note, and to each other registered holder of a Note:

(a) within ninety (90) days after the end of each Fiscal Year, the balance sheet of the Company as of the end of such Fiscal Year and the related statements of income and retained earnings and of cash flows of the Company for such Fiscal Year, setting forth in each case in comparative form the figures for the previous Fiscal Year, all in reasonable detail and (i) accompanied by the report thereon of any independent public accountants of recognized national standing selected by the Company, which report shall state that (x) such financial statements present fairly in all material respects, the financial position of the Company as of the dates indicated and the results of its operations and cash flows for the periods indicated in conformity with GAAP applied on a basis consistent with prior years (except as otherwise specified in the report), and (y) the audit by such accountants in connection with such financial statements has been made in accordance with generally accepted accounting principles, and (ii) certified by the Chief Financial Officer of the Company as presenting fairly in all material respects, in accordance with GAAP, applied (except as specifically set forth therein) on a basis consistent with such prior fiscal periods, the information contained therein;

(b) within forty-five (45) days after the end of each of the first three fiscal quarters of each Fiscal Year, the balance sheet of the Company as of the end of such fiscal quarter and the related statements of income and of cash flows of the Company for such fiscal quarter and for the portion of the Fiscal Year from the first day of such Fiscal Year through the end of such fiscal quarter, setting forth in each case in comparative form the figures for the corresponding periods in the previous Fiscal Year, all in reasonable detail and certified by the Chief Financial Officer of the Company as presenting fairly, in accordance with GAAP, applied (except as specifically set forth therein) on a basis consistent with such prior fiscal periods, the information contained therein;

(c) together with each delivery of financial statements pursuant to subsections (a) or (b) above, an officer's certificate in the form of Exhibit E (i) showing in detail the determination of the ratios and other financial calculations specified in Sections 10.1 through 10.6 during the accounting period covered by such financial statements, (ii) stating that the signer has reviewed the terms hereof and of the Notes and has made, or caused to be made under his supervision, a review of the transactions and condition of the Company during the accounting period covered by such financial statements and that such review has not disclosed the existence during or at the end of such accounting period, and that the signer does not have knowledge of the existence as of the date of such officer's certificate, of any condition or event that constitutes an Event of Default or Potential Event of Default, or, if any such condition or event existed or exists, specifying the nature and period of existence thereof and what action the Company has taken or is taking or proposes to take with respect thereto; and (iii) if not specified in the related financial statements being delivered pursuant to subsection (a) above, specifying the aggregate amount of interest and rentals received or accrued by the Company, and the aggregate amount of depreciation, depletion and amortization charged on the books of the Company during the accounting period covered by such financial statements;

(d) promptly upon receipt thereof, copies of all reports submitted to the Company by independent public accountants in connection with each annual audit, or special audit (if any) of the books of the Company made by such accountants, including, without limitation, any comment letter submitted to management by such accountants in connection with their annual audit;

(e) promptly upon their becoming available, copies of all press releases and other statements made available generally by the Company to the public concerning material developments in the business of the Company;

(f) within five (5) days of any Responsible Officer of the Company obtaining knowledge of any condition or event that constitutes an Event of Default or Potential Event of Default, or that the registered holder of any Note has given any notice or taken any other action with respect to a claimed Event of Default or Potential Event of Default under this Agreement or that any

Person has given notice to the Company or taken any other action with respect to a claimed default or event or condition of the type referred to in Article 14, an Officers' Certificate describing the same and the period of existence thereof and specifying what action the Company has taken, is taking and proposes to take with respect thereto;

(g) promptly upon (and in any event within ten (10) Business Days of) any Responsible Officer of the Company obtaining knowledge of the occurrence of any (i) "reportable event," as such term is defined in Section 4043 of ERISA, or (ii) "prohibited transaction," as such term is defined in Section 4975 of the Code, that is not exempt by law or ruling in connection with any Plan relating to the Company or any trust created thereunder, a written notice specifying the nature thereof, what action the Company has taken, is taking and proposes to take with respect thereto, and any action taken or threatened by the Internal Revenue Service or the PBGC with respect thereto, provided that, with respect to the occurrence of any "reportable event" as to which the PBGC has waived the 30-day reporting requirement, such written notice need not be given;

(h) immediately upon the occurrence of any of the following events, an Officers' Certificate describing such event: (i) the Certificate of Incorporation or Bylaws of the Company shall have been amended or the Company shall have changed its jurisdiction of organization; or (ii) the Company shall have changed its name or shall do business under any name other than as set forth on Schedule 9.2; or (iii) the Company shall have changed its principal place of business or its chief executive offices; or (iv) the Company shall have become a party to any suit, action or proceeding that, if adversely determined, would have a Material Adverse Effect or in which the projected settlement amount involved therein could reasonably be expected to equal \$5,000,000 or more (in addition to any insurance coverage); or (v) the Company shall have opened or closed any material place of business; or (vi) there shall occur any strike, walkout, work stoppage or other material employee disruption relating to any of the Mortgaged Properties, or the expiration of any labor contract affecting any of the Mortgaged Properties (unless there exists a new labor contract in substitution therefor) that reasonably could be expected to have a Material Adverse Effect; or (vii) the Company shall have obtained knowledge that any of its insurance policies or any insurance policies affecting any of the Mortgaged Properties will be canceled or not renewed (unless there exists a similar insurance policy in substitution therefor);

(i) promptly (i) upon receipt thereof, copies of any notices to the Company from any federal or state administrative agency relating to any order, ruling, statute or other law or regulation that would, with reasonable probability, have a Material Adverse Effect; and (ii) following filing with the Commission, any reports or statements filed with the Commission;

(j) promptly upon receipt thereof, copies of any notice delivered pursuant to Article 14; and

(k) with reasonable promptness, such other information and data with respect to the Company as from time to time may be reasonably requested by any registered holder of a Note, including, without limitation, any projections or business plans prepared by or for the Company.

9.3. Inspection. The Company will permit, subject to rights of parties in possession, any authorized representatives designated by Purchaser, so long as Purchaser or its nominee shall hold any Notes, or designated by any other registered holder of any Notes, without expense to the Company, at such reasonable times and as often as may be reasonably requested, to (a) visit and inspect the Mortgaged Properties and other properties subject to the Collateral Agreements, as well as the Company's books of account, and to make copies and take extracts therefrom, and (b) upon the prior written consent of the Company, which consent shall not be unreasonably withheld, discuss the Company's affairs, finances and accounts with the Company's directors, officers and independent public accountants (and by this provision the Company authorizes such directors, officers and accountants to discuss with such representatives the affairs, finances and accounts of the Company, whether or not an officer or other representative of the Company is present, provided that the Company shall receive notice of any such meeting and be given a reasonable opportunity to have a representative attend); provided, however, that if any Event of Default or Potential Event of Default then exists, no such written consent of the Company shall be necessary.

9.4. Acquired Real Property. The Company shall deliver to Purchaser so long as such Purchaser or Purchaser's nominee shall hold any Note, and to each other registered holder of a Note, upon request of a Purchaser or any other registered holder of a Note, but in any event not less than ninety (90) days after the end of each Fiscal Year of the Company, a list and description of all real property purchased or newly leased by the Company during the period specified in such request or the past Fiscal Year, as applicable, that is to be used for any new processing plant, hatchery or feed mill in which an existing

processing plant, hatchery or feed mill on any Mortgaged Property is to be shut down or operations are to be substantially decreased ("Acquired Property"), and, unless otherwise specified in this Agreement or by the registered holder or registered holders (other than the Company or any Affiliate) of the Notes, the Company shall execute and deliver a deed of trust or mortgage and assignment of leases and rents, substantially in form and substance satisfactory to Purchaser (with any changes to such form of mortgage as appropriate in the applicable jurisdiction and as requested by Purchaser or Purchaser's nominee or any registered holder of a Note other than the Company or any of the Company's Affiliates), to Purchaser or a mortgage trustee, for the benefit of Purchaser so long as Purchaser or Purchaser's nominee shall hold any Note, and to each other registered holder of a Note or a mortgage trustee, for the benefit of each such other holder, granting a first Lien of record on and a first security interest in the Acquired Property, subject only to existing Liens, the Permitted Exceptions, and any purchase money Liens incurred by the Company in connection with the acquisition of any Acquired Property, and the Acquired Property shall thereafter be part of the Mortgaged Properties. The Company shall permit Purchaser so long as Purchaser or Purchaser's nominee shall hold any Note, and each other registered holder of a Note, the right to inspect any Acquired Property and to conduct such other investigation and due diligence with respect to any Acquired Property that such Purchaser or such other registered holder deems necessary, and to the extent the proposed acquisition is in excess of \$3,000,000, the Company shall pay all reasonable costs of Purchaser or such other registered holder in inspecting any Acquired Property and conducting such investigation, including, without limitation, any costs of an environmental consulting firm and attorneys' fees.

ARTICLE 10.

BUSINESS AND FINANCIAL COVENANTS OF THE COMPANY

So long as any Note shall be outstanding, the Company will perform and comply, and will cause each Subsidiary to perform and comply, as applicable, with each of the following covenants:

10.1. Consolidated Net Worth. The Company shall at all times maintain a Consolidated Net Worth of not less than \$250,000,000, as increased from time to time by twenty-five percent (25%) of the Company's annual positive Consolidated Net Income, if any.

10.2. Consolidated Working Capital. The Company shall at all times maintain Consolidated Working Capital of not less than \$65,000,000.

10.3. Current Ratio. The Company shall at all times maintain a ratio on a consolidated basis of Current Assets to Current Liabilities of not less than 1.25:1.

10.4. Fixed Charge Coverage. The Company shall at all times maintain for the period of eight (8) consecutive fiscal quarters then ended on a consolidated basis a Fixed Charge Coverage Ratio of not less than 1.40:1.

10.5. Funded Debt to Capitalization. The Company shall at all times maintain a ratio (a) of Funded Debt, less unrestricted cash and Cash Equivalents to (b) the aggregate of Funded Debt included in clause (a), less unrestricted cash and Cash Equivalents, plus Capitalization of no greater than 0.675:1.

10.6. Liens. The Company will not, and will not permit any Subsidiary to, directly or indirectly, create, incur, assume or permit to exist any Lien on or with respect to any property or asset of the Company or such Subsidiary, whether now owned or held or hereafter acquired, or any income or profits therefrom, other than (a) the Liens and security interests created to secure the Notes, (b) Liens that constitute Permitted Exceptions, (c) any Lien on any property acquired, constructed or improved by the Company after Closing and created contemporaneously with or within twelve (12) months of such acquisition, construction or improvement to secure Debt incurred to provide for all or a portion of the purchase price of such property as acquired, constructed or improved, (d) Liens on property of the Company in favor of the United States of America or any political subdivision thereof to secure partial payments pursuant to any contract, (e) pledges or deposits to secure obligations under worker's compensation laws or similar judgments thereunder that are not currently dischargeable, and pledges, deposits, performance bonds or similar security interests in connection with bids, tenders, contracts and leases to which the Company is a party (all of which are in the ordinary course of business and which do not relate to indebtedness of the Company), (f) Liens for taxes, assessments or governmental charges not then due and delinquent or the validity of which is being contested in good faith and a bond or other security satisfactory to Purchaser has been posted by the Company, (g) Liens arising in connection with court proceedings, provided the execution of such Liens is effectively stayed and such Liens are contested in good faith and a bond or other security satisfactory to Purchaser has been posted by the

Company, (h) Liens arising in the ordinary course of business (including easements and similar encumbrances) that are not incurred in connection with the borrowing of money, provided that such Liens do not materially interfere with the conduct of the business of the Company, (i) inchoate Liens, (j) any Lien resulting from renewing, extending or refunding outstanding Secured Debt provided that the principal amount of the Debt secured thereby is not increased and the Lien is not extended to any other property, (k) Liens on assets (other than the Collateral) to secure Debt provided that no Event of Default or Potential Event of Default exists or would result therefrom, and (l) Liens described on Schedule 10.6 hereto.

10.7. Investments; Debt; Guarantees.

(a) The Company shall not, and shall not permit any Subsidiary to, directly or indirectly, make or own any Investment other than Permitted Investments, except that the Company or a Subsidiary may (i) purchase or own assets or stock and other securities of a Subsidiary; (ii) make loans to officers, directors, stockholders, employees, contract growers or Subsidiaries to the extent that following such loan, no Event of Default or Potential Event of Default would exist; (iii) make investments, payments, loans and capital contributions to entities other than Subsidiaries to the extent such Investment is made from the net cash proceeds received by the Company from the issuance of additional shares of capital stock or other securities subsequently converted into capital stock; and (iv) Investments permitted under Section 10.10; and (v) investments not covered by clauses (i) through (iv) above; provided that after giving effect to such investment there would be no Event of Default or Potential Event of Default.

(b) The Company shall not, and shall not permit any Subsidiary to, directly or indirectly, create, assume, incur, or guarantee any Debt after the Closing Date except (i) to the extent that following the creation, assumption, incurrence or guarantee of such Debt, no Event of Default or Potential Event of Default would exist and (ii) the Company may guarantee the trade payables of Pilgrim's Pride-Mexico.

10.8. Restricted Payments. The Company shall not, and shall not permit any Subsidiary to, directly or indirectly, redeem, purchase, or otherwise acquire for value any shares of the Company's capital stock, except out of the net cash proceeds received by the Company after Closing from the issuance of additional shares of capital stock or other securities subsequently converted into capital stock. Notwithstanding the foregoing restriction, the Company may (a) redeem, purchase, or otherwise acquire for value up to an aggregate of \$25,000,000 of shares of the Company's capital stock, or (b) declare or pay any dividends or any other distributions (other than dividends payable in shares of capital stock of the Company) on any shares of the Company's capital stock after Closing in excess of \$3,400,000 in the aggregate in any Fiscal Year, provided in each case that no Event of Default or Potential Event of Default exists or would result therefrom.

10.9. Leases. The Company shall not, and shall not permit any Subsidiary to, incur non-cancelable non-Capitalized Lease Obligations or sale and leaseback transactions if the aggregate annual amount of all minimum or guaranteed net rentals payable under such leases would exceed four percent (4%) of Net Tangible Assets (as determined immediately preceding the execution of such lease).

10.10. Consolidation, Merger and Sale of Substantially All Assets. The Company shall not, and shall not permit any Subsidiary to, directly or indirectly, (a) sell, transfer, lease, abandon or otherwise dispose of all or substantially all of its assets in a single or series of related transactions; or (b) consolidate with or merge into any other Person or permit any other Person to consolidate with or merge into it. Notwithstanding the foregoing, the Company or any Subsidiary may engage in any such consolidation or merger if, after giving effect thereto, either clauses (i), (iii) or (iv) are satisfied or clauses (ii), (iii) and (iv) are satisfied: (i) both the fair market value of all consideration paid or payable to the Company and/or its Subsidiaries on account of all such consolidations or mergers does not exceed \$50,000,000 in the aggregate in any Fiscal Year and the Company (or, if the consolidation or merger is between a Subsidiary and any corporation or other entity which is not a Subsidiary, then the Subsidiary) is the surviving entity; (ii) the consolidation or merger is between (A) the Company and a Subsidiary and the Company is the surviving entity, (B) an Eligible Subsidiary and another Subsidiary and the Eligible Subsidiary is the surviving entity or (C) a Subsidiary not organized under the laws of a state of the United States and another Subsidiary not organized under the laws of a state of the United States; (iii) no Event of Default or Potential Event of Default shall have occurred and be continuing; and (iv) after giving effect to the consolidation or merger on a proforma basis there would be no Event of Default or Potential Event of Default.

10.11. Formation of Subsidiaries. Without the prior notice to Purchaser,

the Company shall not, and shall not permit any of its existing Subsidiaries to, directly or indirectly, form or acquire any new Subsidiaries and in connection therewith or thereafter transfer, assign or convey any material assets of the Company to such new Subsidiary.

10.12. Interested Party Transactions. The Company shall not, nor permit any Subsidiary to, conduct any transactions with any Affiliate on terms that are not fair and reasonable and not materially less favorable to the Company or such Subsidiary than it would obtain in a comparable arm's-length transaction with a Person not an Affiliate other than ongoing transactions with Affiliates of a similar nature to those disclosed in the Company's Proxy Statement relating to the Fiscal Year-end September 30, 2001.

10.13. Existence. The Company will do, or will cause to be done, all things necessary to, and cause the Company and each Subsidiary to, preserve, keep and maintain in full force and effect its corporate existence, rights (charter and statutory), franchises and authority to do business and the corporate existence, rights (charter and statutory), franchises and authority to do business of the Company and each of the Subsidiaries, except for such matters that would not result in a Material Adverse Effect.

10.14. Payment of Taxes and Claims; Tax Consolidation. The Company will, and cause the Subsidiaries to, pay and cause to be paid all taxes, assessments and other governmental charges imposed upon it or any of its properties or assets or in respect of any of the franchises, business, income or profits of the Company before any penalty or interest accrues thereon, and all claims (including, without limitation, claims for labor, services, materials and supplies) for sums that have become due and payable and that by law have or might become a Lien upon any of the properties or assets of the Company, provided that (a) no such charge or claim need be paid if being contested in good faith by appropriate proceedings promptly initiated and diligently conducted, such bonds or escrows are in place as registered holders of the Notes at the time shall request, or if such reserves or other appropriate provision, if any, as shall be required by GAAP shall have been made therefor or (b) in the case of all properties (other than the Mortgaged Properties), the Company shall not be deemed to have breached this Section 10.14 where the failure to pay such taxes, assessments, or other governmental charges could not reasonably be expected to result in a Material Adverse Effect. The Company will not file or permit the filing of any consolidated income tax return with any Person (other than a Subsidiary).

10.15. Compliance with Laws. The Company will, and will cause its Subsidiaries to, comply with all laws, statutes, rules, regulations and ordinances of any Governmental Authority, the failure to comply with would have a Material Adverse Effect.

10.16. Compliance with ERISA. The Company will not, and will not permit any employee benefit plan (as that term is defined in Section 3 of ERISA) maintained by the Company, any Subsidiary or any Related Person to (a) engage in any "prohibited transaction" as such term is defined in Section 4975 of the Code, as amended from time to time, which is likely to result in a liability for such Person; (b) incur any "accumulated funding deficiency", as such term is defined in Section 302 of ERISA, whether or not waived which is likely to result in a liability of such Person; or (c) terminate any such benefit plan in a manner which could result in the imposition of a lien or encumbrance on the assets of such Person pursuant to Section 4068 of ERISA.

10.17. Maintenance of Properties; Insurance. The Company will maintain or cause to be maintained in good repair, working order and condition (reasonable wear and tear excepted) all properties used or useful in, and deemed material to, the business of the Company or any Subsidiary and from time to time will make or cause to be made all appropriate repairs, renewals and replacements thereof as the Company in its judgment deems reasonably necessary. The Company will maintain or cause to be maintained, with financially sound and reputable insurers, insurance with respect to the properties and business of the Company and its Subsidiaries, against loss or damage of the kinds customarily insured against by companies of established reputation engaged in the same or similar business and similarly situated, of such types and in such amounts as are customarily carried under similar circumstances by such other companies. In any event, the Company shall, at a minimum, comply with all maintenance, insurance and similar requirements under the Security Documents.

10.18. Title. As of the Closing Date, except Liens and other matters that may constitute Permitted Exceptions, the Company has good (and, with respect to non-leasehold real property, indefeasible) title to all of its properties and assets that are material to its business as presently conducted and as proposed to be conducted and none of such properties or assets will be subject to any Liens, other than Permitted Exceptions. As of the Closing Date, the Company has good (and, with respect to non-leasehold real property, indefeasible) fee simple title to the Mortgaged Properties subject only to the Permitted Exceptions.

10.19. Conduct of Business. The Company will not, and will not permit any Subsidiary to, directly or indirectly engage in any material respects in any business other than businesses engaged in by the Company on the date hereof, other operations or activities in the poultry industry and in the processing, packaging, distribution and wholesales of poultry products and other businesses or activities substantially similar or related thereto.

10.20. Sale of Assets. Except as permitted in Section 10.10, the Company shall not, and shall not permit any Subsidiary to, voluntarily or by operation of law, sell, lease, transfer, or otherwise dispose of Collateral in excess of five percent (5%) in any instance or twenty percent (20%) in the aggregate of the lower of the book value or fair market value of the Company's total assets. Within twelve (12) months after the occurrence of any such permitted disposition, the Company shall reinvest the entire proceeds resulting therefrom in assets or property which are the same or substantially similar to the transferred assets, which assets or property shall be subject to a first Lien of record and a first security interest in favor of Purchaser, Purchaser's nominee and any registered holder of a Note. The provisions of this Section 10.20 shall not restrict or impair the provisions of Section 10.21 regarding substitution of Collateral.

10.21. Substitution of Collateral. The Company shall not, and shall not permit any Subsidiary to, directly or indirectly, substitute or replace any machinery or equipment constituting Collateral if (a) the fair market value of such substitute or replacement machinery or equipment is materially less than the fair market value of the substituted or replaced machinery or equipment, (b) Purchaser's first Lien of record or first security interest in the Collateral would be materially adversely effected or impaired or (c) the Company would not be able to provide Purchaser a first Lien of record and a first security interest therein. All substitute and replacement machinery and equipment shall be at least equal in quality and class to the original machinery and equipment.

10.22. Permits and Licenses. Except where the failure would not reasonably be expected to result in a Material Adverse Effect, the Company will, and will cause its Subsidiaries to, promptly obtain, maintain, apply for renewal, and not allow to lapse, any authorization, consent, approval, permit, license or order, and accomplish any filing or registration with, any Governmental Authority which may be or may become necessary for the operation of its business or in order that it perform all of its obligations under this Agreement or the Collateral Agreements and in order that the same may be valid and binding and effective in accordance with their terms and in order that Purchaser may be able freely to exercise and enforce any and all of its rights under this Agreement or the Collateral Agreements.

10.23. Further Assurances. The Company shall take, and shall cause each Subsidiary to take, all such further actions and execute all further documents and instruments as Purchaser may at any time reasonably determine in its sole discretion to be necessary or desirable to further carry out and consummate the transactions contemplated by this Agreement and the Collateral Agreements, to cause the execution, delivery and performance of this Agreement and the Collateral Agreements to be duly authorized and to perfect or protect the Liens (and the priority status thereof) on the Collateral.

ARTICLE 11.

ENVIRONMENTAL MATTERS

11.1. Definitions. As used in this Article 11, the following terms shall be defined as indicated:

(a) "Acquisition Date," with respect to any portion of the Mortgaged Properties, means the date on which Purchaser or the registered holder of any Note becomes an owner of such portion of the Mortgaged Properties.

(b) "Adverse Environmental Impact" means (i) a Release of a Hazardous Substance in a Reportable Quantity or (ii) any material adverse impact on human health, livestock or the quality of any Mortgaged Property.

(c) "Environmental Activity" shall mean any storage, holding, manufacture, emission, discharge, generation, processing, treatment, abatement, removal, disposition, handling, transportation or disposal, or any actual or threatened release of any "Hazardous Substances" from, under, into or on the Mortgaged Properties or otherwise relating to the Mortgaged Properties, including but not limited to (i) the migration or emanation of "Hazardous Substances" from the Mortgaged Properties onto or into the environment beyond the physical boundaries of the Mortgaged Properties; (ii) the off-site disposal of Hazardous Substances from the Mortgaged Properties; and (iii) any of the previously described activities occurring in connection with ambient air,

surface and subsurface soil conditions, and all surface and subsurface waters.

(d) "Environmental Condition" shall mean (i) the presence or existence in, on, at, or under the Mortgaged Properties of any Hazardous Substances, "industrial or solid waste," as that term is defined under the Environmental Laws, and (ii) the presence or existence in, on, at, or under the environment beyond the physical boundaries of the Mortgaged Properties of any Hazardous Substances, that migrated or emanated from the Mortgaged Properties.

(e) "Environmental Damages" means all claims, judgments, damages, losses, penalties, fines, liabilities (including strict liability), encumbrances, liens, costs and expenses of investigation and defense of any claim, whether or not such is ultimately defeated, and of any settlement of judgment, of whatever kind or nature, contingent or otherwise, matured or unmatured, foreseeable or unforeseeable, including, without limitation, reasonable attorneys' fees and disbursements and consultants' fees, any of which are incurred at any time, and including, but not limited to (i) damages for personal injury, or injury to property or natural resources occurring upon or off of the Mortgaged Properties, foreseeable or unforeseeable, including, without limitation, lost profits, consequential damages, the cost of demolition, redesign and rebuilding of any improvements on real property, and interest and penalties as allowed by law; (ii) diminution in the value of the Mortgaged Properties, and damages for the loss of or restriction on the use of or adverse impact on the marketing of rentable or usable space or of any amenity of the Mortgaged Properties; (iii) reasonable fees incurred for the services of consultants, contractors, experts, laboratories and all other reasonable costs incurred in connection with the investigation, remediation, removal, or disposal of Hazardous Substances or violation of the Environmental Laws, including, but not limited to, the preparation of any feasibility studies or reports or the performance of any response, cleanup, remediation, removal, abatement, containment, closure, restoration, disposal, or monitoring work required by and in conformity with any federal, state or local governmental agency or political subdivision, or reasonably necessary to make full economic use of the Mortgaged Properties or any other property or otherwise expended in connection with such conditions, and including, without limitation, any reasonable attorneys' fees, costs and expenses incurred in connection with any of the foregoing or in enforcing this Agreement or collecting any sums due hereunder; and (iv) liability to any person or entity to indemnify such person or entity for costs expended in connection with the items referenced in this subsection (d).

(f) "Environmental Laws" means all federal, state or local laws, rules or regulations pertaining to the protection of human health or the environment, including, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. {section} 9601, et seq.), the Resource Conservation and Recovery Act (42 U.S.C. {section} 6901, et seq.), the Federal Clean Air Act (42 U.S.C. {section} 7401, et seq.), and the Federal Clean Water Act (42 U.S.C. {section} 1251, et seq.), each as amended from time to time, and regulations and rules issued thereunder.

(g) "Hazardous Substances" means (i) any "hazardous substance," as such term is defined in either the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (42 U.S.C. {section} 9601 et seq.) and the regulations promulgated thereunder (as amended, "CERCLA"); (ii) any "hazardous waste," as such term is defined in the Resource Conservation and Recovery Act of 1976 (42 U.S.C. {section} 6901 et seq.) and the regulations promulgated thereunder (as amended, "RCRA"); (iii) any substances or materials listed as hazardous or toxic in the United States Department of Transportation Table, as amended from time to time; (iv) asbestos in any form or any asbestos containing materials; (v) polychlorinated biphenyls ("PCB's"); (vi) any explosive or radioactive materials; (vii) hydrocarbons, petroleum products, or any derivative thereof; or (viii) any other chemical, material or substance that is regulated as hazardous or toxic or exposure to which is prohibited, limited or regulated by any federal, state, county, regional, local or other Governmental Authority or that, even if not so regulated, poses a material threat to the health and safety of the occupants or livestock of the Mortgaged Properties or the owners or occupants of property adjacent thereto.

(h) "Release" means any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping or disposing into the environment (including, without limitation, the abandonment or discarding of barrels, containers or other receptacles containing any Hazardous Substance).

(i) "Reportable Quantity" means that quantity of a material as set forth in 40 C.F.R. Part 302 or the quantity of a material that is sufficient to trigger a remediation, response, closure or notification obligation under applicable Environmental Laws.

(a) Subject to subsections (b) and (c) below, notwithstanding any provision in this Agreement or any Collateral Agreement limiting or negating the Company's liability, the Company shall protect, indemnify, save harmless and defend Purchaser and each present and former registered holder (or beneficial holder through participation or otherwise) of a Note and their respective past, present and future officers, directors, shareholders, partners, managers, members, employees, agents, contractors, tenants and representatives (individually, an "Indemnified Party," and collectively, the "Indemnified Parties") from and against any and all Environmental Damages imposed upon, suffered or incurred by or asserted against any Indemnified Party or the Mortgaged Properties arising in any manner in connection with the existence of an Environmental Condition at the Mortgaged Properties or the occurrence of any Environmental Activity at the Mortgaged Properties, whether arising, occurring, or in existence during or prior to the Company's ownership or operation of the Mortgaged Properties, whether arising, occurring, or in existence prior to the issuance of the Notes or at any time thereafter, whether arising, occurring, or in existence before, during or after enforcement of the rights and remedies of Purchaser or any other registered holder of a Note upon default and whether or not the Company is responsible therefor, including, without limitation, the violation of Environmental Laws, or any representations, warranties or covenants contained herein, any imposition by any Governmental Authority of any lien or so-called "super priority lien" upon the Mortgaged Properties, cleanup costs, liability for personal injury or property damage or damage to the environment and any fines, penalties and punitive damages with respect thereto. An Indemnified Party may elect to conduct its own defense through counsel of its own choice, and the Company agrees to pay the reasonable fees and expenses of such counsel for conducting such defense but only if an Indemnified Party determines in good faith that the conduct of its defense by the Company could be materially prejudicial to the Indemnified Party's interests. THESE PROVISIONS ARE INTENDED TO INDEMNIFY THE INDEMNIFIED PARTIES AGAINST (i) THE RESULTS OF THEIR OWN NEGLIGENCE AND (ii) ANY STRICT LIABILITY IMPOSED ON THE INDEMNIFIED PARTIES.

(b) Notwithstanding the foregoing, the Company's obligations hereunder shall not apply with respect to an Environmental Condition or Environmental Activity arising for the first time after the Acquisition Date unless such Environmental Condition or Environmental Activity is caused by the Company or its contractors, agents or representatives after the Acquisition Date or arose out of an Environmental Condition or Environmental Activity, whether caused by the Company or not, occurring or existing prior to the Acquisition Date. For purposes of this Agreement, the Company shall bear the burden of proving when an Environmental Condition or Environmental Activity occurred or existed. In addition, any Hazardous Substances located upon, about or beneath the Mortgaged Properties or having migrated to or from the Mortgaged Properties shall be presumed to have been present prior to the Acquisition Date unless the Company can demonstrate (i) that a portion of the Hazardous Substances were introduced to the Mortgaged Properties after the Acquisition Date and were not introduced by the Company, and (ii) the Environmental Damages are divisible between the portion of the Hazardous Substances introduced before and after the Acquisition Date. If the Company can demonstrate both conditions, then its indemnity shall not extend to the portion of any divisible Environmental Damages attributable to Hazardous Substances introduced to the Mortgaged Properties after the Acquisition Date by parties other than the Company.

(c) In no event shall the provisions of this Agreement be deemed to constitute a waiver of, or to be in lieu of, any right or claim, including, without limitation, any right of contribution or other right of recovery that any person entitled to enforce this Agreement might otherwise have against the Company under the Environmental Laws.

11.3. Agreement to Remediate. Notwithstanding the obligation of the Company to indemnify the Indemnified Parties pursuant to this Agreement, the Company shall upon demand of the registered holders (other than the Company or any Affiliate) of, in the aggregate, sixty-six and two-thirds percent (66-2/3%) or more in principal amount of the Notes at the time outstanding (excluding any Notes directly or indirectly owned by the Company or any Affiliate), and at the sole cost and expense of the Company, promptly take all actions in connection with an Environmental Condition or Environmental Activity causing an Adverse Environmental Impact that are required by any Governmental Authority or by Environmental Laws. Such actions shall include, but not be limited to, the investigation of the Environmental Condition of the Mortgaged Properties, the preparation of any feasibility studies, reports or remedial plans, and the performance of any cleanup, remediation, containment, operation, maintenance, monitoring or restoration work, whether on or off of the Mortgaged Properties. All such work shall be performed by one or more qualified and experienced contractors, selected by the Company. The Company shall proceed continuously and diligently with such investigatory and remedial actions, provided that in all cases such actions shall be in accordance with all applicable requirements of the appropriate governmental agencies. Any such actions shall be performed in a good, safe and workmanlike manner and shall minimize any impact on the

business conducted at the Mortgaged Properties. The Company shall pay all costs in connection with such investigatory and remedial activities, including, but not limited to, all power and utility costs, and any and all taxes or fees that may be applicable to such activities. The Company shall promptly provide to Purchaser and the registered holder of any Note copies of testing results and reports that are generated in connection with the above activities. Promptly upon completion of such investigation and remediation, the Company shall permanently seal or cap all monitoring wells and test holes to industrial standards as required by the Environmental Laws, remove all associated equipment, and restore the Mortgaged Properties to the maximum extent possible, which shall include, without limitation, the repair of any material surface damage, including paving, and the repair, restoration or reconstruction of any damaged improvements caused by such investigation or remediation.

11.4. Covenants. The Company shall during its ownership or operation of the Mortgaged Properties (i) comply in all material respects with all Environmental Laws relating to the Mortgaged Properties and the ownership or operation of the Mortgaged Properties, and not engage in or permit others to engage in any Environmental Activity in violation of the Environmental Laws; (ii) establish and maintain, as required by the Environmental Laws, policies, procedures and programs to monitor and assure compliance in all material respects with the Environmental Laws relating to the Mortgaged Properties or the ownership or operation of the Mortgaged Properties and provide an Indemnified Party upon request with evidence of the existence and implementation of these policies, procedures, and programs; (iii) deliver to Purchaser and the registered holder of any Note within fifteen (15) days following the occurrence of any such event, written notice of the discovery by the Company of any event, the occurrence of which would render any representation or warranty contained in Section 5.19 incorrect if made at the time of such discovery; (iv) promptly comply in all material respects with Environmental Laws requiring the remediation, abatement, removal, treatment or disposal of Hazardous Substance with respect to the Mortgaged Properties or remediation of an Environmental Condition; (v) cause any party who occupies the Mortgaged Properties to comply with this Section 11.4; and (vi) not cause or suffer any liens to be recorded against or imposed against any of the Mortgaged Properties as a result of an Environmental Condition or Environmental Activity and which liens violate the terms of Section 10.6. The Company shall work diligently to complete all investigations of Environmental Issues needed to make such a determination, shall correct any violation of Environmental Laws identified, and shall remediate any Adverse Environmental Impact in the manner described in Section 11.3. The Company acknowledges and agrees that these Environmental Issues and any Environmental Damages related to them are within the scope of the indemnification obligation of Section 11.2.

11.5. Site Assessments. The registered holders (other than the Company or any Affiliate) of, in the aggregate, a majority of the principal amount of the Notes at the time outstanding (excluding any Notes directly or indirectly owned by the Company or any Affiliate) (by its officers, employees and agents, as applicable) at any time and from time to time, either prior to or after the occurrence of an Event of Default, may contract for the services of persons (the "Site Reviewers") to perform environmental site assessments ("Site Assessments") on the Mortgaged Properties for the purpose of determining whether there exists on the Mortgaged Properties any Environmental Condition or Environmental Activity, or other ownership or operation of the Mortgaged Properties that is in violation of Environmental Laws or could reasonably be expected to result in Environmental Damages. The Site Assessments may be performed at any time or times, upon reasonable notice, and under reasonable conditions established by the Company that do not unreasonably impede the performance of the Site Assessments. The Company hereby grants, and shall cause any tenant to grant, to an Indemnified Party, its agents, attorneys, employees, consultants, and contractors and the Site Reviewers, an irrevocable license and authorization to enter upon and inspect the Mortgaged Properties and perform such tests, including, without limitation, subsurface testing, soil and ground water testing, and other tests that may physically invade the Mortgaged Properties, as the registered holders (other than the Company or any Affiliate) of, in the aggregate, a majority of the principal amount of the Notes at the time outstanding (excluding any Notes directly or indirectly owned by the Company or any Affiliate), in their sole discretion, determine is necessary to protect their liens, assignments, and/or security interests in the Mortgaged Properties. The Company will supply to the Site Reviewers such historical and operational information regarding the Mortgaged Properties as may be reasonably requested by the Site Reviewers to facilitate the Site Assessments and will make reasonably available for meetings with the Site Reviewers appropriate personnel having knowledge of such matters. On request, Purchaser (if it shall remain the holder of any Notes) or any registered holder of any Note shall make the results of such Site Assessments fully available to the Company within a reasonable period of time after such request, and the Company (prior to an Event of Default) may at its election participate under reasonable procedures in the direction of such Site Assessments and the description of tasks of the Site Reviewers. The cost of performing such Site Assessments shall be paid by the Company upon demand of the registered holders

(other than the Company or any Affiliate) of, in the aggregate, a majority of the principal amount of the Notes at the time outstanding (excluding any Notes directly or indirectly owned by the Company or any Affiliate).

11.6. Default; Remedies; Subrogation. If the Company fails to proceed with any removal or remediation of Hazardous Substances causing any Adverse Environmental Impact required by Environmental Laws or to comply with Environmental Laws or otherwise fails to perform its obligations under this Article 11, at the option of the registered holders (other than the Company or any Affiliate) of, in the aggregate, a majority of the principal amount of the Notes at the time outstanding (excluding any Notes directly or indirectly owned by the Company or any Affiliate), such registered holders may, but shall not be obligated to, do whatever is reasonable and in conformity with the Environmental Laws at the Company's sole cost and expense to remove or remediate such Hazardous Substances causing an Adverse Environmental Impact or otherwise comply with Environmental Laws, and the indemnity provided in Section 11.2 hereof shall cover all such reasonable and necessary costs and expenses and shall be payable by the Company on demand. Without in any way limiting or affecting the Company's liability hereunder, Purchaser and each registered holder of a Note shall be subrogated to any rights the Company may have under any indemnifications from or agreements entered into with any present, future or former owners, tenants, occupants or other users of the Mortgaged Properties.

11.7. Survival. The obligations of the Company under this Article 11 shall survive any payment of the Notes, any discharge, satisfaction, release or assignment of any Security Document, the discharge of the Company's obligations under the Collateral Agreements, any transfer of the Mortgaged Properties or any part thereof, any exercise of remedies by Purchaser or the registered holder of any Notes, including, without limitation, the appointment of a receiver, any foreclosure of the Security Documents or any transfer of the Mortgaged Properties (or any part thereof) by deed in lieu of foreclosure, any investigation or any information that may be obtained by Purchaser or the registered holder of any Notes before or after the Acquisition Date, and any other event or circumstance whatsoever.

11.8. Conflicts. In the event of any conflict between the terms of this Article 11 and those contained in the Mortgages, the terms hereof shall control.

ARTICLE 12.

REGISTRATION, TRANSFER, AND SUBSTITUTION OF NOTES

12.1. Note Register; Ownership of Notes. The Company will keep at its principal office a register in which the Company will provide for the registration of the Notes and the registration of transfers of the Notes. The Company may treat the Person in whose name any Note is registered on such register as the owner thereof for the purpose of receiving payment of the principal of and the applicable Premium, if any, and interest on such Note and for all other purposes, whether or not such Note shall be overdue, and the Company shall not be affected by any notice to the contrary.

12.2. Transfer and Exchange of Notes. Upon surrender of any Note for registration of transfer or for exchange to the Company at its principal office, at the expense of the transferring parties, the Company will execute and the Company will authenticate and deliver in exchange therefor a new Note or Notes in denominations, as requested by the registered holder or transferee, which aggregate the unpaid principal amount of such surrendered Note. Each such new Note shall be registered in the name of such Person as such registered holder or transferee may request, shall be dated so that there will be no loss of interest on such surrendered Note and shall be otherwise of like tenor.

12.3. Replacement of Notes. Upon receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of any Note and, in the case of any such loss, theft or destruction, upon delivery of an indemnity agreement reasonably satisfactory to the Company from the registered holder of such Note and financial information reasonably satisfactory to the Company verifying such registered holder's ability to provide such indemnification, or in the case of any such mutilation, upon the surrender of such Note for cancellation to the Company at its principal office, at the expense of the party requesting replacement, the Company will execute, authenticate and deliver, in lieu thereof, a new Note of like tenor, dated so that there will be no loss of interest on such lost, stolen, destroyed or mutilated Note. Any Note in lieu of which any such new Note has been executed and delivered by the Company shall not be deemed to be an outstanding Note for any purpose hereof.

ARTICLE 13.

PAYMENTS ON NOTES

So long as Purchaser or its nominee shall hold any Note, the Company will pay all sums becoming due on such Note for principal, the applicable Premium, if any, and interest in immediately available funds by the method and at the address specified for such purpose in the Schedule of Information for Payment and Notices at the end hereof (the "Schedule of Information for Payment and Notices"), or by such other method or at such other address as Purchaser shall have specified from time to time to the Company in writing for such purpose, without the presentation or surrender of such Note or the making of any notation thereon, except that any Note paid or prepaid in full shall be surrendered to the Company for cancellation at its principal office. Prior to any sale or other disposition of any Note held by Purchaser or its nominee, Purchaser will, at its election, either (a) endorse thereon the amount of principal paid thereon and the last date to which interest has been paid thereon, or (b) surrender such Note to the Company in exchange for a new Note or Notes pursuant to Section 12.2. The Company will afford the benefits of this Article 13 to any registered holder of a Note that has made the same agreement relating to such Note as Purchaser has made in this Article 13.

ARTICLE 14.

EVENTS OF DEFAULT AND ACCELERATION

14.1. Events of Default. The occurrence of any of the following conditions or events shall constitute an "Event of Default" under this Agreement:

(a) Payments. The Company shall default in the payment when due of any principal, Premium, if any, or interest on any Note (whether the same becomes due and payable at maturity, by declaration or otherwise) or any other amounts owing hereunder; or

(b) Representations, Etc. Any representation or warranty made in writing by or on behalf of the Company herein or in any Collateral Agreement or in any statement or certificate delivered or required to be delivered pursuant hereto or thereto shall prove to be untrue in any material respect on the date as of which made or deemed made; or

(c) Breach of Certain Covenants. The Company shall default in the due performance or observance by it of any term, covenant or agreement contained in Section 10.6 (to the extent such default could reasonably be expected to have a Material Adverse Effect or adversely affect Purchaser's rights in the Collateral), 10.7, 10.8, 10.10, 10.11, 10.12, 10.13, 10.18 or 10.19; or

(d) Breach of Other Covenants. The Company shall default in the due performance or observance by it of any term, covenant or agreement (other than those referred to in subsections (a), (b) or (c) of this Section 14.1) contained in this Agreement and such default shall continue unremedied for a period of at least thirty (30) calendar days after the earlier of (i) written notice to the defaulting party by any registered holder of a Note or (ii) a Responsible Officer has knowledge of such default; or

(e) Default Under Other Agreements. (i) The Company shall default in the payment when due of any principal of or interest on any Debt (which Debt is in an aggregate principal amount of \$10,000,000 or more) and such default shall not be waived or cured within any applicable grace or cure period; or (ii) the maturity of any Debt of the Company in an aggregate principal amount of \$10,000,000 or more shall be accelerated or subject to acceleration due to a default thereunder; or

(f) Bankruptcy, etc. The Company shall commence a voluntary case concerning itself under title 11 of the United States Code entitled "Bankruptcy", as now or hereafter in effect, or any successor statute thereto (the "Bankruptcy Code"); or an involuntary case is commenced against the Company under the Bankruptcy Code and the petition is not controverted within ten (10) Business Days, or is not dismissed within sixty (60) days, after commencement of the case; or a custodian (as defined in the Bankruptcy Code) is appointed for, or takes charge of, all or substantially all of the property of the Company; or the Company commences any other proceeding under any reorganization, arrangement, adjustment of debt, relief of debtors, dissolution, insolvency or liquidation or similar law of any jurisdiction whether now or hereafter in effect relating to the Company; or there is commenced against the Company any such proceeding which remains undismissed for a period of sixty (60) days; or the Company is adjudicated insolvent or bankrupt; or any order of relief or other order approving any such case or proceeding is entered; or the Company suffers any appointment of any custodian or the like for it or any substantial part of its property to continue undischarged or unstayed for a period of sixty (60) days; or the Company makes a general assignment for the benefit of creditors; or any corporate action is taken by the Company for the purpose of effecting any of the foregoing; or

(g) ERISA. (i) Any Plan shall fail to satisfy the minimum funding standard required for any plan year or part thereof or a waiver of such standard or extension of any amortization period is sought or granted under Section 412 of the Code, any Plan is, shall have been or is reasonably likely to be terminated or the subject of termination proceedings under ERISA, any Plan shall have an Unfunded Current Liability, the Company or any Related Person has incurred or is reasonably likely to incur a liability to or on account of a Plan under Section 405, 409, 502(i), 501(1), 515, 4062, 4063, 4064, 4069, 4201, 4204 or 4212 of ERISA or Section 4971 or 4975 of the Code, or the Company or any Related Person has incurred or is reasonably likely to incur liabilities pursuant to one or more employee welfare benefit plan that provide benefits to retired employees or other former employees (other than as required by Section 601 of ERISA); and (ii) there shall result from any event or events described in clause (i) of this subsection (f) the imposition or granting of a Lien, or a liability or a material risk of incurring a liability; and (iii) any Lien or liability referred to in clause (ii) of this subsection (f) could reasonably be expected to have a Material Adverse Effect; or

(h) Judgments. There shall remain in force, undischarged, unsatisfied, unstayed and unbonded, for more than sixty (60) days, any final judgment entered against any one or more of the Company which is not funded by insurance in due course in accordance with applicable insurance coverage, from which no further appeal may be taken and which, with other outstanding undischarged, unsatisfied, unstayed and unbonded final judgments against such Person not funded by insurance in due course in accordance with applicable insurance coverage, exceeds \$10,000,000 in the aggregate.

14.2. Acceleration.

(a) Upon the occurrence of any Event of Default described in Section 14.1(f), the unpaid principal amount of and accrued interest on the Notes shall automatically become due and payable, and there shall also be due and payable the applicable Premium in respect of the unpaid principal amount of the Notes, all without presentment, demand, protest, notice of intent to accelerate, notice of acceleration, or any other notice of any kind, which are hereby waived.

(b) Upon the occurrence of any Event of Default other than as described in Section 14.1(f), any registered holder or registered holders (other than the Company or any Affiliate thereof) of, in the aggregate, fifty-one percent (51%) or more in principal amount of the Notes at the time outstanding (excluding any Notes directly or indirectly owned by the Company or any Affiliate) may at any time (unless all defaults shall theretofore have been remedied and all costs and expenses including, without limitation, reasonable attorneys' fees and expenses incurred by or on behalf of the registered holders of the Notes by reason thereof shall have been paid in full by the Company) at its or their option, by written notice or notices to the Company, declare all the Notes to be due and payable, whereupon the same shall forthwith mature and become due and payable, together with interest accrued thereon, and there shall also be due and payable the applicable Premium in respect of the principal amount of the Notes so declared due and payable, all without presentment, demand, protest, notice of intent to accelerate, notice of acceleration, or any other notice of any kind (except as otherwise specifically provided herein), which are hereby waived. The Company acknowledges that Purchaser purchased the Notes on the basis and assumption that Purchaser and the registered holders from time to time of the Notes would receive the payments of principal and/or interest set forth in Articles 2, 7 and 8 hereof for the full term of the Notes; therefore, whenever the maturity of the Notes has been accelerated by reason of an Event of Default, a tender of the amount necessary to satisfy any part or all of the indebtedness represented by the Notes paid at any time following such Event of Default and prior to a foreclosure or trustee's sale shall be deemed a voluntary prepayment, and such payment shall include the applicable Premium. Similarly, any purchase at a foreclosure sale or a trustee's sale shall be deemed a voluntary prepayment, and the registered holders of the Notes shall, to the extent permitted by law, receive out of the proceeds of such sale, in addition to all other amounts to which they are entitled, the applicable Premium.

14.3. Remedies. If any Event of Default shall occur and be continuing, the registered holder of any Note at the time outstanding may proceed to protect and enforce the rights available to such registered holder at law, in equity, by statute or otherwise, whether for the specific performance of any agreement contained herein or, in the case of any registered holder of Notes, in such Note, or for an injunction against a violation of any of the terms hereof or thereof, or in aid of the exercise of any power granted hereby or thereby or by law or otherwise. In case of a default in the payment of any principal of or applicable Premium, if any, or interest on any Note, the Company will pay to the registered holder thereof such further amount as shall be sufficient to cover the costs and expenses of collection, including, without limitation, reasonable attorneys' fees, expenses and disbursements incurred in

connection therewith. No course of dealing and no delay on the part of any registered holder of any Note in exercising any right, power or remedy shall operate as a waiver thereof or otherwise prejudice such registered holder's rights, powers or remedies except as expressly provided for herein. No right, power or remedy conferred hereby upon any registered holder of any Note or by any Note upon any registered holder thereof shall be exclusive of any other right, power or remedy referred to herein or therein or now or hereafter available at law, in equity, by statute or otherwise. Subject to Section 14.2(b), any registered holder or registered holders (other than the Company or any Affiliate) of, in the aggregate, a majority in principal amount of the Notes at the time outstanding (excluding any Notes directly or indirectly owned by the Company or any Affiliate) may at any time pursue any remedies available under this Agreement or any of the Collateral Agreements.

ARTICLE 15.

EXPENSES

The Company will pay all reasonable expenses in connection with the negotiation, execution and delivery, performance and enforcement, and amendment or waiver of any terms or provisions of this Agreement, any Collateral Agreement, and the Notes, including, without limitation: (a) the cost and expenses of preparing and reproducing this Agreement, the Collateral Agreements and the Notes, of furnishing all opinions of Special Counsel, Purchaser's special local counsel, and counsel for the Company (including any opinions requested by Special Counsel as to any legal matter arising hereunder) and all certificates on behalf of the Company and of the Company's performance of and compliance with all agreements and conditions contained therein on its part to be performed or complied with; (b) all out of pocket expenses and fees, expenses and disbursements of Special Counsel and Purchaser's special local counsel in connection with the negotiation and preparation of this Agreement and the Closing of the transactions contemplated hereunder; (c) the cost of delivering to Purchaser's principal office, insured to Purchaser's satisfaction, the Notes sold to Purchaser hereunder; (d) the reasonable out-of-pocket expenses and reasonable fees, expenses and disbursements of Special Counsel and Purchaser's special local counsel in connection with any amendments or waivers hereunder; and (e) the cost and expense related to title insurance and charges, survey, environmental audit, engineering and architect fees, recording fees, and real estate taxes contemplated herein or in the Collateral Agreements. The Company also will pay, and will save Purchaser and each registered holder of any Notes harmless from, (i) all claims in respect of the fees of any brokers and finders, except those engaged by Purchaser, and (ii) any and all liabilities with respect to any taxes (including interest and penalties), other than federal income taxes, that may be payable in respect of (A) the execution and delivery hereof and of the Collateral Agreements, (B) the issue of the Notes hereunder, and (C) any amendment or waiver under or in respect hereof, of any Collateral Agreement or of the Notes.

ARTICLE 16.

MISCELLANEOUS

16.1. Survival. All representations, warranties and covenants contained herein, in the Notes and in any other Collateral Agreement or made in writing by or on behalf of the Company in connection with the transactions contemplated hereby and thereby shall survive the execution and delivery hereof, any investigation at any time made by Purchaser or on Purchaser's behalf, the purchase of the Notes hereunder, or any disposition or payment of the Notes. All statements contained in any certificate delivered by or on behalf of the Company pursuant hereto or in connection with the transactions contemplated hereby shall be deemed representations and warranties of the Company hereunder.

16.2. Amendments and Waivers. Any term hereof or of the Notes may be amended (with written consent of the Company), and the observance of any term hereof or of the Notes may be waived (either generally or in a particular instance and either retroactively or prospectively), only upon the written consent of the registered holder or registered holders (other than the Company or any Affiliate) of, in the aggregate, sixty-six and two-thirds percent (66-2/3%) or more in principal amount of the Notes at the time outstanding (excluding any Notes directly or indirectly owned by the Company or any Affiliate), provided that without the prior written consent of the registered holders of all the Notes at the time outstanding (excluding any Notes directly or indirectly owned by the Company or any Affiliate), no such amendment or waiver shall (a) extend the fixed maturity or reduce the amount or extend the time of payment of any principal or Premium payable (whether as an installment or upon any prepayment) on any Note of such class; (b) reduce the percentage set forth above of the principal amount of the Notes, the registered holders of which are required to consent to any amendment or waiver set forth in such subdivision; or (c) change the percentage of the principal amount of the Notes, the registered holders of which may declare the Notes to be due and payable as provided in Section 14.2. Any amendment or waiver effected in accordance with

this Section 16.2 shall be binding upon each registered holder of any Note, at the time outstanding, each future registered holder of any Note, and the Company.

16.3. Indemnification. The Company will indemnify and hold harmless each Indemnified Party from and against any and all losses, claims, damages and liabilities, joint or several (including all reasonable legal fees or other expenses reasonably incurred by any Indemnified Party in connection with the preparation for or defense of any pending or threatened claim, action or proceeding, whether or not resulting in any liability), to which such Indemnified Party may become subject (whether or not such Indemnified Party is a party thereto) under any applicable federal or state law or otherwise caused by or arising out of, or allegedly caused by or arising out of, this Agreement, any Collateral Agreement, or any transaction contemplated hereby, other than losses, claims, damages or liabilities resulting from any grossly negligent or unlawful act by Indemnified Party seeking indemnification hereunder. THESE PROVISIONS ARE INTENDED TO INDEMNIFY THE INDEMNIFIED PARTIES AGAINST THE RESULTS OF THEIR OWN NEGLIGENCE.

Promptly after receipt by an Indemnified Party of notice of any claim, action or proceeding with respect to which an Indemnified Party is entitled to indemnity hereunder, such Indemnified Party will notify the Company of such claim or the commencement of such action or proceeding, provided that the failure of an Indemnified Party to give notice as provided herein shall not relieve the Company of its obligations under this Section 16.3 with respect to such Indemnified Party, except to the extent that the Company is actually prejudiced by such failure. The Company will assume the defense of such claim, action or proceeding and will employ counsel satisfactory to the Indemnified Party and will pay the fees and expenses of such counsel. Notwithstanding the preceding sentence, the Indemnified Party will be entitled, at the expense of the Company, to employ counsel separate from counsel for the Company, and for any other party in such action, if the Indemnified Party reasonably determines that a conflict of interest or other reasonable basis exists that makes representation by counsel chosen by the Company not advisable. If an Indemnified Party appears as a witness in any action or proceeding brought against the Company or any of its Affiliates (or any of their partners, managers, members, officers, directors or employees) in which an Indemnified Party is not named as a defendant, the Company agrees to reimburse such Indemnified Party for all out-of-pocket expenses incurred by it (including fees and expenses of counsel) in connection with the appearance as a witness. The Indemnified Party shall settle no claim or take any other action prejudicing the Company's defense without the consent of the Company, which consent will not be unreasonably withheld or delayed. Purchaser agrees to reasonably cooperate with the Company in the defense of any such action or proceeding.

16.4. Usury Not Intended. The Company, Purchaser and all other registered holders of any Notes intend to conform strictly to the usury laws in force that apply to the transactions evidenced or contemplated hereby. Accordingly, all agreements among the Company, Purchaser, and any other registered holder of any Notes, whether now existing or hereafter arising and whether written or oral, are hereby limited so that in no contingency, whether by reason of acceleration of the maturity of the Notes, or otherwise, shall the interest (and all other sums that are deemed to be interest) contracted for, charged, received, paid or agreed to be paid exceed the Highest Lawful Rate (as defined below). The Company and Purchaser stipulate and agree that the terms and provisions contained in this Agreement and the Collateral Agreements are not intended to and shall never be construed to create a contract to pay for the use, forbearance or detention of money an amount in excess of the maximum amount permitted to be charged by applicable law, if any.

Anything in this Agreement or the Collateral Agreements to the contrary notwithstanding, neither the Company nor any other party now or hereafter becoming liable for payment of the Notes shall ever be required to pay interest on or with respect to the Notes or any other obligation hereunder at a rate in excess of the Highest Lawful Rate, and if the effective rate of interest that would otherwise be payable under this Agreement or on or with respect to the Notes would exceed the Highest Lawful Rate, or if the registered holders of such Notes or obligation shall receive anything of value that is deemed or determined to constitute interest that would increase the effective rate of interest payable under this Agreement or on or with respect to the Notes or the Collateral Agreements to a rate in excess of the Highest Lawful Rate, then (a) the amount of interest that would otherwise be payable under this Agreement, the Notes or the Collateral Agreements shall be reduced to the amount allowed at the Highest Lawful Rate under applicable law, and (b) any unearned interest paid by the Company or any interest paid by the Company in excess of the Highest Lawful Rate shall, at the option of the registered holders of the Notes, be either refunded to the Company or credited on the principal of such Notes. It is further agreed that, without limitation of the foregoing, all calculations of the rate of interest contracted for, charged or received by any registered holder of the Notes, or under this Agreement, that are made for the purpose of determining whether such rate exceeds the Highest Lawful Rate, shall

be made, to the extent permitted by applicable law (now or, to the extent permitted by law, hereafter enacted) governing the Highest Lawful Rate, by (i) characterizing any nonprincipal payment as an expense, fee or premium rather than as interest, and (ii) amortizing, prorating, allocating and spreading in equal parts during the period of the full term of the Notes (including the period of any renewal or extension thereof), all interest at any time contracted for, charged or received by such registered holder in connection therewith. As used in this Section 16.4, the term "Highest Lawful Rate" means the maximum nonusurious rate of interest permitted from time to time to be contracted for, taken, charged or received with respect to the Notes by the registered holders thereof, under applicable law as in effect with respect to this Agreement or the Notes.

16.5. Notices.

(a) For all purposes under this Agreement, the address of the Company shall be P.O. Box 93, 110 South Texas Street, Pittsburg, Texas 75686, Attention: Richard Cogdill, Chief Financial Officer, telecopy no. 903-855-4934 and for Purchaser shall be the address set forth on the Schedule of Information for Payment and Notices or such other address of which all such Persons have received ten (10) days prior written notice.

(b) Any notice, demand, request or report required or permitted to be given or made to the Company or Purchaser under this Agreement shall be in writing and shall be deemed given or made when delivered in person, when sent if by overnight courier or telecopy (if followed by hard copy) or five (5) Business Days after the date when sent by United States registered or certified mail to any such Person at its address referenced in Section 16.5(a) above.

16.6. Reproduction of Documents. This Agreement and all documents relating thereto, including, without limitation, (a) consents, waivers and modifications that may hereafter be executed, (b) documents received by Purchaser at the Closing (except the Notes themselves), and (c) financial statements, certificates and other information previously or hereafter furnished to Purchaser, may be reproduced by Purchaser or the registered holder of any Notes by any photographic, photostatic, microfilm, microcard, miniature photographic or other similar process and Purchaser or the registered holder of any Notes may destroy any original document so reproduced. The Company agrees and stipulates that any such reproduction shall be admissible in evidence as the original itself in any judicial or administrative proceeding (whether or not the original is in existence and whether or not such reproduction was made by Purchaser or the registered holder of any Notes in the regular course of business) and that any enlargement, facsimile or further reproduction of such reproduction shall likewise be admissible in evidence.

16.7. Successors and Assigns.

(a) This Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective successors and assigns of the parties hereto, whether so expressed or not, and shall inure to the benefit of and be enforceable by any registered holder or registered holders from time to time of any Notes. The representations, warranties and covenants of the Company hereunder are intended to be for the benefit of, and inure to, all registered holders from time to time of any of the Notes.

(b) The Company acknowledges that Purchaser intends to participate all or a portion of the Notes to one or more of Purchaser's Affiliates and that all of the representations, warranties, covenants and agreements of the Company shall be for the benefit of Purchaser's Affiliates as well as Purchaser.

16.8. Entire Agreement. THIS WRITTEN AGREEMENT REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

16.9. GOVERNING LAW. THIS AGREEMENT AND THE NOTES SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF TEXAS (WITHOUT REGARD TO ITS CONFLICT OF LAW PROVISIONS).

16.10. Invalid Provisions. If any provision hereof or any application thereof shall be invalid or unenforceable, the remainder hereof and any other application of such provision shall not be affected thereby.

16.11. Headings. The Table of Contents and Section headings herein are for purposes of reference only and shall not constitute a part hereof.

16.12. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

16.13.Further Action. The parties shall execute all documents, provide all information, and take or refrain from taking all actions as may be necessary or appropriate to achieve the purposes of this Agreement.

16.14.Creditors. None of the provisions of this Agreement shall be for the benefit of or enforceable by any creditors of the Company, except as otherwise expressly provided herein.

16.15.Waiver. No failure by any party to insist upon the strict performance of any covenant, duty, agreement, or condition of this Agreement or to exercise any right or remedy consequent upon a breach thereof shall constitute a waiver of any such breach or any other covenant, duty, agreement, or condition. No single or partial exercise of any power or right shall preclude any other or further exercise thereof or the exercise of any other power or right. No waiver by a party of any right hereunder or of any default by another shall be binding upon such party unless in writing.

16.16.Release. Purchaser acknowledges and agrees that at the Closing all of Purchaser's security interests and other liens in all assets of the Company located in Camp County, Texas, Upshur County, Texas, Angelina County, Texas, Howard County, Arkansas and Sevier County, Arkansas, which were granted to or held by Purchaser as security for Company's obligations to Purchaser, shall be forever satisfied, released and discharged. Purchaser hereby authorizes Company to file at any time after the Closing such Uniform Commercial Code financing statement amendments (including without Purchaser's signature) as may be necessary to reflect in the public record the release of the security interests and liens described above in favor of Purchaser. Purchaser will, from and after the Closing, deliver such other financing statement amendments or documents as Company may from time to time reasonably request to effectuate or reflect of public record the release and discharge of such security interests and liens.

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IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

PILGRIM'S PRIDE CORPORATION

By:
Name:
Title:

JOHN HANCOCK LIFE INSURANCE COMPANY

By:
Name:
Title:

EXHIBIT 10.34
RETIREMENT AGREEMENT

This Retirement Agreement (this "Agreement"), effective as of the latest date signed below ("Effective Date"), is between David Van Hoose, including any executor, administrator, heir, assign, and anyone else acting by or for him or on his behalf ("Van Hoose"), and Pilgrim's Pride Corporation, including any agent, officer, director, employee, affiliate, parent, subsidiary, division, successor or assign of Pilgrims Pride Corporation ("Pilgrim").

Van Hoose is the President, Chief Executive Officer, and Chief Operating Officer of Pilgrim and is an at-will employee of Pilgrim. In exchange for Van Hoose's promises and representations made in this Agreement, Pilgrim agrees to provide certain payments and benefits to Van Hoose, to which Van Hoose is not otherwise entitled except as set forth in this Agreement.

Van Hoose and Pilgrim agree that this Agreement constitutes their full and entire agreement and is intended completely, permanently and amicably to terminate any and every legal claim, duty or obligation existing between them as of the Effective Date of this Agreement, except as otherwise provided in this Agreement. This Agreement can be modified only by a statement in writing signed by both Van Hoose and Pilgrim.

In consideration of the promises and mutual agreements hereinafter set forth, the adequacy and sufficiency which is hereby acknowledged by Van Hoose and Pilgrim, Van Hoose and Pilgrim agree to the following terms:

I. STATUS OF EMPLOYMENT UNTIL MARCH 29, 2003.

1. Immediately upon the Effective Date, (a) Van Hoose shall retain only the title of Chief Executive Officer and shall remain a Director of Pilgrim, and in his capacity as an officer of Pilgrim shall have only those duties and responsibilities as are specifically assigned to him by the Pilgrim Board of Directors ("Board") and (b) the Board within its sole discretion may change or terminate, at any time prior to March 29, 2003, and for any reason (1) his title and position as an officer, or (2) any or all of his duties or responsibilities as an officer or employee. Further, upon request by the Board, Van Hoose shall resign his position as a Director of Pilgrim. From the Effective Date until March 29, 2003, Van Hoose shall devote all of his time and efforts to his duties for and the business of Pilgrim as are assigned to him, and shall not undertake work or employment, whether as an employee or independent contractor, for any other person or entity. Any action by Pilgrim or the Board pursuant to this paragraph with respect to Van Hoose shall not relieve Pilgrim of its other obligations and duties under this Agreement.
2. From the Effective Date until March 29, 2003, Van Hoose will continue to receive his current salary and benefits, but he shall not receive any Key Bonus or incentive compensation.

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II. VOLUNTARY RETIREMENT AND TERMINATION

3. Van Hoose agrees to voluntary retire from Pilgrim as of March 29, 2003, and he agrees that his employment with Pilgrim will permanently terminate at that time.
4. Notwithstanding the above, Van Hoose shall become a contract consultant to Pilgrim for a period of three years beginning March 29, 2003 and ending March 29, 2006 (the "Consultancy"), and will perform such consulting duties as may be directed by Pilgrim from time to time. Van Hoose's Consultancy to Pilgrim shall terminate on March 29, 2006 unless the Board exercises its option to renew this Consultancy for any particular period of time, which the Board may do at its sole discretion, but in no event may any such renewals extend beyond March 29, 2008. Nothing herein shall prohibit Van Hoose from acting as an employee for another person or entity during the Consultancy.
5. During the period of his Consultancy, Van Hoose shall be paid \$13,888.89 (Thirteen Thousand Eight Hundred and Eighty Eight Dollars and No Cents) per month, with the first scheduled payment on or about April 29, 2003 (the

"Consultancy Payments"). Van Hoose shall be reimbursed, according to the Pilgrim Expense Reimbursement Policy, for any expenses incurred in performing his duties as a consultant. In the event that Van Hoose becomes physically or mentally disabled or incapacitated such that he can not perform the consulting duties assigned to him by Pilgrim for a continuous period of 60 days, then Pilgrim's obligation to make payments for the remainder of any such Consultancy shall terminate.

6. It is agreed and Van Hoose acknowledges that no withholding of taxes will be made by Pilgrim with respect to the Consultancy Payments and the payment in Section 7 below and that Van Hoose is solely responsible for paying any and all taxes, including but not limited to all Social Security, self-employment, federal income taxes, and any other applicable federal, state and local taxes, including all penalties, interest and late payments, that may apply to the Consultancy Payments and the payment in Section 7. Van Hoose further agrees to indemnify and hold harmless Pilgrim from any and all liability that may result in the event the Internal Revenue Service or any other governmental authority or a court of competent jurisdiction may characterize the Consultancy Payments or the payments in Section 7(A) and (B) as taxable income or wages.

III. ADDITIONAL PAYMENTS AND BENEFITS ACCORDED TO VAN HOOSE

7. Pilgrim agrees to pay Van Hoose the sum of \$1,300,000. (One Million Three Hundred Thousand Dollars and No Cents) on the Effective Date. Van Hoose acknowledges that he is not entitled to receive, and has no right or claim to receive, this payment except as provided in this Agreement and in consideration of his promises and representations made in this Agreement.

Van Hoose acknowledges that he must continue to comply with all requirements and restrictions to which he is subject, whether individually or in his capacity as Chief Executive Officer or as a Director of Pilgrim, pursuant to applicable state and federal securities laws.

8. Pilgrim will continue to provide Van Hoose with health insurance and life insurance benefits until March 29, 2003. Upon Van Hoose's retirement on March 29, 2003, Van Hoose will be eligible for continued medical, dental, and vision benefits through the Consolidated Omnibus Benefits Reconciliation Act (COBRA), if Van Hoose makes a timely election and payment for such benefits. Benefit continuation information through COBRA and an election form will be sent to Van Hoose upon his qualification date.
9. In the event Van Hoose desires to sell his current home at 204 Turnberry Street, Mount Pleasant, Texas, Van Hoose may request that Pilgrim purchase such property by giving written notification to Pilgrim at the office of Chief Financial Officer. Upon timely request, Pilgrim agrees to purchase this home from Van Hoose for the cash sum of \$625,000.00 (Six Hundred and Twenty Five Thousand Dollars and No Cents), less usual and customary seller's expenses (e.g. Title Policy, survey, documentary fees, filing fees and pro-rated taxes), provided such written request is received by Pilgrim within 12 months of the Effective Date. The parties agree to use reasonable efforts to close any sale made pursuant to this paragraph within 45 days of the date Pilgrim receives the written request, assuming no incurable defects in title to the property.
10. In the event Van Hoose desires to sell his farm property located in Shelby County, Texas, Van Hoose may request that Pilgrim purchase such property by giving written notification to Pilgrim at the office of the Chief Financial Officer. Upon timely request, Pilgrim agrees to purchase this property from Van Hoose for the cash sum of \$1,200,000.00 (One Million Two Hundred Thousand Dollars and No Cents), less usual and customary seller's expenses (e.g. Title Policy, survey, documentary fees, filing fees and pro-rated taxes), provided that such written request is received by Pilgrim within 12 months of the Effective Date. The parties agree to make reasonable efforts to close any sale made pursuant to this paragraph within 45 days of the date Pilgrim receives the written request, assuming no incurable defects in title to the property and assuming no material problems related to environmental contamination on the property.
11. Pilgrim will reimburse Van Hoose for reasonable and customary moving expenses, in the event that Van Hoose sells his home and relocates within one year of the Effective Date. To qualify for reimbursement, all expenses submitted for reimbursement must be supported by verifiable documentation, such as receipts, invoices, or other documentation, and Van Hoose must obtain and submit for approval in advance by Pilgrim a minimum of three competitive bids for the cost of moving household and personal items.

IV. OBLIGATIONS TO PILGRIM

A. CONFIDENTIALITY AND NON-DISCLOSURE

12. Van Hoose agrees that Pilgrim owns or has rights to valuable, confidential, and proprietary information and trade secrets. Van Hoose agrees that he shall not disclose to any person or entity without express written authorization of Pilgrim any proprietary or confidential information, whether written or oral, received, gained or known by Van Hoose in the course of his performance of services and work for Pilgrim, nor shall he make use of any such confidential information on his own behalf or on behalf of any other person or entity. Van Hoose also agrees to use all reasonable safeguards to prevent the unauthorized disclosure of such proprietary or confidential information. Van Hoose's obligations of non-disclosure pursuant to this Agreement are permanent and exist indefinitely. Pilgrim's confidential and proprietary information shall not include information that is in the public domain or becomes publicly available without breach of this Agreement or any other obligation of confidentiality.

A. Such confidential or proprietary information of Pilgrim includes, but is not limited to: all information or ideas in whatever form, tangible or intangible (written, oral, photographic, electronic, magnetic or otherwise), pertaining in any manner to the business of Pilgrim, including, but not limited to, products, services, systems, methods, designs, specifications, scientific or technical knowledge or techniques, information concerning customers or potential customers and their requirements, strategies, negotiations of contracts, price lists, pricing policies, financial information, marketing information, mailing lists, employee data, supplier data, internal cost and profit information, legal information, and all other materials or information relating to Pilgrim's business.

13. Van Hoose agrees that the provisions of Section 12 are essential for the protection of Pilgrim and that any breach or threatened breach would cause immediate and irreparable damage to Pilgrim, for which Pilgrim would have no adequate remedy at law. Accordingly, Van Hoose agrees that in the event of any breach or threatened breach hereof, Pilgrim may, without limitation on any other rights Pilgrim may have, obtain a temporary restraining order, preliminary injunction, or other form of equitable relief to enforce the provisions herein, and may do so prior to the commencement of any arbitration proceeding provided for under this Agreement. Van Hoose agrees that because of the uncertainty inherent in quantifying money damages for a breach of the provisions of Section 12, and in the event of a breach, Pilgrim may terminate Van Hoose's Consultancy and recover from Van Hoose as liquidated damages, in addition to its equitable remedy of injunction, an amount equal to any monies due but not yet paid to Van Hoose under this Agreement, specifically the weekly payments referenced in Section 5 of this Agreement.

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B. CONTINUING ASSISTANCE TO PILGRIM AND INDEMNIFICATION

14. Van Hoose shall provide full assistance to and cooperation with Pilgrim in connection with the product recall controversy and investigation currently being conducted, and any other litigation or investigation on which the Company requests his assistance, concerning alleged presence of Listeria at Pilgrims' production facilities or any other matter. Such assistance and cooperation shall include, but not be limited to, providing truthful testimony on behalf of Pilgrim in connection with any civil, administrative, or other legal proceeding which has or may be brought by or against Pilgrim.
15. Pilgrim agrees to indemnify and hold harmless Van Hoose if he is made a party or threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal administrative or investigative by reason of the fact that he served as an employee, officer or director of Pilgrim or by his continued service under this Agreement as an Officer or Director of Pilgrim, against expenses, attorneys fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with the action, suit or proceeding if Van Hoose acted in good faith and in a manner in which he reasonably believed to be in and not opposed to the best interest of Pilgrim.

V. MUTUAL RELEASE AND COVENANT NOT TO SUE

16. Van Hoose settles, releases and waives all claims, liens, demands, causes of action, obligations, damages and liabilities of any kind, known or unknown, that Van Hoose ever had, now has or may hereafter claim to have against Pilgrim or any of its agents, officers, directors, employees, affiliates, assigns, parents, subsidiaries, divisions, successors or any other representative acting for or on behalf of Pilgrim as of the Effective Date of this Agreement, including, but not limited to, all claims arising out of or from his employment with or termination from Pilgrim, all claims of unlawful discrimination, harassment or retaliation under state, local or federal law (including but not limited to, the Texas Workers Compensation Act, Age Discrimination in Employment Act, Older Workers' Benefit Protection Act, Title VII of the Civil Rights Act of 1964, as amended, Texas Commission on Human Rights Act, Civil Rights Act of 1991, and Americans with Disabilities Act); any claim for unpaid wages, bonuses, expense reimbursements, vacation, profit sharing pay-out, stock options, or employee benefits; any rights or causes of action that Van Hoose has as a shareholder of Pilgrim; all claims for any violation of any other federal, state or local statute, ordinance or regulation, or the Constitution of the United States or the State of Texas; any claims of personal injury or contract breach; any and every other claim arising under the common law of the State of Texas or any other jurisdiction; and all claims for attorneys' fees. Van Hoose further covenants not to sue Pilgrim for any claim or cause of action arising out of his employment, any change in his title or duties as an officer of Pilgrim, or the termination of his employment. Nothing herein shall be construed as (1) releasing Pilgrim from its obligations in this Agreement or its obligations to perform this Agreement, or (2) waiving any right of Van Hoose to enforce the performance of, or seek redress for any breach of, this Agreement
17. Pilgrim hereby settles, releases, and waives all claims, liens, demands, causes of action, obligations, damages and liabilities of any kind, known or unknown, that Pilgrim ever had, now has or may hereafter claim to have against Van Hoose or any of his agents, officers, directors, employees, affiliates, assigns, successors or any other representative acting for or on behalf of Van Hoose as of the Effective Date of this Agreement, including but not limited to any claims arising out of his employment with Pilgrim or separation from Pilgrim, any claims under any employment or other agreement executed by Van Hoose and Pilgrim, all claims for any violation of any other federal, state or local statute, ordinance or regulation, or the Constitution of the United States or the State of Texas; any claims of personal injury or contract breach; and all claims for attorneys' fees. and any and every other claim arising under the common law of the State of Texas or any other jurisdiction. Nothing herein shall be construed as (1) releasing Van Hoose from his obligations in this Agreement or his obligations to perform this Agreement, or (2) waiving any right of Pilgrim to enforce the performance of, or seek redress for any breach of, this Agreement .

VI. MISCELLANEOUS PROVISIONS

18. This Agreement contains all the promises and understandings of the parties and supersedes any prior agreements or previous communications (whether oral

or written) between Pilgrim and Van Hoose. There are no other agreements or understandings besides this Agreement, and Van Hoose and Pilgrim specifically disclaim any reliance on any promises, statements or understandings that are not specifically set forth in this Agreement.

19. Neither Van Hoose nor Pilgrim shall disclose to any person the facts surrounding this Agreement, or any of the terms of this Agreement. The only exceptions to this confidentiality provision are that the parties may disclose the fact of this Agreement or its terms to their respective attorneys, and Pilgrim may make such disclosure of this Agreement or its terms as it deems necessary in SEC filings, earnings releases or other filings or statements made pursuant to applicable securities laws. In addition, either party or its attorneys may make such disclosure as is necessary to their respective tax attorneys, accountants, or advisors for the purposes of taking tax positions and preparing tax returns.
20. Van Hoose and Pilgrim agree that they and their agents will respond to any inquiry concerning the terms or existence of this Agreement only by reference to the press releases attached hereto as Exhibit "A" "B" and "C". Van Hoose and Pilgrim agree that no other public statement or press release shall be given or issued by either of them without advance agreement in writing by both parties, except that Pilgrim may disclose this Agreement or its terms as it deems necessary in SEC filings, earnings releases or other filings or statements made pursuant to applicable securities laws.
21. Van Hoose and Pilgrim agree that they will not make any written or verbal statements, cause, participate, or encourage others to make any written or verbal statements, that either publicly or privately defame, disparage, or in any way publicly criticize or call into question the personal or business reputation, practices, or conduct of Van Hoose or Pilgrim.
22. Pilgrim and Van Hoose acknowledge that the consideration given by the other pursuant to this Agreement is adequate and sufficient to make their respective obligations under this Agreement final and binding.
23. Pilgrim and Van Hoose acknowledge that neither is relying upon any representations of the other or the other's attorneys but instead is relying upon his or its own evaluation of the facts. Van Hoose acknowledges and agrees that, in deciding to execute this Agreement, Van Hoose has relied entirely upon his own judgment, and advice of an attorney of his own choosing, that he has read this Agreement, and that he has executed this Agreement voluntarily and with full understanding of its terms and effects. With respect to Van Hoose's release and waiver of claims under the Federal Age Discrimination in Employment Act ("ADEA"), Van Hoose acknowledges that he has been given twenty one days to consider the release and waiver of such claims, and that he may revoke his consent to such waiver and release of claims by notifying Pilgrim in writing within seven days of the date Van Hoose signs this Agreement. Should Van Hoose exercise his right to revoke his consent to the waiver and release of claims under the ADEA, then Van Hoose shall not receive, and Pilgrim shall be relieved of its obligation to pay or provide, any of the compensation or benefits listed in paragraphs 5, 9, 10, and 11, but Van Hoose's promises, obligations and duties under this Agreement shall continue in full force and effect.
24. The provisions of this Agreement are severable. If a court of competent jurisdiction rules that any provision of this Agreement is invalid or unenforceable, such a ruling will not affect the validity or enforceability of any other provision of this Agreement, and the Agreement shall be deemed to be modified and amended so as to be enforceable to the extent permitted by the law.
25. This Agreement shall be governed by and construed in accordance with the laws of the State of Texas, the principles of conflict of laws notwithstanding. Venue for enforcement of this Agreement shall be in Camp County, Texas.
26. Van Hoose hereby agrees that any and all claims, disputes or controversies between Van Hoose and Pilgrim relating to his employment with Pilgrim, termination thereof, this Agreement, and the parties obligations to perform as provided in this Agreement shall be resolved by final binding arbitration in accordance with the rules of the American Arbitration Association. Judgment upon the award rendered by the arbitrator or arbitrators may be entered in any court having jurisdiction thereof. The Arbitrator shall be selected from a panel provided by the American Arbitration Association. Venue for any such arbitration proceeding shall be in Dallas County, Texas or such other place as may be mutually agreed upon by Van Hoose and Pilgrim.

VAN HOOSE UNDERSTANDS AND AGREES THAT HIS SIGNATURE TO THIS AGREEMENT CONSTITUTES A WAIVER OF HIS RIGHT TO A TRIAL BY JURY OF ANY MATTERS SUBJECT TO ARBITRATION UNDER THIS AGREEMENT.

27. All statements in this Agreement are contractual and not mere recitals.

28. This Agreement may be signed in multiple originals, each of which shall have full force and effect.

SIGNED on the dates indicated below.

Pilgrim's Pride Corporation

By: _____

Date: _____

David Van Hoose

Date: _____

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EXHIBIT A

FOR IMMEDIATE RELEASE

Contact:
Rick Cogdill
Chief Financial Officer, Pilgrim's Pride
(903) 855-4205

PILGRIM'S PRIDE ANNOUNCES THE PENDING RETIREMENT OF
DAVID VAN HOOSE, CHIEF EXECUTIVE OFFICER,
AND PROMOTION OF O.B. GOOLSBY TO PRESIDENT AND
CHIEF OPERATING OFFICER

PITTSBURG, TX - November 11, 2002 - Pilgrim's Pride Corporation (NYSE:CHX) announced today the pending retirement of David Van Hoose, Chief Executive Officer and the promotion of O.B. Goolsby, currently executive vice president of prepared food operations, to president and chief operating officer of Pilgrim's Pride.

The leadership at Pilgrim's Pride expressed its gratitude to Van Hoose for his many years of dedicated service to the company, and, in particular, its appreciation of his experience, judgment and leadership in addressing the opportunities and challenges the company has faced. Van Hoose will take an active role in the transition of responsibility in the next several months and will serve the company as a consultant following his retirement. No successor has yet been named for the position of chief executive officer.

"My 14 years at the company have been extremely fulfilling, and as I prepare to make changes in my own life, I will continue to work hard to make sure Pilgrim's Pride is in a position to grow and succeed," said Van Hoose. "I look forward to assisting the company to ensure a smooth and orderly transition to new management."

In his new role, Goolsby will report to Van Hoose, who will continue in his position as chief executive officer and as a director of the company, until his retirement, which will occur on March 29, 2003.

"With more than 20 years of experience at Pilgrim's Pride, Mr. Goolsby brings with him a wealth of knowledge and experience," said Bo Pilgrim, founder and chairman of the board of Pilgrim's Pride. "We are confident that this broad range of experience, in addition to O.B.'s longstanding dedication to the company, will enable him not only to maintain, but to enhance the reputation of Pilgrim's Pride as a world class organization."

"I am very proud to have been selected to serve in this role," Goolsby said. "Pilgrim's Pride is a company filled with excellent people and I look forward to serving our customers and consumers with continued commitment to quality, service and integrity."

Pilgrim's Pride Corporation is the second largest poultry producer in the United States -- the third largest in chicken and fifth largest in turkey -- and is the second largest chicken company in Mexico. Pilgrim's Pride employs more than 24,500 persons and operates processing and further processing plants, distribution centers, hatcheries and feed mills in Texas, Arkansas, Arizona, North Carolina, Pennsylvania, Virginia, West Virginia and Mexico.

Products are sold to foodservice, retail and frozen entr{e'}e customers.

The Company's primary distribution is through retailers and restaurants throughout the United States and in the Northern and Central regions of Mexico and to the foodservice industry nation-wide in both countries.

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EXHIBIT B

Message from Mike Murray, Executive Vice President, Sales and Marketing

In the event we were unable to reach you directly by phone, we would like to take this opportunity to share with you news regarding changes in our senior management. The pending retirement of David Van Hoose has been announced, as well as the promotion of O.B. Goolsby, current executive vice president of Prepared Foods Operations, to president and COO of Pilgrim's Pride.

On March 29, 2003, David will end his 14-year tenure with Pilgrim's Pride as CEO, COO, president and director, and begin his new role as a consultant for the company. He will continue to serve as CEO and director of the company until his retirement.

After joining the Pilgrim's Pride family in 1988 as senior vice president, Texas Processing, David went on to serve as senior vice president, director general and eventually president of Mexico Operations. He has served in his current role since 1998.

We are pleased to announce O.B.'s promotion to president and COO. He brings with him a wealth of knowledge and experience gained during more than 20 years with Pilgrim's Pride including serving as vice president, Prepared Foods Operations (1986-92); senior vice president, Prepared Foods Operations (1992-98) and executive vice president, Prepared Foods Operations (since 1998). In addition to this, O.B. spent 13 years (1969-81) in various sales, distribution and plant operations positions throughout the company.

We are confident that O.B.'s broad range of experience, in addition to his longstanding dedication to the company, will enable him and his team members not only to maintain, but to enhance, Pilgrim's Pride's reputation as a world class food company.

O.B. will continue to report to David in the interim until a new CEO is named. A press release regarding these developments has been issued and is available on the Pilgrim's Pride website at www.pilgrimspride.com. We will continue to share additional information with you in the coming days.

In the meantime, we'd like to extend our gratitude to our valued customers and thank you for your continued support over the past several weeks. We look forward to continuing to provide you with the same quality, service and products you have come to expect from Pilgrim's Pride.

If you have any questions, please do not hesitate to contact your sales representative.

Best regards,
Mike Murray

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EXHIBIT C

> -----Original Message-----

> From: Jane Brookshire
> Sent: Monday, November 11, 2002 8:19 PM
> To: _All E-Mail Users
> Subject: Message from Bo Pilgrim, Chairman

>
> I would like to take this opportunity to share with you news regarding
> changes in our senior management. This evening, Pilgrim's Pride announced
> the pending retirement of David Van Hoose, Chief Executive Officer and the
> promotion of O. B. Goolsby, currently executive vice president of prepared
> food operations, to president and chief operating officer of Pilgrim's
> Pride.

>
> On March 29, 2003, David will end his 14-year tenure with Pilgrim's Pride
> as CEO, COO, president and director, and begin his new role as a
> consultant for the company. He will continue to serve as CEO and director
> of the company until his retirement.

>
> After joining the Pilgrim's Pride family in 1988 as senior vice president,
> Texas Processing, David went on to serve as senior vice president,
> director general and eventually president of Mexico Operations. He has
> served in his current role since 1998.

>
> We are pleased to announce O.B.'s promotion to president and COO. He
> brings with him a wealth of knowledge and experience gained during more
> than 20 years with Pilgrim's Pride including serving as vice president,
> Prepared Foods Operations (1986-92); senior vice president, Prepared Foods
> Operations (1992-98) and executive vice president, Prepared Foods
> Operations (since 1998). In addition to this, O.B. spent 13 years
> (1969-81) in various sales, distribution and plant operations positions
> throughout the company.

>
> We are confident that O.B.'s broad range of experience, in addition to his
> longstanding dedication to the company, will enable him and his team
> members not only to maintain, but to enhance, Pilgrim's Pride's reputation
> as a world class food company.

>
> This evening's press release is attached below. We will be sharing
> additional information with you in the coming days.

>
> In the meantime, we'd like to once again extend our gratitude to our
> Partners and thank you for your continued support. Your hard work and
> dedication are greatly appreciated. I pray that God will continue to bless
us.

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10.35 Third Amendment to Amended and Restated Credit Agreement made as of October 17, 2002 by and among the Company, CoBank, ACB, individually and as agent for the benefit of the present and future lenders, Farm Credit Services of America, FLCA, individually and as co-arranger, and the lenders parties thereto individually.*