UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended September 27, 2008

OR

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

For the transition period from _____ to _____

Commission File number 1-9273

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

Delaware	75-1285071
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
4845 US Hwy 271 North Pittsburg, Texas	75686-0093
(Address of principal executive offices)	(Zip code)

Registrant's telephone number, including area code: **(903) 434-1000**

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

Securities registered pursuant to Section 12(g) of the Act: Common Stock, Par Value $0.01

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No x

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 x 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. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer" and "large accelerated filer" in Rule 12B-2 of the Exchange Act.

Large Accelerated Filer x Accelerated Filer o
Non-accelerated Filer o (Do not check if a smaller reporting company) Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No x

The aggregate market value of the Registrant's Common Stock, $0.01 par value, held by non-affiliates of the Registrant as of March 29, 2008, was $829,596,309. For purposes of the foregoing calculation only, all directors, executive officers and 5% beneficial owners have been deemed affiliates.

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13, or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes x No ☐

Number of shares of the Registrant's Common Stock outstanding as of December 11, 2008, was 74,055,733.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's proxy statement for the 2009 annual meeting of stockholders are incorporated by reference into Part III.

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PART I

Item 1. Business

Pilgrim's Pride Corporation ("Pilgrim's Pride" or the "Company") operates on the basis of a 52/53-week fiscal year that ends on the Saturday closest to September 30. The reader should assume any reference we make to a particular year (for example, 2008) in this report applies to our fiscal year and not the calendar year.

Chapter 11 Bankruptcy Filings

On December 1, 2008 (the "Petition Date"), the Company and certain of its subsidiaries (collectively, the "Debtor Subsidiaries," and together with the Company, the "Debtors") filed voluntary petitions for reorganization under Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the Northern District of Texas, Fort Worth Division (the "Bankruptcy Court"). The cases are being jointly administered under Case No. 08-45664. The Company's operations in Mexico and certain operations in the United States were not included in the filing (the "Non-filing Subsidiaries") and will continue to operate outside of the Chapter 11 process.

Effective December 1, 2008, the New York Stock Exchange delisted our common stock as a result of the Company's filing of its Chapter 11 petitions. Our common stock is now quoted on the Pink Sheets Electronic Quotation Service under the ticker symbol "PGPDQ.PK."

The filing of the Chapter 11 petitions constituted an event of default under certain of our debt obligations, and those debt obligations became automatically and immediately due and payable, subject to an automatic stay of any action to collect, assert, or recover a claim against the Company and the application of applicable bankruptcy law. As a result, the accompanying Consolidated Balance Sheet as of September 27, 2008 includes a reclassification of $1,872.1 million to reflect as current certain long-term debt under its credit facilities that, absent the stay, would have become automatically and immediately due and payable.

Chapter 11 Process

The Debtors are currently operating as "debtors in possession" under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court. In general, as debtors in possession, we are authorized under Chapter 11 to continue to operate as an ongoing business, but may not engage in transactions outside the ordinary course of business without the prior approval of the Bankruptcy Court.

On December 2, 2008, the Bankruptcy Court granted interim approval authorizing the Company and the Debtor Subsidiaries organized in the United States (the "US Subsidiaries") to enter into a Post-Petition Credit Agreement (the "DIP Credit Agreement") among the Company, as borrower, the US Subsidiaries, as guarantors, Bank of Montreal, as agent, and the lenders party thereto. On December 2, 2008, the Company, the US Subsidiaries and the other parties entered into the DIP Credit Agreement, subject to final approval of the Bankruptcy Court.

The DIP Credit Agreement provides for an aggregate commitment of up to $450 million, which permits borrowings on a revolving basis. The Company received interim approval to access $365 million of the commitment pending issuance of the final order by the Bankruptcy Court. Outstanding borrowings under the DIP Credit Agreement will bear interest at a per annum rate equal to 8.0% plus the greatest of (i) the prime rate as established by the DIP agent from time to time, (ii) the average federal funds rate plus 0.5%, or (iii) the LIBOR rate plus 1.0%, payable monthly. The loans under the DIP Credit Agreement were used to repurchase all receivables sold under the Company's Amended and Restated Receivables Purchase Agreement dated September 26, 2008, as amended ("RPA") and may be used to fund the working capital requirements of the Company and its subsidiaries according to a budget as approved by the required lenders under the DIP Credit Agreement. For additional information on the RPA, see Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources."

Actual borrowings by the Company under the DIP Credit Agreement are subject to a borrowing base, which is a formula based on certain eligible inventory and eligible receivables. The borrowing base formula is reduced by pre-petition obligations under the Fourth Amended and Restated Secured Credit Agreement dated as of February 8, 2007, among the Company and certain of its subsidiaries, Bank of Montreal, as administrative agent, and the lenders parties thereto, as amended, administrative and professional expenses, and the amount owed by the Company and the Debtor Subsidiaries to any person on account of the purchase price of agricultural products or services (including poultry and livestock) if that person is entitled to any grower's or producer's lien or other security arrangement. The borrowing base is also limited to 2.22 times the formula amount of total eligible receivables. As of December 6, 2008, the applicable borrowing base was $324.8 million and the amount available for borrowings under the DIP Credit Agreement was $210.9 million.

The principal amount of outstanding loans under the DIP Credit Agreement, together with accrued and unpaid interest thereon, are payable in full at maturity on December 1, 2009, subject to extension for an additional six months with the approval of all lenders thereunder. All obligations under the DIP Credit Agreement are unconditionally guaranteed by the US Subsidiaries and are secured by a first priority priming lien on substantially all of the assets of the Company and the US Subsidiaries, subject to specified permitted liens in the DIP Credit Agreement.

The DIP Credit Agreement allows the Company to provide advances to the Non-filing Subsidiaries of up to approximately $25 million at any time outstanding. Management believes that all of the Non-filing Subsidiaries, including the Company's Mexican subsidiaries, will be able to operate within this limitation.

For additional information on the DIP Credit Agreement, see Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations —Liquidity and Capital Resources."

The Bankruptcy Court has approved payment of certain of the Debtors' pre-petition obligations, including, among other things, employee wages, salaries and benefits, and the Bankruptcy Court has approved the Company's payment of vendors and other providers in the ordinary course for goods and services received from and after the Petition Date and other business-related payments necessary to maintain the operation of our businesses. The Debtors have retained, subject to Bankruptcy Court approval, legal and financial professionals to advise the Debtors on the bankruptcy proceedings and certain other "ordinary course" professionals. From time to time, the Debtors may seek Bankruptcy Court approval for the retention of additional professionals.

Shortly after the Petition Date, the Debtors began notifying all known current or potential creditors of the Chapter 11 filing. Subject to certain exceptions under the Bankruptcy Code, the Debtors' Chapter 11 filing automatically enjoined, or stayed, the continuation of any judicial or administrative proceedings or other actions against the Debtors or their property to recover on, collect or secure a claim arising prior to the Petition Date. Thus, for example, most creditor actions to obtain possession of property from the Debtors, or to create, perfect or enforce any lien against the property of the Debtors, or to collect on monies owed or otherwise exercise rights or remedies with respect to a pre-petition claim are enjoined unless and until the Bankruptcy Court lifts the automatic stay. Vendors are being paid for goods furnished and services provided after the Petition Date in the ordinary course of business.

As required by the Bankruptcy Code, the United States Trustee for the Northern District of Texas appointed an official committee of unsecured creditors (the "Creditors' Committee"). The Creditors' Committee and its legal representatives have a right to be heard on all matters that come before the Bankruptcy Court with respect to the Debtors. There can be no assurance that the Creditors' Committee will support the Debtors' positions on matters to be presented to the Bankruptcy Court in the future or on any plan of reorganization, once proposed. Disagreements between the Debtors and the Creditors' Committee could protract the Chapter 11 proceedings, negatively impact the Debtors' ability to operate and delay the Debtors' emergence from the Chapter 11 proceedings.

Under Section 365 and other relevant sections of the Bankruptcy Code, we may assume, assume and assign, or reject certain executory contracts and unexpired leases, including, without limitation, leases of real property and equipment, subject to the approval of the Bankruptcy Court and certain other conditions. Any description of an executory contract or unexpired lease in this report, including where applicable our express termination rights or a quantification of our obligations, must be read in conjunction with, and is qualified by, any overriding rejection rights we have under Section 365 of the Bankruptcy Code.

In order to successfully exit Chapter 11, the Debtors will need to propose, and obtain confirmation by the Bankruptcy Court of a plan of reorganization that satisfies the requirements of the Bankruptcy Code. A plan of reorganization would, among other things, resolve the Debtors' pre-petition obligations, set forth the revised capital structure of the newly reorganized entity and provide for corporate governance subsequent to exit from bankruptcy.

The Debtors have the exclusive right for 120 days after the Petition Date to file a plan of reorganization and, if we do so, 60 additional days to obtain necessary acceptances of our plan. We will likely file one or more motions to request extensions of these time periods. If the Debtors' exclusivity period lapsed, any party in interest would be able to file a plan of reorganization for any of the Debtors. In addition to being voted on by holders of impaired claims and equity interests, a plan of reorganization must satisfy certain requirements of the Bankruptcy Code and must be approved, or confirmed, by the Bankruptcy Court in order to become effective.

The timing of filing a plan of reorganization by us will depend on the timing and outcome of numerous other ongoing matters in the Chapter 11 proceedings. There can be no assurance at this time that a plan of reorganization will be confirmed by the Bankruptcy Court or that any such plan will be implemented successfully.

We have incurred and will continue to incur significant costs associated with our reorganization. The amount of these costs, which are being expensed as incurred commencing in November 2008, are expected to significantly affect our results of operations.

Under the priority scheme established by the Bankruptcy Code, unless creditors agree otherwise, pre-petition liabilities and post-petition liabilities must be satisfied in full before stockholders are entitled to receive any distribution or retain any property under a plan of reorganization. The ultimate recovery to creditors and/or stockholders, if any, will not be determined until confirmation of a plan or plans of reorganization. No assurance can be given as to what values, if any, will be ascribed in the Chapter 11 cases to each of these constituencies or what types or amounts of distributions, if any, they would receive. A plan of reorganization could result in holders of our liabilities and/or securities, including our common stock, receiving no distribution on account of their interests and cancellation of their holdings. Because of such possibilities, the value of our liabilities and securities, including our common stock, is highly speculative. Appropriate caution should be exercised with respect to existing and future investments in any of the liabilities and/or securities of the Debtors. At this time there is no assurance we will be able to restructure as a going concern or successfully propose or implement a plan of reorganization.

Going Concern Matters

The accompanying Consolidated Financial Statements have been prepared assuming that the Company will continue as a going concern. However, there is substantial doubt about the Company's ability to continue as a going concern based on the factors previously discussed. The Consolidated Financial Statements do not include any adjustments related to the recoverability and classification of recorded assets or the amounts and classification of liabilities or any other adjustments that might be necessary should the Company be unable to continue as a going concern. The Company's ability to continue as a going concern is dependent upon the ability of the Company to return to historic levels of profitability and, in the near term, restructure its obligations in a manner that allows it to obtain confirmation of a plan of reorganization by the Bankruptcy Court.

Management is addressing the Company's ability to return to profitability by conducting profitability reviews at certain facilities in an effort to reduce inefficiencies and manufacturing costs. The Company reduced production capacity in the near term by closing two production complexes and consolidating operations at a third production complex into its other facilities. This action resulted in a headcount reduction of approximately 2,300 production employees. Subsequent to September 27, 2008, the Company also reduced headcount by 335 non-production employees.

On November 7, 2008, the Board of Directors appointed a Chief Restructuring Officer ("CRO") for the Company. The appointment of a CRO was a requirement included in the waivers received from the Company's lenders on October 27, 2008. The CRO will assist the Company with cost reduction initiatives, restructuring plans development and long-term liquidity improvement. The CRO reports to the Board of Directors of the Company.

In order to emerge from bankruptcy, the Company will need to obtain alternative financing to replace the DIP Credit Agreement and to satisfy the secured claims of its pre-bankruptcy creditors.

General Development of Business

Overview

The Company, which was incorporated in Texas in 1968 and re-incorporated in Delaware in 1986, is the successor to a partnership founded in 1946 that operated a retail feed store. Over the years, the Company grew as the result of expanding markets, increased market penetration and various acquisitions of farming operations and poultry processors. This included the significant acquisitions in 2004 and 2007 discussed below. Pilgrim's Pride is one of the largest chicken companies in the United States ("US"), Mexico and Puerto Rico. The Company's prepared chicken products meet the needs of some of the largest customers in the food service industry across the US. Under the well-established Pilgrim's Pride brand name, our fresh chicken retail line is sold in the southeastern, central, southwestern and western regions of the US, throughout Puerto Rico, and in the northern and central regions of Mexico. Additionally, the Company exports commodity chicken products to 80 countries. As a vertically integrated company, we control every phase of the production of our products. We operate feed mills, hatcheries, processing plants and distribution centers in 14 US states, Puerto Rico and Mexico. We believe this vertical integration has made us one of the highest-quality producers of chicken in North America.

We have consistently applied a long-term business strategy of focusing our growth efforts on the historically higher-value prepared chicken products and have become a recognized industry leader in this market. Accordingly, we focused our sales efforts on the foodservice industry, principally chain restaurants and food processors. More recently, we also focused our sales efforts on retailers seeking value-added products. In 2008, we sold 8.4 billion pounds of dressed chicken and generated net sales of $8.5 billion. In 2008, our US operations, including Puerto Rico, accounted for 93.2% of our net sales. Our Mexico operations generated the remaining 6.8% of our net sales.

Recent Business Acquisition Activities

In December 2006, we acquired a majority of the outstanding common stock of Gold Kist Inc. ("Gold Kist") through a tender offer. We subsequently acquired all remaining Gold Kist shares and, in January 2007, Gold Kist became our wholly owned subsidiary. Gold Kist operated a fully-integrated chicken production business that included live production, processing, marketing and distribution. This acquisition positioned us as the largest chicken company in the US, and that position provided us with opportunities to expand our geographic reach and customer base and further pursue value-added and prepared chicken opportunities.

In November 2003, we completed the purchase of all the outstanding stock of the corporations represented as the ConAgra Foods, Inc. chicken division ("ConAgra Chicken"). The acquisition provided us with additional lines of specialty prepared chicken products, well-known brands, well-established distributor relationships, and processing facilities located in the southeastern region of the US. The acquisition also included the largest distributor of chicken products in Puerto Rico.

Financial Information about Segments

We operate in two reportable business segments as (i) a producer and seller of chicken products and (ii) a seller of other products. See a discussion of our business segments in Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Narrative Description of Business

Products and Markets

Our chicken products consist primarily of:

(1) Fresh chicken products, which are refrigerated (non-frozen) whole or cut-up chickens sold to the foodservice industry either pre-marinated or non-marinated. Fresh chicken also includes prepackaged case-ready 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.

(2) 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.

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

Our chicken products are sold primarily to:

(1) 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 chicken and chicken parts in trays, bags or other consumer packs.

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

(3) Export and other product customers, who purchase chicken products for export to Eastern Europe, including Russia; the Far East, including China; Mexico; and other world markets. Our export and other chicken products, with the exception of our exported prepared chicken products, consist of whole chickens and chicken parts sold primarily in bulk, non-branded form, either refrigerated to distributors in the US or frozen for distribution to export markets.

Our other products consist of:

(1) Other types of meat along with various other staples purchased and sold by our distribution centers as a convenience to our chicken customers who purchase through the distribution centers.

(2) The production and sale of table eggs, commercial feeds and related items, live hogs and proteins.

The following table sets forth, for the periods beginning with 2004, net sales attributable to each of our primary product lines and markets served with those products. We based the table on our internal sales reports and their classification of product types and customers.

	2008	2007[a]	2006	2005	2004[a]
	(52 weeks)	(52 weeks)	(52 weeks)	(52 weeks)	(53 weeks)
US chicken:			(In thousands)		
Prepared chicken:					
Foodservice	$ 2,033,489	$ 1,897,643	$ 1,567,297	$ 1,622,901	$ 1,647,904
Retail	518,576	511,470	308,486	283,392	213,775
Total prepared chicken	2,552,065	2,409,113	1,875,783	1,906,293	1,861,679
Fresh chicken:					
Foodservice	2,550,339	2,280,057	1,388,451	1,509,189	1,328,883
Retail	1,041,446	975,659	496,560	612,081	653,798
Total fresh chicken	3,591,785	3,255,716	1,885,011	2,121,270	1,982,681
Export and other:					
Export:					
Prepared chicken	94,795	83,317	64,338	59,473	34,735
Fresh chicken	818,239	559,429	257,823	303,150	212,611
Total export[c]	913,034	642,746	322,161	362,623	247,346
Other chicken by-products	20,163	20,779	15,448	21,083	(b)
Total export and other	933,197	663,525	337,609	383,706	247,346
Total US chicken	7,077,047	6,328,354	4,098,403	4,411,269	4,091,706
Mexico chicken	543,583	488,466	418,745	403,353	362,442
Total chicken	7,620,630	6,816,820	4,517,148	4,814,622	4,454,148
Other products:					
US	869,850	661,115	618,575	626,056	600,091
Mexico	34,632	20,677	17,006	20,759	23,232
Total other products	904,482	681,792	635,581	646,815	623,323
Total net sales	$ 8,525,112	$ 7,498,612	$ 5,152,729	$ 5,461,437	$ 5,077,471
Total prepared chicken	$ 2,646,860	$ 2,492,430	$ 1,940,121	$ 1,965,766	$ 1,896,414

(a) The Gold Kist acquisition on December 27, 2006 and the ConAgra Chicken acquisition on November 23, 2003 have been accounted for as purchases.

(b) The *Export and other* category historically included the sales of certain chicken by-products sold in international markets as well as the export of chicken products. Prior to 2005, by-product sales were not specifically identifiable within the *Export and other* category. Accordingly, a detail breakout is not available prior to such time; however, the Company believes that the relative split between these categories as shown in 2005 would not be dissimilar in 2004.

(c) Export items include certain chicken parts that have greater value in the overseas markets than in the US.

The following table sets forth, beginning with 2004, the percentage of net US chicken 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.

	2008	2007[a]	2006	2005	2004[a]
Prepared chicken:					
Foodservice	28.8%	30.1%	38.2%	36.8%	40.3%
Retail	7.3%	8.1%	7.5%	6.4%	5.2%
Total prepared chicken	36.1%	38.2%	45.7%	43.2%	45.5%
Fresh chicken:					
Foodservice	36.0%	36.0%	33.9%	34.2%	32.5%
Retail	14.7%	15.4%	12.1%	13.9%	16.0%
Total fresh chicken	50.7%	51.4%	46.0%	48.1%	48.5%
Export and other:					
Export:					
Prepared chicken	1.3%	1.3%	1.6%	1.3%	0.8%
Fresh chicken	11.6%	8.8%	6.3%	6.9%	5.2%
Total export[c]	12.9%	10.1%	7.9%	8.2%	6.0%
Other chicken by-products	0.3%	0.3%	0.4%	0.5%	(b)
Total export and other	13.2%	10.4%	8.3%	8.7%	6.0%
Total US chicken	100.0%	100.0%	100.0%	100.0%	100.0%
Total prepared chicken as a percent of US chicken	37.4%	39.5%	47.3%	44.5%	46.3%

(a) The Gold Kist acquisition on December 27, 2006 and the ConAgra Chicken acquisition on November 23, 2003 have been accounted for as purchases.

(b) The *Export and other* category historically included the sales of certain chicken by-products sold in international markets as well as the export of chicken products. Prior to 2005, by-product sales were not specifically identifiable within the *Export and other* category. Accordingly, a detail breakout is not available prior to such time; however, the Company believes that the relative split between these categories as shown in 2005 would not be dissimilar in 2004.

(c) Export items include certain chicken parts that have greater value in the overseas markets than in the US.

UNITED STATES

Product Types

Fresh Chicken Overview. Our fresh chicken business is an important component of our sales and accounted for $3,591.8 million, or 50.7%, of our total US chicken sales for 2008. In addition to maintaining sales of mature, traditional fresh chicken products, our strategy has been to shift the mix of our US fresh chicken products by continuing to increase sales of faster-growing products, such as marinated whole chicken and chicken parts, and to continually shift portions of this product mix into the higher-value prepared chicken category.

Most fresh chicken products are sold to established customers, based upon certain weekly or monthly market prices reported by the US Department of Agriculture ("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. 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.

Prepared Chicken Overview. During 2008, $2,522.1 million of our US chicken sales were in prepared chicken products to foodservice customers and retail distributors, as compared to $1,861.7 million in 2004. These numbers reflect the impact of our historical strategic focus for growth in the prepared chicken markets and our acquisition of Gold Kist. The market for prepared chicken products has experienced, and we believe will continue to experience, greater growth and higher average sales prices than fresh chicken products. Also, the production and sale in the US of prepared chicken products reduce the impact of the costs of feed ingredients on our profitability. Feed ingredient costs are the single largest component of our total US cost of sales, representing approximately 38.1% of our total US cost of sales for 2008. The production of feed ingredients is positively or negatively affected primarily by the global level of supply inventories, demand for feed ingredients, the agricultural policies of the US and foreign governments and weather patterns throughout the world. 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. Many times, these prices are dependent upon the customer's location, volume, product specifications and other factors.

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 US or frozen for distribution to export markets, and branded and non-branded prepared chicken products for distribution to export markets. In 2008, approximately $933.2 million, or 13.2%, of our total US chicken sales were attributable to US chicken export and other products. These exports and other products, other than the prepared chicken products, have historically been characterized by lower prices and greater price volatility than our more value-added product lines.

Markets for Chicken Products

Foodservice. The foodservice market principally consists of chain restaurants, food processors, broad-line distributors and certain other institutions located throughout the continental US. 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 the Company is positioned to be the primary or secondary supplier to national and international chain restaurants who require multiple suppliers of chicken products. Additionally, we believe 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 operational 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 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, from 2003 through 2007, sales of chicken products to the foodservice market grew at a compounded annual growth rate of approximately 7.5%, versus 6.6% growth for the chicken industry overall. Foodservice growth, outside of any temporary effects resulting from the current recessionary impacts being experienced in the US, is anticipated to continue as food-away-from-home expenditures continue to outpace overall industry rates. According to Technomic Information Services, food-away-from-home expenditures grew at a compounded annual growth rate of approximately 4.9% from 2003 through 2007 and are projected to grow at a 4.8% compounded annual growth rate from 2008 through 2012. Due to internal growth and the impact of both the Gold Kist and ConAgra Chicken acquisitions, our sales to the foodservice market from 2004 through 2008 grew at a compounded annual growth rate of 11.4% and represented 64.8% of the net sales of our US chicken operations in 2008.

Foodservice—Prepared Chicken. Our prepared chicken sales to the foodservice market were $2,033.5 million in 2008 compared to $1,647.9 million in 2004, a compounded annual growth rate of approximately 5.4%. In addition to the significant increase in sales created by the acquisition of Gold Kist, we attribute this growth in sales of prepared chicken to the foodservice market to a number of factors:

- There has been significant growth in the number of foodservice operators offering chicken on their menus and in the number of chicken items offered.

- 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.

- There is a strong need among larger foodservice companies for a limited-source supplier base in the prepared chicken market. A viable 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 a supplier of choice by being the primary or secondary prepared chicken 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, with a wide range of capabilities, are particularly well suited to the high-volume production as well as low-volume custom production runs necessary to meet both 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.
- As a result of the experience and reputation developed with larger customers, we have increasingly become the principal supplier to mid-sized foodservice organizations.
- 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.
- 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 US 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. Our fresh chicken products sales to the foodservice market were $2,550.3 million in 2008 compared to $1,328.9 million in 2004, a compounded annual growth rate of approximately 17.7%.

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 and chicken parts to grocery store chains and retail distributors. 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 co-founder, Lonnie "Bo" Pilgrim, is the featured spokesperson 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 a number of markets. 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 markets. We also maintain an active program to identify consumer preferences. The program primarily consists of discovering and validating new product ideas, packaging designs and methods through sophisticated qualitative and quantitative consumer research techniques in key geographic markets.

Due to internal growth and the impact of both the Gold Kist and ConAgra Chicken acquisitions, our sales to the retail market from 2004 through 2008 grew at a compounded annual growth rate of 15.8% and represented 22.0% of the net sales of our US chicken operations in 2008.

Retail—Prepared Chicken. We sell retail-oriented prepared chicken products primarily to grocery store chains located throughout the US. Our prepared chicken products sales to the retail market were $518.6 million in 2008 compared to $213.8 million in 2004, a compounded annual growth rate of approximately 24.8%. We believe that our growth in this market segment will continue as retailers concentrate on satisfying consumer demand for more products that 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. Our retail fresh chicken products are sold in the midwestern, southwestern, southeastern and western regions of the US. Our fresh chicken sales to the retail market were $1,041.4 million in 2008 compared to $653.8 million in 2004, a compounded annual growth rate of approximately 12.3% resulting primarily from our acquisition of Gold Kist in 2007. 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, with the exception of our exported prepared chicken products, consist of whole chickens and chicken parts sold primarily in bulk, non-branded form either refrigerated to distributors in the US or frozen for distribution to export markets. In the US, 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 sell US-produced chicken products for export to Eastern Europe, including Russia; the Far East, including China; Mexico; and other world markets.

Historically, we have targeted international markets to generate additional demand for our dark chicken meat, which is a natural by-product of our US operations given our concentration on prepared chicken products and the US customers' general preference for white chicken meat. We have also begun selling prepared chicken products for export to the international divisions of our US chain restaurant customers. We believe that US chicken exports will continue to grow as worldwide demand increases for high-grade, low-cost meat protein sources. Also included in this category are chicken by-products, which are converted into protein products and sold primarily to manufacturers of pet foods.

Markets for Other Products

We have regional distribution centers located in Arizona, Texas and Utah that are primarily focused on distributing our own chicken products; however, the distribution centers also distribute certain poultry and non-poultry products purchased from third parties to independent grocers and quick-service restaurants. Our non-chicken distribution business is conducted as an accommodation to our customers and to achieve greater economies of scale in distribution logistics. Chicken sales from our regional distribution centers are included in the chicken sales amounts contained in the above tables; however, all non-chicken sales amounts are contained in the Other Products sales in the above tables.

We market fresh eggs under the Pilgrim's Pride® brand name, as well as under private labels, in various sizes of cartons and flats to US retail grocery and institutional foodservice customers located primarily in Texas. We have a housing capacity for approximately 2.1 million commercial egg laying hens which can produce approximately 42 million dozen eggs annually. US egg prices are determined weekly based upon reported market prices. The US egg industry has been consolidating over the last few years, with the 25 largest producers accounting for more than 65% of the total number of egg laying hens in service during 2008. We compete with other US egg producers primarily on the basis of product quality, reliability, price and customer service.

We market a high-nutrient egg called EggsPlus™. 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™ has received national recognition for our progress in being an innovator in the "functional foods" category.

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 US feed mills.

We also have a small pork operation that we acquired through the Gold Kist acquisition that raises and sells live hogs to processors.

MEXICO

Background

The Mexico market represented approximately 6.8% of our net sales in 2008. We are the second-largest producer and seller of chicken in Mexico. We believe that we are one of the lower-cost producers of chicken in Mexico.

Product Types

While the market for chicken products in Mexico is less developed than in the US, with sales attributed to fewer, more basic products, we have been successful in differentiating our products through high-quality client service and product improvements such as dry-air chilled, eviscerated products. The supermarket chains consider us the leader in innovation for fresh products. The market for value-added products is increasing. Our strategy is to capitalize on this trend through our vast US experience in both products and quality and our well-known service.

Markets

We sell our chicken products primarily to wholesalers, large restaurant chains, fast food accounts, supermarket chains and direct retail distribution in selected markets. We have national presence and are currently present in all but 2 of the 32 Mexican States, which in total represent 99.7% of the Mexican population.

Foreign Operations Risks

Our foreign operations pose special risks to our business and operations. A discussion of foreign operations risks is included in Item 1A. "Risk Factors."

GENERAL

Competitive Conditions

The chicken industry is highly competitive and our largest US competitor has greater financial and marketing resources than we do. In addition, our liquidity constraints have had a negative effect on our competitive position, relative to our competitors that are less highly leveraged. See Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources." In the US, Mexico and Puerto Rico, we compete principally with other vertically integrated poultry companies. We are one of the largest producers of chicken in the US, Mexico and Puerto Rico, and the second largest producer in Mexico. The second largest producer in the US is Tyson Foods, Inc. The largest producer in Mexico is Industrias Bachoco S.A.B. de C.V.

In general, the competitive factors in the US chicken industry include price, product quality, product development, brand identification, breadth of product line and customer service. Competitive factors vary by major market. In the US retail market, we believe that product quality, brand awareness, customer service and price are the primary bases of competition. In the foodservice market, competition is based on consistent quality, product development, service and price. There is some competition with non-vertically integrated further processors in the US prepared chicken business. We believe vertical integration generally provides 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. In July 2003, the US and Mexico entered into a safeguard agreement with regard to imports into Mexico of chicken leg quarters from the US. Under this agreement, a tariff rate for chicken leg quarters of 98.8% of the sales price was established. This tariff was imposed because of concerns that the duty-free importation of such products as provided by the North American Free Trade Agreement would injure Mexico's poultry industry. This tariff rate was eliminated on January 1, 2008. As a result of the elimination of this tariff, we expect greater amounts of chicken to be imported into Mexico from the US. This could negatively affect the profitability of Mexican chicken producers, including our Mexico operations.

We are not a significant competitor in the distribution business as it relates to products other than chicken. We distribute these products solely as a convenience to our chicken customers. The broad-line distributors do not consider us to be a factor in those markets. The competition related to our other products such as table eggs, feed and protein are much more regionalized and no one competitor is dominant.

Key Customers

Our two largest customers accounted for approximately 16% of our net sales in 2008, and our largest customer, Wal-Mart Stores Inc., accounted for 11% of our net sales.

Regulation and Environmental Matters

The chicken industry is 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 ("EPA") in the US and by similar governmental agencies in Mexico. Our chicken processing facilities in the US are subject to on-site examination, inspection and regulation by the USDA. The FDA inspects the production of our feed mills in the US. Our Mexican food processing facilities and feed mills are subject to on-site examination, inspection and regulation by a Mexican governmental agency that 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 discharges to the environment. Although we do not anticipate any regulations having a material adverse effect upon us, a material adverse effect may occur.

Employees and Labor Relations

As of September 27, 2008, we employed approximately 44,750 persons in the US and approximately 5,000 persons in Mexico. There are 13,771 employees at various facilities in the US who are members of collective bargaining units. In Mexico, 2,832 employees are covered by collective bargaining agreements. We have not experienced any work stoppage at any location in over five years. We believe our relations with our employees are satisfactory. At any given time, we will be in some stage of contract negotiation with various collective bargaining units.

Financial Information about Foreign Operations

The Company's foreign operations are in Mexico. Geographic financial information is set forth in Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operation."

Available Information; NYSE CEO Certification

The Company's Internet website is http://www.pilgrimspride.com. The Company makes available, free of charge, through its Internet website, the Company's annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, Directors and Officers Forms 3, 4 and 5, and amendments to those reports, as soon as reasonably practicable after electronically filing such materials with, or furnishing them to, the Securities and Exchange Commission. The public may read and copy any materials that the Company files with the Securities and Exchange Commission at its Public Reference Room at 100 F Street, NE, Washington, DC 20549 and may obtain information about the operation of the Public Information Room by calling the Securities and Exchange Commission at 1-800-SEC-0330.

In addition, the Company makes available, through its Internet website, the Company's Business Code of Conduct and Ethics, Corporate Governance Guidelines and the written charter of the Audit Committee, each of which is available in print to any stockholder who requests it by contacting the Secretary of the Company at 4845 US Highway 271 North, Pittsburg, Texas 75686-0093.

As required by the rules of the New York Stock Exchange ("NYSE"), the Company submitted its unqualified Section 303A.12(a) Co-Principal Executive Officers Certification for the preceding year to the NYSE.

We included the certifications of the Co-Principal Executive Officers and the Chief Financial Officer of the Company required by Section 302 of the Sarbanes-Oxley Act of 2002 and related rules, relating to the quality of the Company's public disclosure, in this report on Form 10-K as Exhibits 31.1, 31.2 and 31.3.

Executive Officers

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

Name	Age	Positions
Lonnie "Bo" Pilgrim	80	Senior Chairman of the Board
Lonnie Ken Pilgrim	50	Chairman of the Board
J. Clinton Rivers	49	President, Chief Executive Officer, and Director
Richard A. Cogdill	48	Chief Financial Officer, Secretary, Treasurer and Director
Robert A. Wright	54	Chief Operating Officer
William K. Snyder	49	Chief Restructuring Officer

Lonnie "Bo" Pilgrim has served as Senior Chairman of the Board since July 2007. He served as Chairman of the Board since the organization of Pilgrim's Pride in July 1968 until July 2007. He also served as 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.

Lonnie Ken Pilgrim has served as Chairman of the Board since July 2007. Mr. Pilgrim served as Chairman of the Board and Interim President from January 2008 to March 2008. He served as Executive Vice President, Assistant to Chairman from November 2004 until July 2007, and he served as Senior Vice President, Transportation from August 1997 to November 2004. Prior to that, he served as Vice President. He has been a member of the Board of Directors since March 1985, and he has been employed by Pilgrim's Pride since 1977. He is a son of Lonnie "Bo" Pilgrim.

J. Clinton Rivers has served as President, Chief Executive Officer and Director since March 2008. Mr. Rivers served as Chief Operating Officer from October 2004 to March 2008. He served as Executive Vice President of Prepared Food Operations from November 2002 to October 2004. Mr. Rivers was the Senior Vice President of Prepared Foods Operations from 1999 to November 2002, and was the Vice President of Prepared Foods Operations from 1992 to 1999. From 1989 to 1992, he served as Plant Manager of the Mount Pleasant, Texas Production Facility. Mr. Rivers joined Pilgrim's Pride in 1986 as the Quality Assurance Manager, and also held positions at Perdue Farms and Golden West Foods.

Richard A. Cogdill has served as Chief Financial Officer, Secretary and Treasurer since January 1997. Mr. Cogdill 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. Mr. Cogdill is a Certified Public Accountant.

Robert A. Wright has served as Chief Operating Officer since April 2008. Mr. Wright served as Executive Vice President of Sales and Marketing from June 2004 to April 2008. He served as Executive Vice President, Turkey Division from October 2003 to June 2004. Prior to October 2003, Mr. Wright served as President of Butterball Turkey Company for five years.

William K. Snyder has served as Chief Restructuring Officer since November 2008. Mr. Snyder has served as a Managing Partner of CRG Partners Group, LLC ("CRG"), a provider of corporate turnaround and restructuring services, since 2001. Mr. Snyder will continue to be employed by CRG and will perform service as Chief Restructuring Officer of the Company through CRG. In connection with his position as Managing Partner of CRG, Mr. Snyder served as court-appointed examiner of Mirant Corporation, Corporate Responsible Partner of Furrs Restaurant Group Inc., Chief Financial Officer of Reliant Building Products Inc., and as a senior executive officer of a number of private companies. Previously, Mr. Snyder was president of his own financial consulting company, The Snyder Company.

Item 1A. Risk Factors

Forward Looking Statements

Statements of our intentions, beliefs, expectations or predictions for the future, denoted by the words "anticipate," "believe," "estimate," "expect," "plan," "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 in information contained in previous filings or communications. The risks described below are not the only risks we face, and additional risks and uncertainties may also impair our business operations. The occurrence of any one or more of the following or other currently unknown factors could materially adversely affect our business and operating results.

Risk Factors

The following risk factors should be read carefully in connection with evaluating our business and the forward-looking information contained in this Annual Report on Form 10-K. Any of the following risks could materially adversely affect our business, operations, industry or financial position or our future financial performance. While we believe we have identified and discussed below the most significant risk factors affecting our business, there may be additional risks and uncertainties that are not presently known or that are not currently believed to be significant that may adversely affect our business, operations, industry, financial position and financial performance in the future.

Chapter 11 Filing. **We filed for protection under Chapter 11 of the Bankruptcy Code on December 1, 2008.**

During our Chapter 11 proceedings, our operations, including our ability to execute our business plan, are subject to the risks and uncertainties associated with bankruptcy. Risks and uncertainties associated with our Chapter 11 proceedings include the following:

- Actions and decisions of our creditors and other third parties with interests in our Chapter 11 proceedings may be inconsistent with our plans;
- Our ability to obtain court approval with respect to motions in the Chapter 11 proceedings prosecuted from time to time;
- Our ability to develop, prosecute, confirm and consummate a plan of reorganization with respect to the Chapter 11 proceedings;
- Our ability to obtain and maintain commercially reasonable terms with vendors and service providers;
- Our ability to maintain contracts that are critical to our operations;
- Our ability to retain management and other key individuals; and
- Risks associated with third parties seeking and obtaining court approval to terminate or shorten the exclusivity period for us to propose and confirm a plan of reorganization, to appoint a Chapter 11 trustee or to convert the cases to Chapter 7 cases.

These risks and uncertainties could affect our business and operations in various ways. For example, negative events or publicity associated with our Chapter 11 proceedings could adversely affect our sales and relationships with our customers, as well as with vendors and employees, which in turn could adversely affect our operations and financial condition, particularly if the Chapter 11 proceedings are protracted. Also, transactions outside the ordinary course of business are subject to the prior approval of the Bankruptcy Court, which may limit our ability to respond timely to certain events or take advantage of certain opportunities.

Because of the risks and uncertainties associated with our Chapter 11 proceedings, the ultimate impact that events that occur during these proceedings will have on our business, financial condition and results of operations cannot be accurately predicted or quantified. We cannot provide any assurance as to what values, if any, will be ascribed in our bankruptcy proceedings to our various pre-petition liabilities, common stock and other securities. As a result of Chapter 11 proceedings, our currently outstanding common stock could have no value and may be canceled under any plan of reorganization we might propose and, therefore, we believe that the value of our various pre-petition liabilities and other securities is highly speculative. Accordingly, caution should be exercised with respect to existing and future investments in any of these liabilities or securities.

***Our stock is no longer listed on a national securities exchange*. It will likely be more difficult for stockholders and investors to sell our common stock or to obtain accurate quotations of the share price of our common stock.**

Effective December 1, 2008, the NYSE delisted our common stock from trading. Our stock is now traded over the counter and is quoted on the Pink Sheet Electronic Quotation Service ("Pink Sheets"). We can provide no assurance that we will be able to re-list our common stock on a national securities exchange or that the stock will continue being traded on the Pink Sheets. The trading of our common stock over the counter negatively impacts the trading price of our common stock and the levels of liquidity available to our stockholders. In addition, securities that trade on the Pink Sheets are not eligible for margin loans and make our common stock subject to the provisions of Rule 15g-9 of the Securities Exchange Act of 1934, commonly referred to as the "penny stock rule." In connection with the delisting of our stock, there may also be other negative implications, including the potential loss of confidence in our Company by suppliers, customers and employees and the loss of institutional investor interest in our common stock.

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

We currently have a substantial amount of indebtedness, which could adversely affect our financial condition and could have important consequences to you and we are not in compliance with covenants in a substantial portion of our indebtedness. Our indebtedness:

- Makes it more difficult for us to satisfy our obligations under our debt securities;
- Increases our vulnerability to general adverse economic conditions;
- Limits our ability to obtain necessary financing and to fund future working capital, capital expenditures and other general corporate requirements;
- Requires 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;
- Limits our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- Places us at a competitive disadvantage compared to our competitors that have less debt;
- Limits our ability to pursue acquisitions and sell assets; and
- Limits, along with the financial and other restrictive covenants in our indebtedness, our ability to borrow additional funds. 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 and chicken and general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control.

Liquidity. **Our liquidity position imposes significant risks to our operations.**

Because of the public disclosure of our liquidity constraints, our ability to maintain normal credit terms with our suppliers has become impaired. We have been required to pay cash in advance to certain vendors and have experienced restrictions on the availability of trade credit, which has further reduced our liquidity. If liquidity problems persist, our suppliers could refuse to provide key products and services in the future. In addition, due to public perception of our financial condition and results of operations, in particular with regard to our potential failure to meet our debt obligations, some customers have become reluctant to enter into long-term agreements with us.

The DIP Credit Agreement provides for an aggregate commitment of up to $450 million, which permits borrowings on a revolving basis. The Company received interim approval to access $365 million of the commitment pending issuance of the final order by the Bankruptcy Court. As of December 6, 2008, the applicable borrowing base was approximately $324.8 million and the amount available for borrowings under the DIP Credit Agreement was $210.9 million. There can be no assurance that the amounts of cash from operations together with amounts available under our DIP Credit Agreement will be sufficient to fund operations. In the event that cash flows and available borrowings under the DIP Credit Agreement are not sufficient to meet our liquidity requirements, we may be required to seek additional financing. There can be no assurance that such additional financing would be available or, if available, offered on acceptable terms. Failure to secure any necessary additional financing would have a material adverse impact on our operations. For additional information on our liquidity, see Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources."

Asset Impairments. **The Company may be required to record an impairment on its long-lived assets.**

If the Company is unable to return to profitability, we may be required to record an impairment on tangible assets such as facilities and equipment as well as intangible assets such as intellectual property, which would have a negative impact on our financial results.

Cyclicality and Commodity Prices. **Industry cyclicality can affect our earnings, especially due to fluctuations in commodity prices of feed ingredients and chicken.**

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

The production of feed ingredients is positively or negatively affected primarily by the global level of supply inventories and demand for feed ingredients, the agricultural policies of the United States and foreign governments and weather patterns throughout the world. In particular, weather patterns often change agricultural conditions in an unpredictable manner. A 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 or deliver products.

The cost of corn and soybean meal, our primary feed ingredients, increased significantly from August 2006 to July 2008, before moderating by the date of this report, and there can be no assurance that the price of corn or soybean meal will not significantly rise again as a result of, among other things, increasing demand for these products around the world and alternative uses of these products, such as ethanol and biodiesel production.

High feed ingredient prices have had, and may continue to have, a material adverse effect on our operating results, which has resulted in, and may continue to result in, additional non-cash expenses due to impairment of the carrying amounts of certain of our assets. We periodically seek, to the extent available, to enter into advance purchase commitments or financial derivative 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.

Livestock and Poultry Disease, including Avian Influenza. **Outbreaks of livestock diseases in general and poultry diseases in particular, including avian influenza, can significantly affect our ability to conduct our operations and demand for our products.**

We take precautions designed 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 outbreaks of disease, either in our own flocks or elsewhere, could significantly affect demand for our products or 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 or other products to or from our suppliers, facilities or customers, or require us to destroy one or more of our flocks. This could also 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.

During the first half of 2006, there was substantial publicity regarding a highly pathogenic strain of avian influenza, known as H5N1, which has been affecting Asia since 2002 and which has also been found in Europe and Africa. It is widely believed that H5N1 is being spread by migratory birds, such as ducks and geese. There have also been some cases where H5N1 is believed to have passed from birds to humans as humans came into contact with live birds that were infected with the disease.

Although highly pathogenic H5N1 has not been identified in North America, there have been outbreaks of low pathogenic strains of avian influenza in North America, and in Mexico outbreaks of both high and low-pathogenic strains of avian influenza are a fairly common occurrence. Historically, the outbreaks of low pathogenic avian influenza have not generated the same level of concern, or received the same level of publicity or been accompanied by the same reduction in demand for poultry products in certain countries as that associated with the highly pathogenic H5N1 strain. Accordingly, even if the highly pathogenic H5N1 strain does not spread to North or Central America, there can be no assurance that it will not materially adversely affect demand for North or Central American produced poultry internationally and/or domestically, and, if it were to spread to North or Central America, there can be no assurance that it would not significantly affect our ability to conduct our operations and/or demand for our products, in each case in a manner having a material adverse effect on our business, reputation and/or prospects.

***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, although not eliminated, by adherence to good manufacturing practices and finished product testing. We have 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.

In October 2002, one product sample produced in our Franconia, Pennsylvania facility that had not been shipped to customers tested positive for Listeria. We later received information from the USDA suggesting 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, we voluntarily recalled all cooked deli products produced at the plant from May 1, 2002 through October 11, 2002. We carried insurance designed to cover the direct recall related expenses and certain aspects of the related business interruption caused by the recall.

***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 entail 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.

If our poultry products become contaminated, we may be subject to product liability claims and product recalls. There can be no assurance that any litigation or reputational injury associated with product recalls 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.

***Insurance.* We are exposed to risks relating to product liability, product recall, 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 insurance, property insurance, workers compensation insurance, business interruption 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, the losses attributable to our October 2002 recall of cooked deli products produced at one of our facilities significantly exceeded available insurance coverage. Additionally, in the past, two of our insurers encountered financial difficulties and were unable to fulfill their obligations under the insurance policies as anticipated and, separately, two of our other insurers contested coverage with respect to claims covered under policies purchased, forcing us to litigate the issue of coverage before we were able to collect under these policies.

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

The chicken industry is highly competitive. In both the US and Mexico, we primarily compete with other vertically integrated chicken companies.

In general, the competitive factors in the US chicken industry 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 US retail market, we believe that competition is based on product quality, brand awareness, customer service and price. Further, there is some competition with non-vertically integrated further processors in the prepared chicken business. In addition, our filing for protection under Chapter 11 of the Bankruptcy Code and the associated risks and uncertainties may be used by competitors in an attempt to divert our existing customers or may discourage future customers from purchasing our products under long-term arrangements.

In Mexico, where product differentiation has traditionally been limited, product quality and price have been the most critical competitive factors. The North American Free Trade Agreement eliminated tariffs for chicken and chicken products sold to Mexico on January 1, 2003. However, in July 2003, the US and Mexico entered into a safeguard agreement with regard to imports into Mexico of chicken leg quarters from the US. Under this agreement, a tariff rate for chicken leg quarters of 98.8% of the sales price was established. On January 1, 2008, the tariff was eliminated. In connection with the elimination of those tariffs in Mexico, increased competition from chicken imported into Mexico from the US may have a material adverse effect on the Mexican chicken industry in general, and on our Mexican operations in particular.

Loss of Key Customers. **The loss of one or more of our largest customers could adversely affect our business.**

Our two largest customers accounted for approximately 16% of our net sales in 2008, and our largest customer, Wal-Mart Stores Inc., accounted for 11% of our net sales. Our filing for protection under Chapter 11 of the Bankruptcy Code and the associated risks and uncertainties may affect our customers' perception of our business and increase our risk of losing key customers. Our business could suffer significant setbacks in revenues and operating income if we lost one or more of our largest customers, or if our customers' plans and/or markets should change significantly.

Continued Integration of Gold Kist. **There can be no assurance that Gold Kist can be combined successfully with our business.**

In evaluating the terms of our acquisition of Gold Kist, we analyzed the respective businesses of the Company and Gold Kist and made certain assumptions concerning their respective future operations. A principal assumption was that the acquisition will produce operating results better than those historically experienced or expected to be experienced in the future by us in the absence of the acquisition. There can be no assurance, however, that this assumption is correct or that any remaining separate businesses of the Company and Gold Kist will be successfully integrated in a timely manner.

Synergies of Gold Kist. **There can be no assurance that we will achieve anticipated synergies from our acquisition of Gold Kist.**

We consummated the Gold Kist acquisition with the expectation that it will result in beneficial synergies, such as cost savings and enhanced growth. Success in realizing these benefits and the timing of this realization depend upon the successful integration of the operations of Gold Kist into the Company, and upon general and industry-specific economic factors. The integration of two independent companies has been and remains a complex, costly and time-consuming process. The difficulties of combining the operations of the companies include, among others:

- Transitioning and preserving Gold Kist's customer, contractor, supplier and other important third-party relationships;
- Integrating corporate and administrative infrastructures;
- Coordinating sales and marketing functions;
- Minimizing the diversion of management's attention from ongoing business concerns;
- Coordinating geographically separate organizations; and
- Retaining key employees.

Even if we are able to effectively integrate the remaining operations of Gold Kist into our existing operations, there can be no assurance that the anticipated synergies will be achieved.

Assumption of Unknown Liabilities in Acquisitions. **Assumption of unknown liabilities in acquisitions may harm our financial condition and operating results.**

We do not currently intend to make any acquisition in the near future. However, if we do, acquisitions may be structured in such a manner that would result in the assumption of unknown liabilities not disclosed by the seller or uncovered during pre-acquisition due diligence. For example, our acquisition of Gold Kist was structured as a stock purchase. In that acquisition we assumed all of the liabilities of Gold Kist, including liabilities that may be unknown. These obligations and liabilities could harm our financial condition and operating results.

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

We have significant operations and assets located in Mexico and may participate in or acquire operations and assets in other foreign countries in the future. 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.

***Disruptions in International Markets and Distribution Channels*. Disruptions in international markets and distribution channels could adversely affect our business.**

Historically, we have targeted international markets to generate additional demand for our chicken dark meat, specifically leg quarters, which are a natural by-product of our US operations, given our concentration on prepared chicken products and the US customers' general preference for white meat. As part of this initiative, we have created a significant international distribution network into several markets, including Eastern Europe, including Russia; the Far East, including China; and Mexico. Our success in these markets could be, and in recent periods has been, adversely affected by disruptions in poultry export markets. These disruptions are often caused by restrictions on imports of US-produced poultry products imposed by foreign governments for a variety of reasons, including the protection of their domestic poultry producers and allegations of consumer health issues, and may also be caused by outbreaks of disease such as avian influenza, either in our own flocks or elsewhere in the world, and resulting changes in consumer preferences. There can be no assurance that one or more of these or other disruptions in our international markets and distribution channels will not adversely affect our business.

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

Our operations are subject to federal, state and local governmental regulation, including in the health, safety 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.

Also, changes in laws or regulations or the application thereof may lead to government enforcement actions and the resulting litigation by private litigants. We are aware of an industry-wide investigation by the Wage and Hour Division of the US Department of Labor to ascertain compliance with various wage and hour issues, including the compensation of employees for the time spent on such activities such as donning and doffing work equipment. We have been named a defendant in a number of related suits brought by employees. Due, in part, to the government investigation and the recent US Supreme Court decision in *IBP, Inc. v. Alvarez*, it is possible that we may be subject to additional employee claims.

Unknown matters, new laws and regulations, or stricter interpretations of existing laws or regulations may materially affect our business or operations in the future.

Immigration Legislation and Enforcement. **New immigration legislation or increased enforcement efforts in connection with existing immigration legislation could cause our costs of doing business to increase, cause us to change the way in which we do business or otherwise disrupt our operations.**

Immigration reform continues to attract significant attention in the public arena and the United States Congress. If new federal immigration legislation is enacted or if states in which we do business enact immigration laws, such laws may contain provisions that could make it more difficult or costly for us to hire United States citizens and/or legal immigrant workers. In such case, we may incur additional costs to run our business or may have to change the way we conduct our operations, either of which could have a material adverse effect on our business, operating results and financial condition. Also, despite our past and continuing efforts to hire only United States citizens and/or persons legally authorized to work in the United States, we are unable to ensure that all of our employees are United States citizens and/or persons legally authorized to work in the United States. US Immigration and Customs Enforcement has recently been investigating identity theft within our workforce. With our cooperation, during 2008 US Immigration and Customs Enforcement arrested approximately 350 of our employees believed to have engaged in identity theft at five of our facilities. No assurances can be given that further enforcement efforts by governmental authorities will not disrupt a portion of our workforce or our operations at one or more of our facilities, thereby negatively impacting our business.

Key Employee Retention. **Loss of essential employees could have a significant negative impact on our business.**

Our success is largely dependent on the skills, experience, and efforts of our management and other employees. Our deteriorating financial performance, along with our Chapter 11 proceedings, creates uncertainty that could lead to an increase in unwanted attrition. The loss of the services of one or more members of our senior management or of numerous employees with essential skills could have a negative effect on our business, financial condition and results of operations. If we are not able to attract talented, committed individuals to fill vacant positions when needs arise, it may adversely affect our ability to achieve our business objectives.

Extreme Weather and Natural Disasters. **Extreme weather or natural disasters could negatively impact our business.**

Extreme weather or natural disasters, including droughts, floods, excessive cold or heat, hurricanes or other storms, could impair the health or growth of our flocks, production or availability of feed ingredients, or interfere with our operations due to power outages, fuel shortages, damage to our production and processing facilities or disruption of transportation channels, among other things. Any of these factors could have an adverse effect on our financial results.

***Control of Voting Stock*. Control over the Company is maintained by affiliates and members of the family of Lonnie "Bo" Pilgrim.**

As described in more detail in Item 12. "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters," through two limited partnerships and related trusts and voting agreements, Lonnie "Bo" Pilgrim, Patricia R. Pilgrim, his wife, and Lonnie Ken Pilgrim, his son, control 62.25% of the voting power of our outstanding common stock. Accordingly, they control the outcome of all actions requiring stockholder approval, including the election of directors and significant corporate transactions, such as a merger or other sale of the Company or its assets. This ensures their ability to control the foreseeable future direction and management of the Company. In addition, an event of default under certain agreements related to our indebtedness will occur 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.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Operating Facilities

We operate 31 poultry processing plants located in Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, North Carolina, South Carolina, Tennessee, Texas, Virginia, and West Virginia. We have one chicken processing plant in Puerto Rico and three chicken processing plants in Mexico.

The US chicken processing plants have weekly capacity to process 43.0 million broilers and operated at 90.7% of capacity in 2008.

Our Mexico facilities have the capacity to process 3.27 million broilers per week and operated at 82% of capacity in 2008. Our Puerto Rico processing plant has the capacity to process 0.3 million birds per week based on one eight-hour shift per day. For segment reporting purposes, we include Puerto Rico with our US operations.

In the US, the processing plants are supported by 41 hatcheries, 29 feed mills and 12 rendering plants. The hatcheries, feed mills and rendering plants operated at 88%, 85% and 69% of capacity, respectively, in 2008. In Puerto Rico, the processing plant is supported by one hatchery and one feed mill which operated at 82% and 80% of capacity, respectively, in 2008. In Mexico, the processing plants are supported by six hatcheries, four feed mills and two rendering facilities. The Mexico hatcheries, feed mills and rendering facilities operated at 97%, 84% and 69% of capacity, respectively, in 2008.

We also operate eleven prepared chicken plants. These plants are located in Alabama, Georgia, Louisiana, Pennsylvania, South Carolina, Tennessee, Texas and West Virginia. These plants have the capacity to produce approximately 1,453 million pounds of further processed product per year and in 2008 operated at approximately 90% of capacity.

Other Facilities and Information

We own a partially automated distribution freezer located outside of Pittsburg, Texas, which includes 125,000 square feet of storage area. We operate a commercial egg operation and farm store in Pittsburg, Texas, a commercial feed mill in Mt. Pleasant, Texas and a pork grow-out operation in Jefferson, Georgia. We own office buildings in Pittsburg, Texas and Atlanta, Georgia, which house our executive offices, our Logistics and Customer Service offices and our general corporate functions as well as an office building in Mexico City, which houses our Mexican marketing offices, and an office building in Broadway, Virginia, which houses additional sales and marketing, research and development, and support activities. We lease offices in Dallas, Texas and Duluth, Georgia, which house additional sales and marketing and support activities.

We have five regional distribution centers located in Arizona, Texas, and Utah, one of which we own and four of which we lease.

Most of our domestic property, plant and equipment is pledged as collateral on our long-term debt and credit facilities. See Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operation."

Item 3. Legal Proceedings

As discussed in Part I above, on December 1, 2008, the Debtors filed voluntary petitions for reorganization under Chapter 11 of the Bankruptcy Code in the Bankruptcy Court. The cases are being jointly administered under Case No. 08-45664. The Debtors continue to operate their business as "debtors-in-possession" under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court. As of the date of the Chapter 11 filing, virtually all pending litigation against the Company (including the actions described below) is stayed as to the Company, and absent further order of the Bankruptcy Court, no party, subject to certain exceptions, may take any action, also subject to certain exceptions, to recover on pre-petition claims against the Debtors. At this time it is not possible to predict the outcome of the Chapter 11 filings or their effect on our business or the actions described below.

On October 29, 2008, Ronald Alcaldo filed suit in the U.S. District Court for the Eastern District of Texas, Marshall Division, styled Ronald Alcaldo, Individually and On Behalf of All Others Similarly Situated v. Pilgrim's Pride Corporation, et al, against the Company and individual defendants Lonnie "Bo" Pilgrim, Lonnie Ken Pilgrim, J. Clinton Rivers, Richard A. Cogdill and Clifford E. Butler. The complaint alleges that the Company and the individual defendants violated sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and Rule 10b-5 promulgated thereunder, by allegedly failing to disclose that "(a) the Company's hedges to protect it from adverse changes in costs were not working and in fact were harming the Company's results more than helping; (b) the Company's inability to continue to use illegal workers would adversely affect its margins; (c) the Company's financial results were continuing to deteriorate rather than improve, such that the Company's capital structure was threatened; (d) the Company was in a much worse position than its competitors due to its inability to raise prices for consumers sufficient to offset cost increases, whereas it competitors were able to raise prices to offset higher costs affecting the industry; and (e) the Company had not made sufficient changes to its business to succeed in the more difficult industry conditions." Mr. Alcaldo further alleges that he purports to represent a class of all persons or entities who acquired the common stock of the Company from May 5, 2008 through September 24, 2008. The complaint seeks unspecified injunctive relief and an unspecified amount of damages. On November 21, 2008, the Company and the individual defendants filed a Motion to Dismiss the lawsuit for failure to state a claim, failure to plead fraud with particularity, and failure to satisfy the heightened pleading requirements of the Private Securities Litigation Reform Act of 1995. The Company intends to defend vigorously against the merits of the action and any attempts by Alcaldo to certify a class action. The likelihood of an unfavorable outcome or the amount or range of any possible loss to the Company cannot be determined at this time.

The Wage and Hour Division of the US Department of Labor conducted an industry-wide investigation to ascertain compliance with various wage and hour issues, including the compensation of employees for the time spent on activities such as donning and doffing clothing and personal protective equipment. Due, in part, to the government investigation and the recent US Supreme Court decision in *IBP, Inc. v. Alvarez*, employees have brought claims against the Company. The claims filed against the Company as of the date of this report include: "Juan Garcia, et al. v. Pilgrim's Pride Corporation, a/k/a Wampler Foods, Inc.", filed in Pennsylvania state court on January 27, 2006 and subsequently removed to the US District Court for the Eastern District of Pennsylvania; "Esperanza Moya, et al. v. Pilgrim's Pride Corporation and Maxi Staff, LLC", filed March 23, 2006 in the Eastern District of Pennsylvania; "Barry Antee, et al. v. Pilgrim's Pride Corporation" filed April 20, 2006 in the Eastern District of Texas; "Stephania Aaron, et al. v. Pilgrim's Pride Corporation" filed August 22, 2006 in the Western District of Arkansas; "Salvador Aguilar, et al. v. Pilgrim's Pride Corporation" filed August 23, 2006 in the Northern District of Alabama; "Benford v. Pilgrim's Pride Corporation" filed November 2, 2006 in the Northern District of Alabama; "Porter v. Pilgrim's Pride Corporation" filed December 7, 2006 in the Eastern District of Tennessee; "Freida Brown, et al v. Pilgrim's Pride Corporation" filed March 14, 2007 in the Middle District of Georgia, Athens Division; "Roy Menser, et al v. Pilgrim's Pride Corporation" filed February 28, 2007 in the Western District of Paducah, Kentucky; "Victor Manuel Hernandez v. Pilgrim's Pride Corporation" filed January 30, 2007 in the Northern District of Georgia, Rome Division; "Angela Allen et al v. Pilgrim's Pride Corporation" filed March 27, 2007 in United States District Court, Middle District of Georgia, Athens Division; Daisy Hammond and Felicia Pope v. Pilgrim's Pride Corporation, in the Gainesville

Division, Northern District of Georgia, filed on June 6, 2007; Gary Price v. Pilgrim's Pride Corporation, in the US District Court for the Northern District of Georgia, Atlanta Division, filed on May 21, 2007; Kristin Roebuck et al v. Pilgrim's Pride Corporation, in the US District Court, Athens, Georgia, Middle District, filed on May 23, 2007; and Elaine Chao v. Pilgrim's Pride Corporation, in the US District Court, Dallas, Texas, Northern District, filed on August 6, 2007. The plaintiffs generally purport to bring a collective action for unpaid wages, unpaid overtime wages, liquidated damages, costs, attorneys' fees, and declaratory and/or injunctive relief and generally allege that they are not paid for the time it takes to either clear security, walk to their respective workstations, don and doff protective clothing, and/or sanitize clothing and equipment. The presiding judge in the consolidated action in El Dorado issued an initial Case Management order on July 9, 2007. Plaintiffs' counsel filed a Consolidated Amended Complaint and the parties filed a Joint Rule 26(f) Report. A complete scheduling order has not been issued, and discovery has not yet commenced. The parties are currently negotiating the scope of discovery. On March 13, 2008, Judge Barnes issued an opinion and order finding that plaintiffs and potential class members are similarly situated and conditionally certifying the class for a collective action. On May 14, 2008, the Court issued its order modifying and approving the court-authorized notice for current and former employees to opt into the class. Persons who choose to opt into the class are to do so within 90 days after the date on which the first notice was mailed. The opt-in period is now closed. As of October 2, 2008, approximately 12,605 plaintiffs have opted into the class.

As of the date of this report, the following suits have been filed against Gold Kist, now merged into Pilgrim's Pride Corporation, which make one or more of the allegations referenced above: Merrell v. Gold Kist, Inc., in the US District Court for the Northern District of Georgia, Gainesville Division, filed on December 21, 2006; Harris v. Gold Kist, Inc., in the US District Court for the Northern District of Georgia, Newnan Division, filed on December 21, 2006; Blanke v. Gold Kist, Inc., in the US District Court for the Southern District of Georgia, Waycross Division, filed on December 21, 2006; Clarke v. Gold Kist, Inc., in the US District Court for the Middle District of Georgia, Athens Division, filed on December 21, 2006; Atchison v. Gold Kist, Inc., in the US District Court for the Northern District of Alabama, Middle Division, filed on October 3, 2006; Carlisle v. Gold Kist, Inc., in the US District Court for the Northern District of Alabama, Middle Division, filed on October 2, 2006; Benbow v. Gold Kist, Inc., in the US District Court for the District of South Carolina, Columbia Division, filed on October 2, 2006; Bonds v. Gold Kist, Inc., in the US District Court for the Northern District of Alabama, Northwestern Division, filed on October 2, 2006. On April 23, 2007, Pilgrim's filed a Motion to Transfer and Consolidate with the Judicial Panel on Multidistrict Litigation ("JPML") requesting that all of the pending Gold Kist cases be consolidated into one case. Pilgrim's Pride withdrew its Motion subject to the Plaintiffs' counsel's agreement to consolidate the seven separate actions into the pending *Benbow* case by dismissing those lawsuits and refiling/consolidating them into the *Benbow* action. Motions to Dismiss have been filed in all of the pending seven cases, and all of these cases have been formally dismissed. Pursuant to an agreement between the parties, which was approved by Court-order on June 6, 2007, these cases have been consolidated with the *Benbow* case. On that date, Plaintiffs were authorized to send notice to individuals regarding the pending lawsuits and were instructed that individuals had three months to file consents to opting in as plaintiffs in the consolidated cases. The opt-in period is now closed. To date, there are approximately 3,006 named plaintiffs and opt-in plaintiffs in the consolidated cases. The Company and Plaintiffs have jointly requested the Court to remove 367 opt-in plaintiffs because they do not fall within

the class definition. The Court recently ordered that Pilgrim's can depose and serve written discovery on the named plaintiffs and approximately 10% of the opt-in class. The Company intends to assert a vigorous defense to the litigation. The amount of ultimate liability with respect to any of these cases cannot be determined at this time.

We are subject to various other legal proceedings and claims, which arise in the ordinary course of our business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect our financial condition, results of operations or cash flows.

Item 4. Submission of Matters to a Vote of Security Holders

None.

PART II

Item 5.Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

During the period covered by this report, the Company's common stock was traded on the NYSE under the ticker symbol "PPC". Effective December 1, 2008, the NYSE delisted our common stock as a result of the Company's filing of its Chapter 11 petitions. Our common stock is now quoted on the Pink Sheets Electronic Quotation Service under the ticker symbol "PGPDQ.PK."

High and low prices of and dividends relating to the Company's common stock for the periods indicated were:

	2008 Prices		2007 Prices		Dividends	
Quarter	**High**	**Low**	**High**	**Low**	**2008**	**2007**
First	$ 35.98	$ 22.52	$ 29.54	$ 23.64	$ 0.0225	$ 0.0225
Second	$ 28.96	$ 20.38	$ 33.19	$ 28.59	$ 0.0225	$ 0.0225
Third	$ 27.15	$ 12.90	$ 38.17	$ 32.77	$ 0.0225	$ 0.0225
Fourth	$ 18.16	$ 3.26	$ 40.59	$ 32.29	$ 0.0225	$ 0.0225

Holders

The Company estimates there were approximately 29,700 holders (including individual participants in security position listings) of the Company's common stock as of December 9, 2008.

Dividends

Under the terms of the DIP Credit Agreement and applicable bankruptcy law, the Company may not pay dividends on the common stock while it is in bankruptcy. Any payment of future dividends and the amounts thereof will depend on our emergence from bankruptcy, our earnings, our financial requirements and other factors deemed relevant by our Board of Directors at the time. See Note L—Notes Payable and Long-Term Debt to the Consolidated Financial Statements included in Item 15 for additional discussions of the Company's credit facilities.

Issuer Purchases of Equity Security in 2008

The Company did not repurchase any of its equity securities in 2008.

Total Return on Registrant's Common Equity

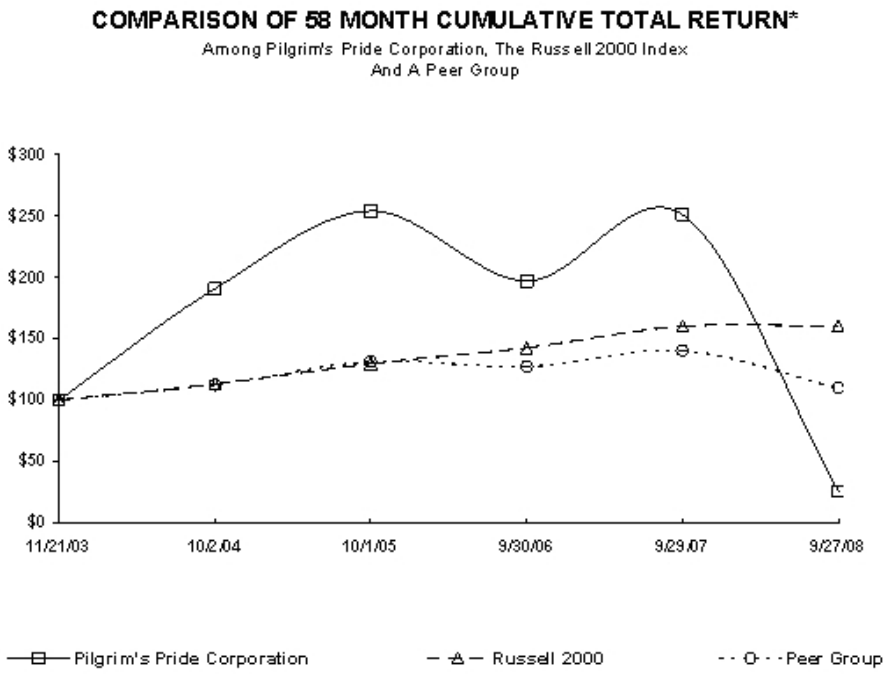
The following graphs compare the performance of the Company with that of the Russell 2000 composite index and a peer group of companies with the investment weighted on market capitalization. The total cumulative return on investment (change in the year-end stock price plus reinvested dividends) for each of the periods for the Company, the Russell 2000 composite index and the peer group is based on the stock price or composite index at the beginning of the applicable period. Companies in the peer group index include Cagle's, Inc., Sanderson Farms Inc., Hormel Foods Corp., Smithfield Foods Inc. and Tyson Foods Inc.

The first graph covers the period from November 21, 2003 through September 27, 2008 and shows the performance of the Company's single class of common stock. On November 21, 2003, each share of the Company's then outstanding Class A common stock and Class B common stock was reclassified into one share of new common stock, which is now the only authorized class of the Company's common stock.

The second graph covers the five years ending September 27, 2008 and shows the performance of the Company's Class A and Class B shares after giving effect to the reclassification into the Company's single class of common stock on November 21, 2003 based on a one to one exchange ratio.

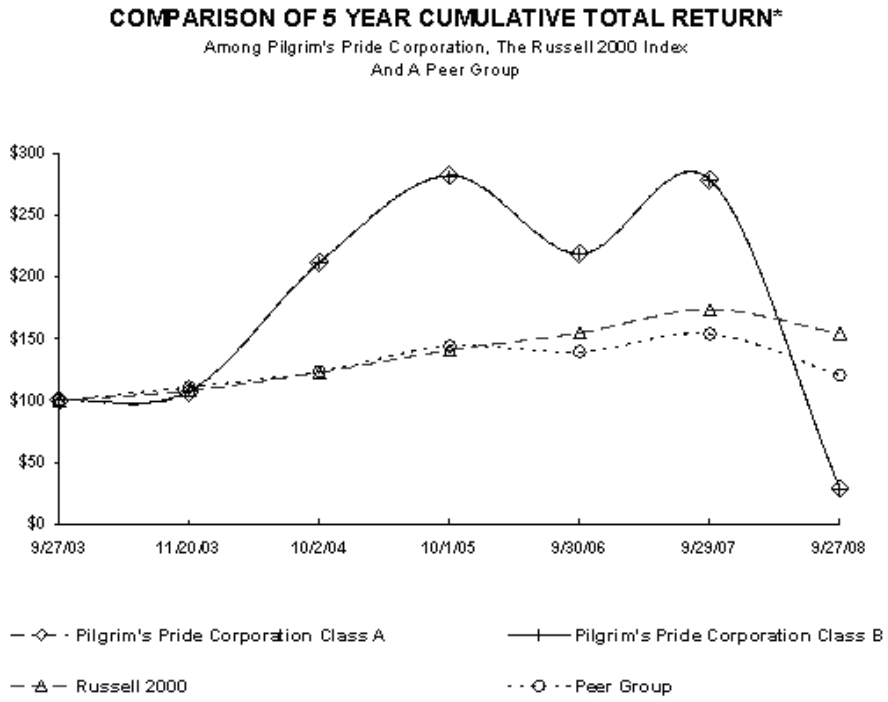
The third graph covers the period from September 27, 2003 through November 20, 2003, the last date on which the Company's Class A and Class B shares traded on the New York Stock Exchange prior to reclassification into a single new class of shares of common stock.

The stock price performance represented by these graphs is not necessarily indicative of future stock performance.



*$100 invested on 11/21/03 in stock & index-including reinvestment of dividends.

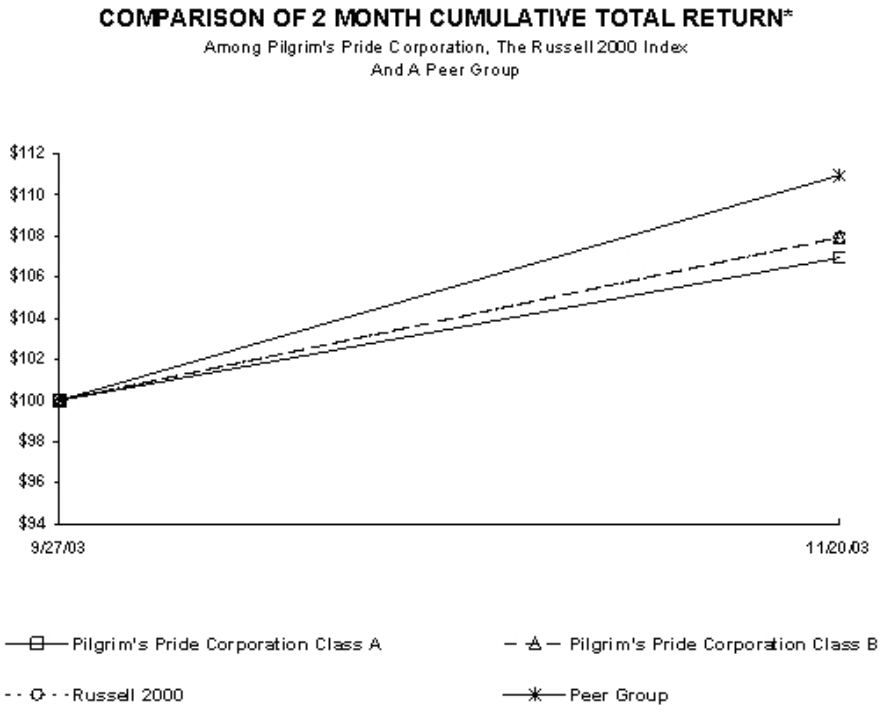
	11/21/03	10/2/04	10/1/05	9/30/06	9/29/07	9/27/08
Pilgrim's Pride Corporation	$ 100.00	$ 190.89	$ 254.14	$ 197.18	$ 251.08	$ 25.79
Russell 2000	$ 100.00	$ 113.10	$ 129.73	$ 142.61	$ 160.21	$ 160.21
Peer Group	$ 100.00	$ 112.59	$ 131.40	$ 127.35	$ 140.41	$ 110.00



*$100 invested on 9/27/03 in stock & index-including reinvestment of dividends.

	9/27/03	11/20/03	10/2/04	10/1/05	9/30/06	9/29/07	9/27/08
Pilgrim's Pride Corporation Class A[1]	$ 100.00	$ 106.95	$ 212.12	$ 282.40	$ 219.11	$ 279.00	$ 28.65
Pilgrim's Pride Corporation Class B[1]	$ 100.00	$ 107.94	$ 211.79	$ 281.96	$ 218.77	$ 278.57	$ 28.61
Russell 2000	$ 100.00	$ 107.93	$ 122.74	$ 140.79	$ 154.77	$ 173.86	$ 154.19
Peer Group	$ 100.00	$ 110.95	$ 123.52	$ 144.17	$ 139.71	$ 154.04	$ 120.69

(1) On November 21, 2003, each share of the Company's then outstanding Class A common stock and Class B common stock was reclassified into one share of new common stock, which is now the only authorized class of the Company's common stock.



	9/27/03	11/20/03
Pilgrim's Pride Corporation Class A[(1)]	$ 100.00	$ 106.95
Pilgrim's Pride Corporation Class B[(1)]	$ 100.00	$ 107.94
Russell 2000	$ 100.00	$ 107.93
Peer Group	$ 100.00	$ 110.95

(1) On November 21, 2003, each share of the Company's then outstanding Class A common stock and Class B common stock was reclassified into one share of new common stock, which is now the only authorized class of the Company's common stock.

Item 6. Selected Financial Data

(In thousands, except ratios and per share data)	Eleven Years Ended September 27, 2008			
	2008[a]	2007[a][b]	2006[a]	2005[a]
Income Statement Data:				
Net sales	$ 8,525,112	$ 7,498,612	$ 5,152,729	$ 5,461,437
Gross profit (loss)[e]	(163,495)	592,730	297,083	751,317
Goodwill impairment	501,446	—	—	—
Operating income (loss)[e]	(1,057,696)	237,191	11,105	458,351
Interest expense, net	131,627	118,542	38,965	42,632
Loss on early extinguishment of debt	—	26,463	—	—
Income (loss) from continuing operations before income taxes[e]	(1,187,093)	98,835	(26,626)	427,632
Income tax expense (benefit)[f]	(194,921)	47,319	1,573	147,543
Income (loss) from continuing operations[e]	(992,172)	51,516	(28,199)	279,819
Net income (loss)[e]	(998,581)	47,017	(34,232)	264,979
Ratio of earnings to fixed charges[g]	(g)	1.63x	(g)	7.69x
Per Common Share Data:[h]				
Income (loss) from continuing operations	$ (14.31)	$ 0.77	$ (0.42)	$ 4.20
Net income (loss)	(14.40)	0.71	(0.51)	3.98
Cash dividends	0.09	0.09	1.09	0.06
Book value	5.07	17.61	16.79	18.38
Balance Sheet Summary:				
Working capital surplus (deficit)	$ (1,262,242)	$ 395,858	$ 528,837	$ 404,601
Total assets	3,298,709	3,774,236	2,426,868	2,511,903
Notes payable and current maturities of long-term debt	1,874,469	2,872	10,322	8,603
Long-term debt, less current maturities	67,514	1,318,558	554,876	518,863
Total stockholders' equity	351,741	1,172,221	1,117,328	1,223,598
Cash Flow Summary:				
Cash flows from operating activities	$ (680,726)	$ 464,010	$ 30,329	$ 493,073
Depreciation and amortization[i]	240,305	204,903	135,133	134,944
Impairment of goodwill and other assets	514,630	—	3,767	—
Purchases of investment securities	(38,043)	(125,045)	(318,266)	(305,458)
Proceeds from sale or maturity of investment securities	27,545	208,676	490,764	—
Acquisitions of property, plant and equipment	(152,501)	(172,323)	(143,882)	(116,588)
Business acquisitions, net of equity consideration[b][c][d]	—	(1,102,069)	—	—
Cash flows from financing activities	797,743	630,229	(38,750)	18,860
Other Data:				
EBITDA[j]	$ (820,878)	$ 414,139	$ 143,443	$ 599,274
Key Indicators (as a percent of net sales):				
Gross profit (loss)[e]	(1.9) %	7.9 %	5.8 %	13.8 %
Selling, general and administrative expenses	4.4 %	4.7 %	5.6 %	5.4 %
Operating income (loss)[e]	(12.4) %	3.2 %	0.2 %	8.4 %
Interest expense, net	1.5 %	1.6 %	0.8 %	0.8 %
Income (loss) from continuing operations[e]	(11.6) %	0.7 %	(0.5) %	5.1 %
Net income (loss)[e]	(11.7) %	0.6 %	(0.7) %	4.9 %

Eleven Years Ended September 27, 2008							
2004[a][c]	2003[a]	2002[a]	2001[a][d]	2000	1999	1998
(53 weeks)					(53 weeks)	
$ 5,077,471	$ 2,313,667	$ 2,185,600	$ 1,975,877	$ 1,499,439	$ 1,357,403	$ 1,331,545
611,838	249,363	153,599	197,561	165,828	185,708	136,103
—	—	—	—	—	—	—
385,968	137,605	48,457	90,253	80,488	109,504	77,256
48,419	30,726	24,199	25,619	17,779	17,666	20,148
—	—	—	1,433	—	—	—
332,899	144,482	28,267	62,728	62,786	90,904	56,522
127,142	37,870	(2,475)	21,051	10,442	25,651	6,512
205,757	106,612	30,742	41,677	52,344	65,253	50,010
128,340	56,036	14,335	41,137	52,344	65,253	50,010
6.22x	4.37x	1.21x	1.80x	3.04x	4.33x	2.96x
$ 3.28	$ 2.59	$ 0.75	$ 1.01	$ 1.27	$ 1.58	$ 1.21
2.05	1.36	0.35	1.00	1.27	1.58	1.21
0.06	0.06	0.06	0.06	0.06	0.05	0.04
13.87	10.46	9.59	9.27	8.33	7.11	5.58
$ 383,726	$ 211,119	$ 179,037	$ 203,350	$ 124,531	$ 154,242	$ 147,040
2,245,989	1,257,484	1,227,890	1,215,695	705,420	655,762	601,439
8,428	2,680	3,483	5,099	4,657	4,353	5,889
535,866	415,965	450,161	467,242	165,037	183,753	199,784
922,956	446,696	394,324	380,932	342,559	294,259	230,871
$ 272,404	$ 98,892	$ 98,113	$ 87,833	$ 130,803	$ 81,452	$ 85,016
113,788	74,187	70,973	55,390	36,027	34,536	32,591
45,384	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
(79,642)	(53,574)	(80,388)	(112,632)	(92,128)	(69,649)	(53,518)
(272,097)	(4,499)	—	(239,539)	—	—	—
96,665	(39,767)	(21,793)	246,649	(24,769)	(19,634)	(32,498)
$ 486,268	$ 239,997	$ 112,852	$ 136,604	$ 115,356	$ 142,043	$ 108,268
12.1 %	10.8 %	7.0 %	10.0 %	11.1 %	13.7 %	10.2 %
4.3 %	4.8 %	4.8 %	5.4 %	5.7 %	5.6 %	4.4 %
7.6 %	5.9 %	2.2 %	4.6 %	5.4 %	8.1 %	5.8 %
1.0 %	1.3 %	1.1 %	1.3 %	1.2 %	1.3 %	1.5 %
4.1 %	4.6 %	1.4 %	2.1 %	3.5 %	4.8 %	3.8 %
2.1 %	2.4 %	0.7 %	2.1 %	3.5 %	4.8 %	3.8 %

(a) In March 2008, the Company sold certain assets of its turkey business. We are reporting our operations with respect to this business as a discontinued operation for all periods presented.

(b) The Company acquired Gold Kist Inc. on December 27, 2006 for $1.139 billion. For financial reporting purposes, we have not included the operating results and cash flows of Gold Kist in our consolidated financial statements for the period from December 27, 2006 through December 30, 2006. The operating results and cash flows of Gold Kist from December 27, 2006 through December 30, 2006 were not material.

(c) The Company acquired the ConAgra Chicken division on November 23, 2003 for $635.2 million including the non-cash value of common stock issued of $357.5 million. 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.

(d) 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.

(e) Gross profit, operating income and net income include the following non-recurring recoveries, restructuring charges and other unusual items for each of the years presented:

	2008	2005	2004	2003
Effect on gross profit and operating income:		(In millions)		
Operational restructuring charges	$ (13.1)	$ —	$ —	$ —
Non-recurring recoveries for recall insurance	$ —	$ —	$ 23.8	$ —
Non-recurring recoveries for avian influenza	$ —	$ —	$ —	$ 26.6
Non-recurring recoveries for vitamin and methionine litigation	$ —	$ —	$ 0.1	$ 19.9
Additional effect on operating income:				
Goodwill impairment	$ (501.4)	$ —	$ —	$ —
Administrative restructuring charges	(16.2)	$ —	$ —	$ —
Other income for litigation settlement	$ —	$ 11.7	$ —	$ —
Other income for vitamin and methionine litigation	$ —	$ —	$ 0.9	$ 36.0

In addition, the Company estimates its losses related to the October 2002 recall (excluding insurance recoveries) and the 2002 avian influenza outbreak negatively affected gross profit and operating income in each of the years presented as follows (in millions):

	2004	2003	2002
Recall effects (estimated)	$ (20.0)	$ (65.0)	$ —
Losses from avian influenza (estimated)	$ —	$ (7.3)	$ (25.6)

(f) Income tax benefit recognized in 2008 resulted primarily from net operating losses incurred in 2008 which are offset by the tax effect of goodwill impairment and valuation allowances. Income tax expense recognized in 2006 included $25.8 million associated with the restructuring of the Mexico operations and subsequent repatriation of foreign earnings under the American Jobs Creation Act of 2004. Income tax expense recognized in 2003 included a non-cash tax benefit of $16.9 million associated with the reversal of a valuation allowance on net operating losses in the Company's Mexico operations. Income tax benefit recognized in 2002 included a tax benefit of $11.9 million from changes in Mexican tax laws.

(g) For purposes of computing the ratio of earnings to fixed charges, earnings consist of income before income taxes plus fixed charges (excluding capitalized interest). Fixed charges consist of interest (including capitalized interest) on all indebtedness, amortization of capitalized financing costs and that portion of rental expense that we believe to be representative of interest. Earnings were inadequate to cover fixed charges by $1.2 billion and $30.9 million in 2008 and 2006, respectively.

(h) Historical per share amounts represent both basic and diluted and have been restated to give effect to a stock dividend issued on July 30, 1999. The stock reclassification on November 21, 2003 that resulted in the new common stock traded as PPC did not affect the number of shares outstanding.

(i) Includes amortization of capitalized financing costs of approximately $4.9 million, $6.6 million, $2.6 million, $2.3 million, $2.0 million, $1.5 million, $1.4 million, $1.9 million, $1.2 million, $1.1 million, and $1.0 million in 2008, 2007, 2006, 2005, 2004, 2003, 2002, 2001, 2000, 1999, and 1998, respectively.

(j) "EBITDA" is defined as the sum of income (loss) from continuing operations plus interest, taxes, depreciation and amortization. EBITDA is presented because it is used by us and we believe it is frequently used by securities analysts, investors and other interested parties, in addition to and not in lieu of results prepared in conformity with accounting principles generally accepted in the US ("GAAP"), to compare the performance of companies. EBITDA is not a measurement of financial performance under GAAP and should not be considered as an alternative to cash flow from operating activities or as a measure of liquidity or an alternative to net income as indicators of our operating performance or any other measures of performance derived in accordance with GAAP.

A reconciliation of income (loss) from continuing operations to EBITDA is as follows:

	2008	2007	2006	2005	2004
			(In thousands)		
Income (loss) from continuing operations	$ (992,172)	$ 51,516	$ (28,199)	$ 279,819	$ 205,757
Add:					
Interest expense, net	131,627	118,542	38,965	42,632	48,419
Income tax expense (benefit)	(194,921)	47,319	1,573	147,543	127,142
Depreciation and amortization[(i)]	239,535	203,316	133,710	131,601	106,901
Minus:					
Amortization of capitalized financing costs[(i)]	4,947	6,554	2,606	2,321	1,951
EBITDA	(820,878)	414,139	143,443	$ 599,274	$ 486,268
Add:					
Goodwill impairment	501,446	—	—		
Restructuring charges	29,239	—	3,767		
Loss on early extinguishment of debt	—	26,463	—		
Adjusted EBITDA	$ (290,193)	$ 440,602	$ 147,210		

	2003	2002	2001	2000	1999	1998
			(In thousands)			
Income (loss) from continuing operations	$ 106,612	$ 30,742	$ 41,677	$ 52,344	$ 65,253	$ 50,010
Add:						
Interest expense, net	30,726	24,199	25,619	17,779	17,666	20,148
Income tax expense (benefit)	37,870	(2,475)	21,051	10,442	25,651	6,512
Depreciation and amortization[(i)]	66,266	61,803	50,117	36,027	34,536	32,591
Minus:						
Amortization of capitalized financing costs[(i)]	1,477	1,417	1,860	1,236	1,063	993
EBITDA	$ 239,997	$ 112,852	136,604	$ 115,356	$ 142,043	$ 108,268
Add:						
Loss on early extinguishment of debt			1,433			
Adjusted EBITDA			$ 138,037			

Note: We have included EBITDA adjusted to exclude goodwill impairment in 2008, restructuring charges in 2008 and 2006, and losses on early extinguishment of debt in 2007 and 2001. We believe investors may be interested in our EBITDA excluding these items because this is how our management analyzes EBITDA from continuing operations.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Description of the Company

Pilgrim's Pride Corporation is one the largest chicken companies in the US, Mexico and Puerto Rico. Our fresh chicken retail line is sold in the southeastern, central, southwestern and western regions of the US, throughout Puerto Rico, and in the northern and central regions of Me xico. Our prepared chicken products meet the needs of some of the largest customers in the food service industry across the US. Additionally, the Company exports commodity chicken products to 80 countries. As a vertically integrated company, we control every phase of the production of our products. We operate feed mills, hatcheries, processing plants and distribution centers in 14 US states, Puerto Rico and Mexico. Pilgrim's Pride operates in two business segments—Chicken and Other Products.

Our fresh chicken products consist of refrigerated (non-frozen) whole or cut-up chicken, either pre-marinated or non-marinated, and pre-packaged chicken in various combinations of freshly refrigerated, whole chickens and chicken parts. 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.

Business Environment

The Company faced an extremely challenging business environment in 2008. We reported a net loss of $998.6 million, or $14.40 per common share, for the year, which included a negative gross margin of $163.5 million. As of September 27, 2008, the Company's accumulated deficit aggregated $317.1 million. During 2008, the Company used $680.7 million of cash in operations. At September 27, 2008, we had cash and cash equivalents totaling $61.6 million. The following factors contributed to this performance:

- Feed ingredient costs increased substantially to unprecedented levels between the first quarter of 2007 and the end of 2008 principally because of increasing demand for these products around the world and alternative uses of these products, such as ethanol and biodiesel production. The following table compares the highest prices reached on nearby futures for one bushel of corn and one ton of soybean meal during the past four years and for each quarter in 2008:

	Corn	Soybean Meal
2008:		
Fourth Quarter	$ 7.50	$ 455.50
Third Quarter	7.63	427.90
Second Quarter	5.70	384.50
First Quarter	4.57	341.50
2007	4.37	286.50
2006	2.68	204.50
2005	2.63	238.00

- While chicken selling prices generally improved over the first 18 months of the same period, prices did not improve sufficiently to offset the higher costs of feed ingredients. More recently, prices have actually declined as the result of weak demand for breast meat and a general oversupply of chicken in the US. Although many producers within the industry, including Pilgrim's Pride, cut production in an effort to correct the oversupply situation, the cuts were neither timely nor deep enough to cause noticeable improvement to date.

- The Company recognized losses on derivative financial instruments, primarily futures contracts and options on corn and soybean meal, during 2008 totaling $38.3 million. In the fourth quarter of 2008, it recognized losses on derivative financial instruments totaling $155.7 million. In late June and July of 2008, management executed various derivative financial instruments for August and September soybean meal and corn prices because they were concerned that prices could escalate based on various factors such as the recent flooding in the areas where these grains were produced and recent trends in commodity prices. After entering into these positions, the prices of the commodities decreased significantly in July and August of 2008 creating these losses.

- As the result of the downward pressure placed on earnings by the increased cost of feed ingredients, weak demand for breast meat and the oversupply of chicken and other animal-based proteins in the US, the Company evaluated the carrying amount of its goodwill for potential impairment at September 27, 2008. We obtained valuation reports as of September 27, 2008 that indicated the carrying amount of our goodwill should be fully impaired based on current conditions. As a result, we recognized a pretax impairment charge of $501.4 million during 2008.

- Because of the current-year losses, the Company was in a cumulative loss position in both the US and Mexico for the purpose of assessing the realizability of its net deferred tax assets position. The Company did not believe it had sufficient positive evidence to conclude that realization of its net deferred tax assets position in the US and Mexico was more likely than not to occur. Therefore, the Company increased its valuation allowance and recognized related income tax expense of approximately $71.2 million during 2008.

In September 2008, the Company notified its lenders that it expected to incur a significant loss in the fourth quarter of 2008 and entered into agreements with them to temporarily waive the fixed-charge coverage ratio covenant under its credit facilities. The lenders agreed to continue to provide liquidity under the credit facilities during the thirty-day period ended October 28, 2008. On October 27, 2008, the Company entered into further agreements with its lenders to temporarily waive the fixed-charge coverage ratio and leverage ratio covenants under its credit facilities. The lenders agreed to continue to provide liquidity under the credit facilities during the thirty-day period ended November 26, 2008. On that same day, the Company also announced its intention to exercise its 30-day grace period in making a $25.7 million interest payment due on November 3, 2008 under its 8 3/8% senior subordinated notes and its 7 5/8% senior notes. On November 17, 2008, the Company exercised its 30-day grace period in making a $0.3 million interest payment due on November 17, 2008 under its 9 1/4% senior subordinated notes. On November 26, 2008, the Company entered into further agreements with its lenders to extend the temporary waivers until December 1, 2008.

Chapter 11 Bankruptcy Filings

On December 1, 2008, the Debtors filed voluntary petitions for reorganization under the Bankruptcy Code in the Bankruptcy Court as a result of many of the items discussed under Business Environment. The cases are being jointly administered under Case No. 08-45664. The Company's Non-filing Subsidiaries will continue to operate outside the Chapter 11 process.

Subject to certain exceptions under the Bankruptcy Code, the Debtors' Chapter 11 filing automatically enjoined, or stayed, the continuation of any judicial or administrative proceedings or other actions against the Debtors or their property to recover on, collect or secure a claim arising prior to the Petition Date. Thus, for example, most creditor actions to obtain possession of property from the Debtors, or to create, perfect or enforce any lien against the property of the Debtors, or to collect on monies owed or otherwise exercise rights or remedies with respect to a pre-petition claim are enjoined unless and until the Bankruptcy Court lifts the automatic stay.

On December 1, 2008, the New York Stock Exchange delisted our common stock from trading as a result of the Company's filing of its Chapter 11 petitions. Our common stock is now quoted on the Pink Sheets Electronic Quotation Service under the ticker symbol "PGPDQ.PK."

The filing of the Chapter 11 petitions constituted an event of default under certain of our debt obligations, and those debt obligations became automatically and immediately due and payable, subject to an automatic stay of any action to collect, assert, or recover a claim against the Company and the application of applicable bankruptcy law. As a result, the accompanying Consolidated Balance Sheet as of September 27, 2008 includes a reclassification of $1,872.1 million to reflect as current certain long-term debt under its credit facilities that, absent the stay, would have become automatically and immediately due and payable.

Chapter 11 Process

The Debtors are currently operating as "debtors in possession" under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court. In general, as debtors in possession, we are authorized under Chapter 11 to continue to operate as an ongoing business, but may not engage in transactions outside the ordinary course of business without the prior approval of the Bankruptcy Court.

On December 2, 2008, the Bankruptcy Court granted interim approval authorizing the Company and the US Subsidiaries to enter into the DIP Credit Agreement, and the Company, the US Subsidiaries and the other parties entered into the DIP Credit Agreement, subject to final approval of the Bankruptcy Court.

The DIP Credit Agreement provides for an aggregate commitment of up to $450 million, which permits borrowings on a revolving basis. The Company received interim approval to access $365 million of the commitment pending issuance of the final order by the Bankruptcy Court. Outstanding borrowings under the DIP Credit Agreement will bear interest at a per annum rate equal to 8.0% plus the greatest of (i) the prime rate as established by the DIP agent from time to time, (ii) the average federal funds rate plus 0.5%, or (iii) the LIBOR rate plus 1.0%, payable monthly. The loans under the DIP Credit Agreement were used to repurchase all receivables sold under the Company's RPA and may be used to fund the working capital requirements of the Company and its subsidiaries according to a budget as approved by the required lenders under the DIP Credit Agreement. For additional information on the RPA, see Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources."

Actual borrowings by the Company under the DIP Credit Agreement are subject to a borrowing base, which is a formula based on certain eligible inventory and eligible receivables. The borrowing base formula is reduced by pre-petition obligations under the Fourth Amended and Restated Secured Credit Agreement dated as of February 8, 2007, among the Company and certain of its subsidiaries, Bank of Montreal, as administrative agent, and the lenders parties thereto, as amended, administrative and professional expenses, and the amount owed by the Company and the Debtor Subsidiaries to any person on account of the purchase price of agricultural products or services (including poultry and livestock) if that person is entitled to any grower's or producer's lien or other security arrangement. The borrowing base is also limited to 2.22 times the formula amount of total eligible receivables. As of December 6, 2008, the applicable borrowing base was $324.8 million and the amount available for borrowings under the DIP Credit Agreement was $210.9 million.

The principal amount of outstanding loans under the DIP Credit Agreement, together with accrued and unpaid interest thereon, are payable in full at maturity on December 1, 2009, subject to extension for an additional six months with the approval of all lenders thereunder. All obligations under the DIP Credit Agreement are unconditionally guaranteed by the US Subsidiaries and are secured by a first priority priming lien on substantially all of the assets of the Company and the US Subsidiaries, subject to specified permitted liens in the DIP Credit Agreement.

The DIP Credit Agreement allows the Company to provide advances to the Non-filing Subsidiaries of up to approximately $25 million at any time outstanding. Management believes that all of the Non-filing Subsidiaries, including the Company's Mexican subsidiaries, will be able to operate within this limitation.

For additional information on the DIP Credit Agreement, see Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations —Liquidity and Capital Resources."

The Bankruptcy Court has approved payment of certain of the Debtors' pre-petition obligations, including, among other things, employee wages, salaries and benefits, and the Bankruptcy Court has approved the Company's payment of vendors and other providers in the ordinary course for goods and services received from and after the Petition Date and other business-related payments necessary to maintain the operation of our businesses. The Debtors have retained, subject to Bankruptcy Court approval, legal and financial professionals to advise the Debtors on the bankruptcy proceedings and certain other "ordinary course" professionals. From time to time, the Debtors may seek Bankruptcy Court approval for the retention of additional professionals.

Shortly after the Petition Date, the Debtors began notifying all known current or potential creditors of the Chapter 11 filing. Subject to certain exceptions under the Bankruptcy Code, the Debtors' Chapter 11 filing automatically enjoined, or stayed, the continuation of any judicial or administrative proceedings or other actions against the Debtors or their property to recover on, collect or secure a claim arising prior to the Petition Date. Thus, for example, most creditor actions to obtain possession of property from the Debtors, or to create, perfect or enforce any lien against the property of the Debtors, or to collect on monies owed or otherwise exercise rights or remedies with respect to a pre-petition claim are enjoined unless and until the Bankruptcy Court lifts the automatic stay. Vendors are being paid for goods furnished and services provided after the Petition Date in the ordinary course of business.

As required by the Bankruptcy Code, the United States Trustee for the Northern District of Texas appointed an official committee of unsecured creditors (the "Creditors' Committee"). The Creditors' Committee and its legal representatives have a right to be heard on all matters that come before the Bankruptcy Court with respect to the Debtors. There can be no assurance that the Creditors' Committee will support the Debtors' positions on matters to be presented to the Bankruptcy Court in the future or on any plan of reorganization, once proposed. Disagreements between the Debtors and the Creditors' Committee could protract the Chapter 11 proceedings, negatively impact the Debtors' ability to operate and delay the Debtors' emergence from the Chapter 11 proceedings.

Under Section 365 and other relevant sections of the Bankruptcy Code, we may assume, assume and assign, or reject certain executory contracts and unexpired leases, including, without limitation, leases of real property and equipment, subject to the approval of the Bankruptcy Court and certain other conditions. Any description of an executory contract or unexpired lease in this report, including where applicable our express termination rights or a quantification of our obligations, must be read in conjunction with, and is qualified by, any overriding rejection rights we have under Section 365 of the Bankruptcy Code.

In order to successfully exit Chapter 11, the Debtors will need to propose, and obtain confirmation by the Bankruptcy Court of a plan of reorganization that satisfies the requirements of the Bankruptcy Code. A plan of reorganization would, among other things, resolve the Debtors' pre-petition obligations, set forth the revised capital structure of the newly reorganized entity and provide for corporate governance subsequent to exit from bankruptcy.

The Debtors have the exclusive right for 120 days after the Petition Date to file a plan of reorganization and, if we do so, 60 additional days to obtain necessary acceptances of our plan. We will likely file one or more motions to request extensions of these time periods. If the Debtors' exclusivity period lapsed, any party in interest would be able to file a plan of reorganization for any of the Debtors. In addition to being voted on by holders of impaired claims and equity interests, a plan of reorganization must satisfy certain requirements of the Bankruptcy Code and must be approved, or confirmed, by the Bankruptcy Court in order to become effective.

The timing of filing a plan of reorganization by us will depend on the timing and outcome of numerous other ongoing matters in the Chapter 11 proceedings. There can be no assurance at this time that a plan of reorganization will be confirmed by the Bankruptcy Court or that any such plan will be implemented successfully.

We have incurred and will continue to incur significant costs associated with our reorganization. The amount of these costs, which are being expensed as incurred commencing in November 2008, are expected to significantly affect our results of operations.

Under the priority scheme established by the Bankruptcy Code, unless creditors agree otherwise, pre-petition liabilities and post-petition liabilities must be satisfied in full before stockholders are entitled to receive any distribution or retain any property under a plan of reorganization. The ultimate recovery to creditors and/or stockholders, if any, will not be determined until confirmation of a plan or plans of reorganization. No assurance can be given as to what values, if any, will be ascribed in the Chapter 11 cases to each of these constituencies or what types or amounts of distributions, if any, they would receive. A plan of reorganization could result in holders of our liabilities and/or securities, including our common stock, receiving no distribution on account of their interests and cancellation of their holdings. Because of such possibilities, the value of our liabilities and securities, including our common stock, is highly speculative. Appropriate caution should be exercised with respect to existing and future investments in any of the liabilities and/or securities of the Debtors. At this time there is no assurance we will be able to restructure as a going concern or successfully propose or implement a plan of reorganization.

Going Concern Matters

The accompanying Consolidated Financial Statements have been prepared assuming that the Company will continue as a going concern. However, there is substantial doubt about the Company's ability to continue as a going concern based on the factors previously discussed. The Consolidated Financial Statements do not include any adjustments related to the recoverability and classification of recorded assets or the amounts and classification of liabilities or any other adjustments that might be necessary should the Company be unable to continue as a going concern. The Company's ability to continue as a going concern is dependent upon the ability of the Company to return to profitability and, in the near term, restructure its obligations in a manner that allows it to obtain confirmation of a plan or reorganization by the Bankruptcy Court.

Management is addressing the Company's ability to return to profitability by conducting profitability reviews at certain facilities in an effort to reduce inefficiencies and manufacturing costs. The Company has also reduced production capacity in the near term by closing two production complexes and consolidating operations at a third production complex into its other facilities. This action resulted in a headcount reduction of approximately 2,300 production employees. Subsequent to September 27, 2008, the Company also reduced headcount by 335 non-production employees.

On November 7, 2008, the Board of Directors appointed a Chief Restructuring Officer ("CRO") for the Company. The appointment of a CRO was a requirement included in the waivers received from the Company's lenders on October 27, 2008. The CRO will assist the Company with cost reduction initiatives, restructuring plans development and long-term liquidity improvement. The CRO reports to the Board of Directors of the Company.

In order to emerge from bankruptcy, the Company will need to obtain alternative financing to replace the DIP Credit Agreement and to satisfy the secured claims of its pre-bankruptcy creditors.

Business Segments

We operate in two reportable business segments as (i) a producer and seller of chicken products and (ii) a seller of other products. Our chicken segment includes sales of chicken products we produce and purchase for resale in the US, including Puerto Rico, and Mexico. Our chicken segment conducts separate operations in the US, Puerto Rico and Mexico and is reported as two separate geographical areas. Substantially all of the assets and operations of the Gold Kist acquisition are included in our US chicken segment since the date of acquisition.

Our other products segment includes distribution of non-poultry products that are purchased from third parties and sold to independent grocers and quick service restaurants. Also included in this category are sales of table eggs, feed, protein products, live hogs and other items, some of which are produced or raised by the Company.

Inter-segment sales, which are not material, are accounted for at prices comparable to normal trade customer sales. Corporate expenses are allocated to Mexico based upon various apportionment methods for specific expenditures incurred related thereto with the remaining amounts allocated to the US portions of the segments based on number of employees.

Assets associated with our corporate functions, including cash and cash equivalents and investments in available for sale securities, are included in our chicken segment.

Selling, general and administrative expenses related to our distribution centers are allocated based on the proportion of net sales to the particular segment to which the product sales relate.

Depreciation and amortization, total assets and capital expenditures of our distribution centers are included in our chicken segment based on the primary focus of the centers.

The following table presents certain information regarding our segments:

As of or for the Year Ended	September 27, 2008	September 29, 2007[a]	September 30, 2006
		(In thousands)	
Net sales to customers:			
Chicken:			
United States	$ 7,077,047	$ 6,328,354	$ 4,098,403
Mexico	543,583	488,466	418,745
Subtotal	7,620,630	6,816,820	4,517,148
Other Products:			
United States	869,850	661,115	618,575
Mexico	34,632	20,677	17,006
Subtotal	904,482	681,792	635,581
Total	$ 8,525,112	$ 7,498,612	$ 5,152,729
Operating income (loss):			
Chicken:			
United States[b]	$ (1,135,370)	$ 192,447	$ 28,619
Mexico	(25,702)	13,116	(17,960)
Subtotal	(1,161,072)	205,563	10,659
Other Products:			
United States	98,863	28,636	(1,192)
Mexico	4,513	2,992	1,638
Subtotal	103,376	31,628	446
Total	$ (1,057,696)	$ 237,191	$ 11,105
Depreciation and amortization[c][d][e]:			
Chicken:			
United States	$ 215,586	$ 183,808	$ 114,516
Mexico	10,351	11,015	11,305
Subtotal	225,937	194,823	125,821
Other Products:			
United States	13,354	8,278	7,743
Mexico	244	215	146
Subtotal	13,598	8,493	7,889
Total	$ 239,535	$ 203,316	$ 133,710
Total assets[f]:			
Chicken:			
United States	$ 2,733,089	$ 3,247,812	$ 1,909,129
Mexico	372,952	348,894	361,887
Subtotal	3,106,041	3,596,706	2,271,016
Other Products:			
United States	153,607	104,644	89,447
Mexico	5,542	4,120	1,660
Subtotal	159,149	108,764	91,107
Total	$ 3,265,190	$ 3,705,470	$ 2,362,123
Acquisitions of property, plant and equipment (excluding business acquisition)[g]:			
Chicken:			
United States	$ 148,811	$ 164,449	$ 133,106
Mexico	545	1,633	6,536
Subtotal	149,356	166,082	139,642
Other Products:			
United States	2,815	5,699	3,567

Mexico	330	40	416
Subtotal	3,145	5,739	3,983
Total	$ 152,501	$ 171,821	$ 143,625

(a) The Company acquired Gold Kist on December 27, 2006 for $1.139 billion.

(b) Includes goodwill impairment of $501.4 million and restructuring charges of $29.3 million in 2008.

(c) Includes amortization of capitalized financing costs of approximately $4.9 million, $6.6 million and $2.6 million in 2008, 2007 and 2006, respectively.

(d) Includes amortization of intangible assets of $10.2 million, $8.1 million and $1.8 million recognized in 2008, 2007 and 2006 related primarily to the Gold Kist and ConAgra Chicken acquisitions.

(e) Excludes depreciation costs incurred by our discontinued turkey business of $0.7 million, $1.6 million and $1.4 million during 2008, 2007 and 2006, respectively.

(f) Excludes total assets of our discontinued turkey business of $33.5 million at September 27, 2008, $68.8 million at September 29, 2007 and $64.7 million at September 30, 2006.

(g) Excludes acquisitions of property, plant and equipment by our discontinued turkey business of $0.5 million and $0.3 million during 2007 and 2006, respectively. Acquisitions of property, plant and equipment by our discontinued turkey business during 2008 were immaterial.

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

	2008	2007	2006
Net sales	100.0 %	100.0 %	100.0 %
Cost of sales	101.8 %	92.1 %	94.2 %
Operational restructuring charges	0.1 %	— %	— %
Gross profit (loss)	(1.9) %	7.9 %	5.8 %
Selling, general and administrative ("SG&A") expenses	4.4 %	4.7 %	5.6 %
Goodwill impairment	5.9 %	— %	— %
Administrative restructuring charges	0.2 %	— %	— %
Operating income (loss)	(12.4) %	3.2 %	0.2 %
Interest expense, net	1.5 %	1.6 %	0.8 %
Income (loss) from continuing operations before income taxes	(13.9) %	1.3 %	(0.5) %
Income (loss) from continuing operations	(11.6) %	0.7 %	(0.5) %
Net income (loss)	(11.7) %	0.6 %	(0.7) %

All percentage of net sales ratios reported above are calculated from the face of the Consolidated Statements of Operations included elsewhere herein.

Results of Operations

2008 Compared to 2007

Net Sales. Net sales for 2008 increased $1,026.5 million, or 13.7%, over 2007. The following table provides additional information regarding net sales:

Source	2008	Change from 2007	
		Amount	Percent
	(In millions, except percent data)		
Chicken:			
United States	$ 7,077.0	$ 748.7	11.8% (a)
Mexico	543.6	55.1	11.3% (b)
Total chicken	7,620.6	803.8	11.8%
Other products:			
United States	869.9	208.8	31.6% (c)
Mexico	34.6	13.9	67.1% (d)
Total other products	904.5	222.7	32.7%
Total net sales	$ 8,525.1	$ 1,026.5	13.7%

(a) US chicken sales generated in 2008 increased 11.8% from US chicken sales generated in 2007. Sales volume increased 8.6% primarily because of the acquisition of Gold Kist on December 27, 2006. Net revenue per pound sold increased 3.0% from the prior year.

(b) Mexico chicken sales generated in 2008 increased 11.3% from Mexico chicken sales generated in 2007 primarily because of a 3.5% increase in revenue per pound sold and a 7.6% increase in pounds sold. The increase in pounds sold represents market penetration in Mexico's avian influenza free states as well as a shift in product mix toward live birds.

(c) US sales of other products generated in 2008 increased 31.6% from US sales of other products generated in 2007 mainly as the result of improved pricing on commercial eggs and protein conversion products and higher sales volumes of protein conversion products. Protein conversion is the process of converting poultry byproducts into raw materials for grease, animal feed, biodiesel and feed-stock for the chemical industry.

(d) Mexico sales of other products generated in 2008 increased 67.1% from Mexico sales of other products generated in 2007 principally because of both higher sales volumes and higher selling prices for commercial feed.

Gross Profit (Loss). Gross loss generated in 2008 decreased $756.2 million, or 127.6%, from gross profit generated in 2007. The following table provides gross profit (loss) information:

Components	2008	Change from 2007		Percent of Net Sales	
		Amount	Percent	2008	2007
	(In millions, except percent data)				
Net sales	$ 8,525.1	$ 1,026.5	13.7 %	100.0 %	100.0 %
Cost of sales	8,675.5	1,769.6	25.6 %	101.8 %	92.1 %(a)
Operational restructuring charges	13.1	13.1	NM	0.1 %	— %(b)
Gross loss	$ (163.5)	$ (756.2)	(127.6) %	(1.9) %	7.9 %(c)

(a) Cost of sales incurred by the US operations during 2008 increased $1,661.6 million from cost of sales incurred by the US operations during 2007. This increase occurred because of incremental costs resulting from increased feed ingredients and energy costs as well as the acquisition of Gold Kist on December 27, 2006. We also experienced in 2008, and continue to experience, increased production and freight costs related to operational inefficiencies, labor shortages at several facilities and higher fuel costs. We believe the labor shortages are attributable in part to heightened publicity of governmental immigration enforcement efforts, ongoing Company compliance efforts and continued changes in the Company's employment practices in light of recently published governmental best practices and new labor hiring regulations. During 2008, the Company recognized losses totaling $38.3 million on derivative financial instruments executed to manage its exposure to changes in corn and soybean meal prices. The aggregate loss recognized on derivative financial instruments in 2007 was immaterial. Cost of sales incurred by the Mexico operations during 2008 increased $108.0 million from cost of sales incurred by the Mexico operations during 2007 primarily because of increased feed ingredients costs.

(b) The Company recognized operational restructuring charges, composed entirely of non-cash asset impairment charges, in 2008 related to (i) the closing of two operating complexes in Arkansas and North Carolina, (ii) the closing of seven distribution centers in Florida (2), Iowa, Mississippi, Ohio, Tennessee and Texas, and (iii) the idling of an operating complex in Louisiana.

(c) Gross loss as a percent of net sales generated in 2008 decreased 9.8 percentage points from gross profit as a percent of sales generated in 2007 primarily because of incremental costs resulting from increased feed ingredients, energy, production and freight costs, charges related to 2008 restructuring actions and the Gold Kist acquisition partially offset by improved selling prices.

NM Not meaningful.

Operating Income (Loss). Operating loss generated in 2008 decreased $1,294.9 million, or 545.9%, from operating income generated in 2007. The following tables provide operating income (loss) information:

Source	2008	Change from 2007	
		Amount	Percent
	(In millions, except percent data)		
Chicken:			
United States	$ (1,135.4)	$ (1,327.8)	(690.0) %
Mexico	(25.7)	(38.8)	(296.2) %
Total chicken	(1,161.1)	(1,366.6)	(694.8) %
Other products:			
United States	98.9	70.2	245.2 %
Mexico	4.5	1.5	50.0 %
Total other products	103.4	71.7	226.9 %
Total net sales	$ (1,057.7)	$ (1,294.9)	(545.9) %

Components	2008	Change from 2007		Percent of Net Sales		
		Amount	Percent	2008	2007	
	(In millions, except percent data)					
Gross profit (loss)	$ (163.5)	$ (756.2)	(127.6) %	(1.9) %	7.9 %	
SG&A expenses	376.6	21.1	5.9 %	4.4%	4.7 %	(a)
Goodwill impairment	501.4	501.4	NM	5.9	—	(b)
Administrative restructuring charges	16.2	16.2	NM	0.2%	—	%(c)
Operating loss	$ (1,057.7)	$ (1,294.9)	(545.9) %	(12.4) %	3.2	%(d)

(a) SG&A expenses incurred by the US operations during 2008 increased 6.9% from SG&A expenses incurred by the US operations during 2007 primarily because of the acquisition of Gold Kist on December 27, 2006.

(b) As the result of the downward pressure placed on earnings by increased feed ingredients costs, weak demand for breast meat and the oversupply of chicken and other animal-based proteins in the US, the Company evaluated the carrying amount of its goodwill for potential impairment at September 27, 2008. We obtained valuation reports as of September 27, 2008 that indicated the carrying amount of our goodwill should be fully impaired based on current conditions. As a result, we recognized a pretax impairment charge of $501.4 million during 2008.

(c) The Company incurred administrative restructuring charges, composed entirely of cash-based severance, employee retention, lease commitment and other facility closing charges, in 2008 related to (i) the closing of two operating complexes in Arkansas and North Carolina, (ii) the closing of seven distribution centers in Florida (2), Iowa, Mississippi, Ohio, Tennessee and Texas, (iii) the idling of an operating complex in Louisiana, (iv) the transfer of operations from an operating complex in Arkansas to several of the Company's other operating complexes, and (v) the closing of an administrative office in Georgia.

(d) Operating loss as a percent of net sales generated in 2008 decreased 15.6 percentage points from operating income as a percent of sales generated in 2007 primarily because of deterioration in gross profit (loss) performance, goodwill impairment recognized in 2008, charges related to 2008 restructuring actions and incremental SG&A expenses resulting from the Gold Kist acquisition.

NM Not meaningful.

Interest Expense. Consolidated interest expense increased 9.0% to $134.2 million in 2008 from $123.2 million in 2007 primarily because of increased borrowings related to the acquisition of Gold Kist and the funding of losses as well as a decrease in amounts of interest capitalized during the year. These factors were partially offset by early extinguishment of debt totaling $299.6 million in September 2007 and lower interest rates on our variable-rate credit facilities. Interest expense represented 1.6% of net sales in both 2008 and 2007.

Loss on Early Extinguishment of Debt. During 2007, the Company recognized loss on early extinguishment of debt of $26.4 million, which included premiums of $16.9 million along with unamortized loan costs of $9.5 million. These losses related to the redemption of $77.5 million of our 9 1/4/% Senior Subordinated Notes due 2013 and all of our 9 5/8% Senior Notes due 2011.

Income Tax Expense. The Company's consolidated income tax benefit in 2008 was $(194.9) million, compared to tax expense of $47.3 million in 2007. The change in income tax expense (benefit) resulted primarily from net operating losses incurred in 2008 which are offset by the tax effect of goodwill impairment and valuation allowances established for deferred tax assets we believe no longer meet the more likely than not realization criteria of SFAS 109, *Accounting for Income Taxes*. See Note M—Income Taxes to the Consolidated Financial Statements.

Loss from operation of discontinued business. The Company generated a loss from the operation of its discontinued turkey business of $11.7 million ($7.3 million, net of tax) during 2008 compared to a loss of $7.2 million ($4.5 million, net of tax) during 2007. Net sales generated by the discontinued turkey business in 2008 and 2007 were $86.3 million and $100.0 million, respectively.

Gain on disposal of discontinued business. In March 2008, the Company sold certain assets of its discontinued turkey business and recognized a gain of $1.5 million ($0.9 million, net of tax).

2007 Compared to 2006

Net Sales. Net sales generated in 2007 increased $2,345.9 million, or 45.5%, from net sales generated in 2006. The following table provides additional information regarding net sales:

Source	2007	Change from 2006		
		Amount	Percent	
	(In millions, except percent data)			
Chicken:				
United States	$ 6,328.3	$ 2,229.9	54.4%	(a)
Mexico	488.5	69.8	16.7%	(b)
Total chicken	6,816.8	2,299.7	50.9%	
Other products:				
United States	661.1	42.5	6.9%	(c)
Mexico	20.7	3.7	21.6%	(d)
Total other products	681.8	46.2	7.3%	
Total net sales	$ 7,498.6	$ 2,345.9	45.5%	

(a) US chicken sales generated in 2007 increased 54.4% from US chicken sales generated in 2006 primarily as the result of a 41.1% increase in volume due to the acquisition of Gold Kist on December 27, 2006, increases in the average selling prices of chicken and, for legacy Pilgrim's Pride products, an improved product mix containing more higher-margin, value-added products.

(b) Mexico chicken sales generated in 2007 increased 16.7% from Mexico chicken sales generated in 2006 due primarily to increases in production and a 21.2% increase in pricing per pound sold.

(c) US sales of other products generated in 2007 increased 6.9% from US sales of other products generated in 2007 primarily due to the acquisition of Gold Kist on December 27, 2006 and improved pricing on protein conversion products.

(d) Mexico sales of other products generated in 2007 increased 21.6% from Mexico sales of other products generated in 2006 principally because of both higher sales volumes and higher selling prices for commercial feed.

Gross Profit. Gross profit generated in 2007 increased $295.7 million, or 99.5%, from gross profit generated in 2006. The following table provides gross profit information:

Components	2007	Change from 2006		Percent of Net Sales		
		Amount	Percent	2007	2006	
	(In millions, except percent data)					
Net sales	$ 7,498.6	$ 2,345.9	45.5%	100.0%	100.0%	
Cost of sales	6,905.9	2,050.2	42.2%	92.1%	94.2%	(a)
Gross profit	$ 592.7	$ 295.7	99.5%	7.9%	5.8%	(b)

(a) Cost of sales incurred by the US operations in 2008 increased $2,007.7 million due primarily to the acquisition of Gold Kist and increased quantities and costs of energy and feed ingredients. We also experienced in 2007, and continue to experience, increased production and freight costs related to operational inefficiencies, labor shortages at several facilities and higher fuel costs. We believe the labor shortages are attributable in part to heightened publicity of governmental immigration enforcement efforts, ongoing Company compliance efforts and continued changes in the Company's employment practices in light of recently published governmental best practices and new labor hiring regulations. Cost of sales incurred by our Mexico operations increased $42.5 million primarily due to increased feed ingredient costs.

(b) Gross profit as a percent of net sales generated in 2007 improved 2.1 percentage points from gross profit as a percent of net sales generated in 2006 due primarily to increased selling prices throughout the industry in response to increased feed ingredients costs.

Operating Income. Operating income generated in 2007 increased $226.1 million, or 2,035.9%, from operating income generated in 2006. The following table provides operating income information:

Source	2007	Change from 2006	
		Amount	Percent
	(In millions, except percent data)		
Chicken:			
United States	$ 192.5	$ 163.9	572.4 %
Mexico	13.1	31.0	173.0 %
Total chicken	205.6	194.96	1,828.5 %
Other products:			
United States	28.6	29.8	2,502.3 %
Mexico	3.0	1.4	82.7 %
Total other products	31.6	31.2	6,691.5 %
Total net sales	$ 237.2	$ 226.1	2,035.9 %

Components	2007	Change from 2006		Percent of Net Sales		
		Amount	Percent	2007	2006	
	(In millions, except percent data)					
Gross profit	$ 592.7	$ 295.7	99.5 %	7.9 %	5.8 %	
SG&A expenses	355.5	69.6	24.3 %	4.7 %	5.6 %	(a)
Operating income	$ 237.2	$ 226.1	2,035.9 %	3.2 %	0.2 %	(b)

(a) SG&A expenses incurred during 2007 increased from SG&A expenses incurred during 2006 primarily because of the acquisition of Gold Kist on December 27, 2006.

(b) Operating income as a percent of net sales generated in 2007 increased 3.0 percentage points from operating income as a percent of sales generated in 2006 primarily because of the acquisition of Gold Kist, increases in the average selling prices of chicken, improved product mix and a reduction of SG&A expenses as a percentage of net sales partially offset by increased production and freight costs and the other factors described above.

Interest Expense. Consolidated interest expense increased 151.3% to $123.2 million in 2007 from $49.0 million in 2006 due primarily to increased borrowing for the acquisition of Gold Kist.

Interest Income. Interest income decreased 53.8% to $4.6 million in 2007 from $10.0 million in 2006 because of lower investment balances.

Loss on Early Extinguishment of Debt. During 2007, the Company recognized loss on early extinguishment of debt of $26.4 million, which included premiums of $16.9 million along with unamortized loan costs of $9.5 million. These losses related to the redemption of $77.5 million of our 9 1/4% Senior Subordinated Notes due 2013 and all of our 9 5/8% Senior Notes due 2011.

Income Tax Expense. Consolidated income tax expense in 2007 was $47.3 million compared to tax benefit of $1.6 million in 2006. The increase in consolidated income tax expense is the result of the pretax earnings in 2007 versus pretax loss in 2006 and an increase in tax contingency reserves. In addition, 2006 results included income tax expense of $25.8 million for the restructuring of the Mexico operations and subsequent repatriation of earnings from Mexico under the American Jobs Creation Act of 2004 and a $10.6 million benefit from a change in an estimate. See Note M—Income Taxes to the Consolidated Financial Statements.

Loss from operation of discontinued business. The Company incurred a loss from the operation of its discontinued turkey business of $7.2 million ($4.5 million, net of tax) during 2007 compared to $9.7 million ($6.0 million, net of tax) during 2006. Net sales generated by the discontinued turkey business in 2007 and 2006 were $100.0 million and $82.8 million, respectively.

Liquidity and Capital Resources

Our disclosure regarding liquidity and capital resources has three distinct sections, the first relating to our historical flow of funds, the second relating to our liquidity, debt obligations and off-balance sheet arrangements at September 27, 2008 and the third discussing our liquidity after filing for Chapter 11 bankruptcy protection on December 1, 2008.

Historical Flow of Funds

Cash flows used in operating activities were $680.7 million in 2008 compared to cash flows provided by operating activities of $464.0 million in 2007. The decrease in operating cash flows from 2007 to 2008 was primarily due to the net loss incurred in 2008 as compared to net income generated in 2007 and unfavorable changes in operating assets and liabilities.

At September 27, 2008, our working capital decreased to a deficit of $1,262.2 million and our current ratio decreased to 0.53 to 1, compared with a working capital surplus of $394.7 million and a current ratio of 1.44 to 1 at September 29, 2007 primarily due to an increase in the balance of current maturities of long-term debt and a decrease in the income taxes receivable balance partially offset by higher accounts receivable, inventories as well as lower accounts payable and accrued expenses balances.

Current maturities of long-term debt were $1,874.5 million at September 27, 2008 compared to $2.9 million at September 29, 2007. The $1,871.6 million increase in current maturities was primarily due to the Company's reclassification of $1,872.1 million to reflect as current the long-term debt under its various credit facilities that will become payable on November 27, 2008 unless the lenders thereunder agree to extend previously granted waivers.

Income taxes receivable were $21.7 million at September 27, 2008 compared to $61.9 million at September 29, 2007. The $40.2 million decrease in income taxes receivable was primarily due to the reclassification of net operating losses incurred in 2007 to deferred income taxes.

Trade accounts and other receivables were $144.2 million at September 27, 2008 compared to $114.7 million at September 29, 2007. The $29.5 million increase in trade accounts and other receivables was primarily due to higher sales volumes in the later portion of the fourth quarter of 2008 than were generated in the later portion of the fourth quarter of 2007.

Inventories were $1,036.2 million at September 27, 2008 compared to $925.3 million at September 29, 2007. The $110.9 million increase in inventories was primarily due to increased product costs in finished chicken products and live inventories as a result of higher feed ingredient costs.

Current deferred tax assets were $54.3 million at September 27, 2008 compared to $8.1 million at September 29, 2007. The $46.2 million increase in deferred tax assets was primarily the result of net operating losses incurred during 2007 and 2008.

Accounts payable decreased $19.6 million to $378.9 million at September 27, 2008 compared to $398.5 million at September 29, 2007. The decrease was primarily due to the impact of closing one operating complex and six distribution centers in the second quarter of 2008 partially offset by higher feed ingredients costs.

Accrued expenses decreased $48.4 million to $448.8 million at September 27, 2008 compared to $497.3 million at September 29, 2007. This decrease is due principally to a reduction in interest payable resulting from lower interest rates on our variable-rate notes payable, decreased incentive compensation accruals and amortization of acquisition-related liabilities such as unfavorable sales contracts and unfavorable lease contracts.

Cash flows used in investing activities were $121.6 million and $1,184.5 million in 2008 and 2007, respectively. Cash of $1.102 billion was used to acquire Gold Kist in 2007. Capital expenditures (excluding business acquisitions) of $152.5 million and $172.3 million in 2008 and 2007, respectively, were primarily incurred to acquire and expand certain facilities, improve efficiencies, reduce costs and for the routine replacement of equipment. Capital expenditures for 2009 will be restricted to routine replacement of equipment in our current operations in addition to important projects we began in 2008 and will not exceed the $150 million amount allowed under the DIP Credit Agreement. Cash was used to purchase investment securities of $38.0 million in 2008 and $125.0 million in 2007. Cash proceeds received in 2008 and 2007 from the sale or maturity of investment securities totaled $27.5 million and $208.7 million, respectively. Cash proceeds received in 2008 and 2007 totaled $41.4 million and $6.3 million from the disposal of property, plant and equipment.

Cash flows provided by financing activities totaled $797.7 million and $630.2 million in 2008 and 2007, respectively. Cash proceeds received in 2008 and 2007 from long-term debt were $2,264.9 million and $1,981.3 million, respectively. Cash proceeds received in 2008 from the sale of the Company's common stock totaled $177.2 million (net of costs incurred to complete the sale). Cash was used to repay long-term debt totaling $1,646.0 million in 2008 and $1,368.7 million in 2007. Cash provided in 2008 and 2007 because of an increase in outstanding cash management obligations totaled $13.6 million and $39.2 million, respectively. Cash was used to pay debt issue and amendment costs totaling $5.6 million and $15.6 million in 2008 and 2007, respectively. Cash was also used to pay dividends of $6.3 million and $6.0 million to holders of the Company's common stock in 2008 and 2007, respectively.

Liquidity, Debt Obligations and Off-Balance Sheet Arrangements at September 27, 2008

Liquidity. The following table presents our available sources of liquidity as of September 27, 2008.

Source of Liquidity	Facility Amount	Amount Outstanding	Amount Available	
		(In millions)		
Cash and cash equivalents	$ —	$ —	$ 61.6	
Investments in available-for-sale securities	$ —	—	$ 10.4	
Receivables purchase agreement	$ 300.0	$ 236.3	$ —	(a)
Debt facilities:				
Revolving credit facilities	$ 351.6	$ 233.5	$ 32.1	(b)(c)
Revolving/term facility	$ 550.0	$ 415.0	$ 135.0	(c)

(a) The aggregate amount of receivables sold plus the remaining receivables available for sale declined from $300.0 million at September 29, 2007 to $236.3 million at September 27, 2008.

(b) At September 27, 2008, the Company had $86.0 million in letters of credit outstanding relating to normal business transactions that reduce the amount of available liquidity under the revolving credit facilities.

(c) The Company entered into waiver agreements with certain of its lenders on September 26, 2008. In connection with those agreements, the Company agreed to have at all times during the term of those waiver agreements undrawn commitments in an aggregate amount not less than $100 million, which effectively reduced the aggregate available amount under these facilities as of September 27, 2008 to approximately $67.1 million. On October 10, 2008, the required lenders under the Company's credit agreements agreed to reduce the required undrawn commitment holdback to $75 million. On October 26, 2008, the required lenders agreed to further reduce the required undrawn commitment holdback to $35 million.

Debt Obligations. In September 2006, the Company entered into an amended and restated revolver/term credit agreement with a maturity date of September 21, 2016. At September 27, 2008, this revolver/term credit agreement provided for an aggregate commitment of $1.172 billion consisting of (i) a $550 million revolving/term loan commitment and (ii) $622.4 million in various term loans. At September 27, 2008, the Company had $415.0 million outstanding under the revolver and $620.3 million outstanding in various term loans. The total credit facility is presently secured by certain fixed assets. On September 21, 2011, outstanding borrowings under the revolving/term loan commitment will be converted to a term loan maturing on September 21, 2016. The fixed rate term loans bear interest at rates ranging from 7.34% to 7.56%. The voluntary converted loans bear interest at rates ranging from LIBOR plus 1.0%-2.0%, depending upon the Company's total debt to capitalization ratio. The floating rate term loans bear interest at LIBOR 1.50%-1.75% based on the ratio of the Company's debt to EBITDA, as defined in the agreement. The revolving/term loans provide for interest rates ranging from LIBOR plus 1.0%-2.0%, depending upon the Company's total debt to capitalization ratio. Commitment fees charged on the unused balance of this facility range from 0.20% to 0.40%, depending upon the Company's total debt to capitalization ratio. In connection with temporary amendments to certain of the financial covenants in this agreement on April 30, 2008, the interest rates were temporarily increased until September 26, 2009 to the following ranges: (i) voluntary converted loans: LIBOR plus 1.5%-3.0%; (ii) floating rate terms loans: LIBOR plus 2.00%-2.75%; and (iii) revolving term loans: LIBOR plus 1.5%-3.0%. In connection with these amendments, the commitment fees were temporarily increased for the same period to range from 0.275%-0.525%. As a result of the Company's Chapter 11 filing, after December 1, 2008, interest will accrue at the default rate, which is two percent above the interest rate otherwise applicable under the credit agreement. One-half of the outstanding obligations under the revolver/term credit agreement are guaranteed by Pilgrim

Interests, Ltd., an entity affiliated with our Senior Chairman, Lonnie "Bo" Pilgrim. The filing of the bankruptcy petitions also constituted an event of default under this credit agreement. The total principal amount owed under this credit agreement was approximately $1,126.4 million as of December 1, 2008. As a result of such event of default, all obligations under the agreement became automatically and immediately due and payable, subject to an automatic stay of any action to collect, assert, or recover a claim against the Company and the application of applicable bankruptcy law.

In January 2007, the Company borrowed (i) $780 million under our revolver/term credit agreement and (ii) $450 million under our Bridge Loan agreement to fund the Gold Kist acquisition. On January 24, 2007, the Company closed on the sale of $400 million of 7 5/8% Senior Notes due 2015 (the "Senior Notes") and $250 million of 8 3/8% Senior Subordinated Notes due 2017 (the "Subordinated Notes"), sold at par. Interest is payable on May 1 and November 1 of each year, beginning November 1, 2007. Prior to the Chapter 11 filings, the notes were subject to certain early redemption features. The proceeds from the sale of the notes, after underwriting discounts, were used to (i) retire the loans outstanding under our Bridge Loan agreement, (ii) repurchase $77.5 million of the Company's 9 1/4% Senior Subordinated Notes due 2013 at a premium of $7.4 million plus accrued interest of $1.3 million and (iii) reduce outstanding revolving loans under our revolving/term credit agreement. Loss on early extinguishment of debt includes the $7.4 million premium along with unamortized loan costs of $7.1 million related to the retirement of these Notes.

In September 2007, the Company redeemed all of its 9 5/8% Senior Notes due 2011 at a total cost of $307.5 million. To fund a portion of the aggregate redemption price, the Company sold $300 million of trade receivables under its RPA. Loss on early extinguishment of debt includes the $9.5 million premium along with unamortized loan costs of $2.5 million related to the retirement of these Notes.

In February 2007, the Company entered into a domestic revolving credit agreement of up to $300.0 million with a final maturity date of February 18, 2013. The associated revolving credit facility provides for interest rates ranging from LIBOR plus 0.75-1.75%, depending upon our total debt to capitalization ratio. The obligations under this facility are secured by domestic chicken inventories and receivables that were not sold pursuant to the RPA. Commitment fees charged on the unused balance of this facility range from 0.175% to 0.35%, depending upon the Company's total debt to capitalization ratio. In connection with temporary amendments to certain of the financial covenants in this agreement on April 30, 2008, the interest rates were temporarily increased until September 26, 2009 to range between LIBOR plus 1.25%-2.75%. In connection with these amendments, the commitment fees were temporarily increased for the same period to range from 0.25%-0.50%. As a result of the Company's Chapter 11 filing, after December 1, 2008, interest will accrue at the default rate, which is two percent above the interest rate otherwise applicable under the credit agreement. One-half of the outstanding obligations under the domestic revolving credit facility are guaranteed by Pilgrim Interests, Ltd., an entity affiliated with our Senior Chairman, Lonnie "Bo" Pilgrim. The filing of the bankruptcy petitions also constituted an event of default under this credit agreement. The total principal amount owed under this credit agreement was approximately $199.5 million as of December 1, 2008. As a result of such event of default, all obligations under the agreement

became automatically and immediately due and payable, subject to an automatic stay of any action to collect, assert, or recover a claim against the Company and the application of applicable bankruptcy law.

In September 2006, a subsidiary of the Company, Avícola Pilgrim's Pride de México, S. de R.L. de C.V. (the "Borrower"), entered into a secured revolving credit agreement of up to $75 million with a final maturity date of September 25, 2011. In March 2007, the Borrower elected to reduce the commitment under this agreement to 558 million Mexican pesos, a US dollar-equivalent 51.6 million at September 27, 2008. Outstanding amounts bear interest at rates ranging from the higher of the Prime Rate or Federal Funds Effective Rate plus 0.5%; LIBOR plus 1.65%-3.125%; or TIIE plus 1.05%-2.55% depending on the loan designation. Obligations under this agreement are secured by a security interest in and lien upon all capital stock and other equity interests of the Company's Mexican subsidiaries. All the obligations of the Borrower are secured by unconditional guaranty by the Company. At September 27, 2008, $51.6 million was outstanding and no other funds were available for borrowing under this line. Borrowings are subject to "no material adverse effect" provisions.

On November 30, 2008, the Company and certain non-Debtor Mexico subsidiaries of the Company (the "Mexico Subsidiaries") entered into a Waiver Agreement and Second Amendment to Credit Agreement (the "Waiver Agreement") with ING Capital LLC, as agent (the "Mexico Agent"), and the lenders signatory thereto (the "Mexico Lenders"). Under the Waiver Agreement, the Mexico Agent and the Mexico Lenders waived any default or event of default under the Credit Agreement dated as of September 25, 2006, by and among the Company, the Mexico Subsidiaries, the Mexico Agent and the Mexico Lenders, the administrative agent, and the lenders parties thereto (the "ING Credit Agreement"), resulting from the Company's filing of its bankruptcy petition with the Bankruptcy Court. Pursuant to the Waiver Agreement, outstanding amounts under the ING Credit Agreement now bear interest at a rate per annum equal to: the LIBOR Rate, the Base Rate, or the TIIE Rate, as applicable, plus the Applicable Margin (as those terms are defined in the ING Credit Agreement). While the Company is operating under its petitions for reorganization relief, the Waiver Agreement provides for an Applicable Margin for LIBOR loans, Base Rate loans, and TIIE loans of 6.0%, 4.0%, and 5.8%, respectively. The Waiver Agreement further amended the ING Credit Agreement to require the Company to make a mandatory prepayment of the revolving loans, in an aggregate amount equal to 100% of the net cash proceeds received by any Mexico Subsidiary, as applicable, in excess of thresholds specified in the ING Credit Agreement (i) from the occurrence of certain asset sales by the Mexico Subsidiaries; (ii) from the occurrence of any casualty or other insured damage to, or any taking under power of eminent domain or by condemnation or similar proceedings of, any property or asset of any Mexico Subsidiary; or (iii) from the incurrence of certain indebtedness by a Mexico Subsidiary. Any such mandatory prepayments will permanently reduce the amount of the commitment under the ING Credit Agreement. In connection with the Waiver Agreement, the Mexico Subsidiaries pledged substantially all of their receivables, inventory, and equipment and certain fixed assets.

Our loan agreements generally obligate us to reimburse the applicable lender for incremental increased costs due to a change in law that imposes (i) any reserve or special deposit requirement against assets of, deposits with or credit extended by such lender related to the loan, (ii) any tax, duty or other charge with respect to the loan (except standard income tax) or (iii) capital adequacy requirements. In addition, some of our loan agreements contain a withholding tax provision that requires us to pay additional amounts to the applicable lender or other financing party, generally if withholding taxes are imposed on such lender or other financing party as a result of a change in the applicable tax law. These increased cost and withholding tax provisions continue for the entire term of the applicable transaction, and there is no limitation on the maximum additional amounts we could be obligated to pay under such provisions.

At September 27, 2008, the Company was not in compliance with the provisions that required it to maintain levels of working capital and net worth and to maintain various fixed charge, leverage, current and debt-to-equity ratios. In September 2008, the Company notified its lenders that it expected to incur a significant loss in the fourth quarter of 2008 and entered into agreements with them to temporarily waive the fixed-charge coverage ratio covenant under its credit facilities. The lenders agreed to continue to provide liquidity under the credit facilities during the thirty-day period ended October 28, 2008. On October 27, 2008, the Company entered into further agreements with its lenders to temporarily waive the fixed-charge coverage ratio and leverage ratio covenants under its credit facilities. The lenders agreed to continue to provide liquidity under the credit facilities during the thirty-day period ended November 26, 2008. On November 26, 2008, the Company entered into further agreements with its lenders to extend the temporary waivers until December 1, 2008.

The filing of the bankruptcy petitions also constituted an event of default under the 7 5/8% Senior Notes due 2015, the 8 3/8% Senior Subordinated Notes due 2017 and the 9 1/4% Senior Subordinated Notes due 2013. The total principal amount of the Notes was approximately $657 million as of December 1, 2008. As a result of such event of default, all obligations under the Notes became automatically and immediately due and payable, subject to an automatic stay of any action to collect, assert, or recover a claim against the Company and the application of applicable bankruptcy law.

Off-Balance Sheet Arrangements. In June 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. At September 27, 2008 and prior to our bankruptcy filing, the proceeds were available for the Company to draw from over the construction period in order to construct new sewage and solid waste disposal facilities at a poultry by-products plant in Camp County, Texas. There was no requirement that we borrow the full amount of the proceeds from these revenue bonds and we had not drawn on the proceeds or commenced construction of the facility as of September 27, 2008. Had the Company borrowed these funds, they would have become due in 2029. The revenue bonds are supported by letters of credit obtained by us under our revolving credit facilities, which are secured by our domestic chicken inventories. The bonds would have been recorded as debt of the Company if and when they were spent to fund construction. The original proceeds from the issuance of the revenue bonds continue to be held by the trustee of the bonds. The interest payment on the revenue bonds, which was due on December 1, 2008, was not paid. The filing of the bankruptcy petitions constituted an event of default under these bonds. As a result of the event of default, the trustee has the right to accelerate all obligations under the bonds such that they become immediately due and payable, subject to an automatic stay of any action to collect, assert, or recover a claim against the Company and the application of applicable bankruptcy law. In addition, the holders of the bonds may tender the bonds for remarketing at any time. We have been notified that the holders have tendered the bonds, which are required to be remarketed on or before December 16, 2008. If the bonds are not successfully remarketed by that date, the holders of the bonds may draw upon the letters of credit supporting the bonds.

In connection with the RPA, the Company sold, on a revolving basis, certain of its trade receivables (the "Pooled Receivables") to a special purpose entity ("SPE") wholly owned by the Company, which in turn sold a percentage ownership interest to third parties. The SPE was a separate corporate entity and its assets were available first and foremost to satisfy the claims of its creditors. The aggregate amount of Pooled Receivables sold plus the remaining Pooled Receivables available for sale under the RPA declined from $300.0 million at September 29, 2007 to $236.3 million at September 27, 2008. The outstanding amount of Pooled Receivables sold at September 27, 2008 and September 29, 2007 were $236.3 million and $300.0 million, respectively. The gross proceeds resulting from the sale are included in cash flows from operating activities in the Consolidated Statements of Cash Flows. The losses recognized on the sold receivables during 2008 and 2007 were not material. On December 3, 2008, the RPA was terminated and all receivables thereunder were repurchased with proceeds of borrowings under the DIP Credit Agreement.

We maintain operating leases for various types of equipment, some of which contain residual value guarantees for the market value of assets at the end of the term of the lease. The terms of the lease maturities range from one to seven years. We estimate the maximum potential amount of the residual value guarantees is approximately $19.9 million; however, the actual amount would be offset by any recoverable amount based on the fair market value of the underlying leased assets. No liability has been recorded related to this contingency as the likelihood of payments under these guarantees is not considered to be probable and the fair value of the guarantees is immaterial. We historically have not experienced significant payments under similar residual guarantees.

We are a party to many routine contracts in which we provide general indemnities in the normal course of business to third parties for various risks. Among other considerations, we have not recorded a liability for any of these indemnities as, based upon the likelihood of payment, the fair value of such indemnities is immaterial.

Liquidity after Chapter 11 Bankruptcy Filings

As previously discussed, on December 1, 2008, the Debtors filed voluntary petitions in the Bankruptcy Court seeking reorganization relief under the Bankruptcy Code. The filing of the Chapter 11 petitions constituted an event of default under certain of our debt obligations, and those debt obligations became automatically and immediately due and payable, subject to an automatic stay of any action to collect, assert, or recover a claim against the Company and the application of applicable bankruptcy law. As a result, the accompanying Consolidated Balance Sheet as of September 27, 2008 includes a reclassification of $1,872.1 million to reflect as current certain long-term debt under its credit facilities that became automatically and immediately due and payable.

On December 2, 2008, the Bankruptcy Court granted interim approval authorizing the Company and US Subsidiaries to enter into the DIP Credit Agreement, and the Company, the US Subsidiaries and the other parties entered into the DIP Credit Agreement, subject to final approval of the Bankruptcy Court.

The DIP Credit Agreement provides for an aggregate commitment of up to $450 million, which permits borrowings on a revolving basis. The Company received interim approval to access $365 million of the commitment pending issuance of the final order by the Bankruptcy Court. Outstanding borrowings under the DIP Credit Agreement will bear interest at a per annum rate equal to 8.0% plus the greatest of (i) the prime rate as established by the DIP agent from time to time, (ii) the average federal funds rate plus 0.5%, or (iii) the LIBOR rate plus 1.0%, payable monthly. The loans under the DIP Credit Agreement were used to repurchase all receivables sold under the Company's RPA and may be used to fund the working capital requirements of the Company and its subsidiaries according to a budget as approved by the required lenders under the DIP Credit Agreement. For additional information on the RPA, see Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources."

Actual borrowings by the Company under the DIP Credit Agreement are subject to a borrowing base, which is a formula based on certain eligible inventory and eligible receivables. The borrowing base formula is reduced by pre-petition obligations under the Fourth Amended and Restated Secured Credit Agreement dated as of February 8, 2007, among the Company and certain of its subsidiaries, Bank of Montreal, as administrative agent, and the lenders parties thereto, as amended, administrative and professional expenses, and the amount owed by the Company and the Debtor Subsidiaries to any person on account of the purchase price of agricultural products or services (including poultry and livestock) if that person is entitled to any grower's or producer's lien or other security arrangement. The borrowing base is also limited to 2.22 times the formula amount of total eligible receivables. As of December 6, 2008, the applicable borrowing base was $324.8 million and the amount available for borrowings under the DIP Credit Agreement was $210.9 million.

The principal amount of outstanding loans under the DIP Credit Agreement, together with accrued and unpaid interest thereon, are payable in full at maturity on December 1, 2009, subject to extension for an additional six months with the approval of all lenders thereunder. All obligations under the DIP Credit Agreement are unconditionally guaranteed by the US Subsidiaries and are secured by a first priority priming lien on substantially all of the assets of the Company and the US Subsidiaries, subject to specified permitted liens in the DIP Credit Agreement.

Under the terms of the DIP Credit Agreement and applicable bankruptcy law, the Company may not pay dividends on the common stock while it is in bankruptcy. Any payment of future dividends and the amounts thereof will depend on our emergence from bankruptcy, our earnings, our financial requirements and other factors deemed relevant by our Board of Directors at the time.

Capital expenditures for 2009 will be restricted to routine replacement of equipment in our current operations in addition to important projects we began in 2008 and will not exceed the $150 million amount allowed under the DIP Credit Agreement.

In addition to our debt commitments at September 27, 2008, we had other commitments and contractual obligations that obligate us to make specified payments in the future. The filing of the Chapter 11 petitions constituted an event of default under certain of our debt obligations, and those debt obligations became automatically and immediately due and payable, subject to an automatic stay of any action to collect, assert, or recover a claim against the Company and the application of applicable bankruptcy law. The following table summarizes the total amounts due as of September 27, 2008 under all debt agreements, commitments and other contractual obligations. We are in the process of evaluating our executory contracts in order to determine which contracts will be assumed in our Chapter 11 proceedings. Therefore, obligations as currently quantified in the table below and in the footnotes to the table are expected to change. The table indicates the years in which payments are due under the contractual obligations.

Assuming that acceleration of certain long-term debt maturities did not occur, contractual obligations at September 27, 2008 were as follows:

	Payments Due By Period				
Contractual Obligations	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
			(In millions)		
Long-term debt[(a)(b(c))]	$ 1,941.9	$ 2.4	$ 56.7	$ 203.4	$ 1,679.4
Guarantee fees[(d)]	43.5	6.1	12.1	12.1	13.2
Operating leases	130.7	43.6	62.1	23.3	1.7
Purchase obligations[(e)]	164.9	164.9	—	—	—
Other commitments[(f)]	65.3	—	33.1	32.2	—
Total	$ 2,346.3	$ 217.0	$ 164.0	$ 271.0	$ 1,694.3

(a) Excludes $86.0 million in letters of credit outstanding related to normal business transactions.
(b) As a result of the Chapter 11 filing, substantially all long-term debt became automatically and immediately due and payable, subject to an automatic stay of any action to collect, assert, or recover a claim against the Company and the application of applicable bankruptcy law.
(c) Interest rates on long-term debt were increased as a result of the Chapter 11 filing and the amounts that will actually be paid related to interest are uncertain as they will be subject to the claims process in the bankruptcy case.
(d) Pursuant to the terms of the DIP Credit Agreement, the Company may not pay any guarantee fees without the consent of the lenders party thereto.
(e) Includes agreements to purchase goods or services that are enforceable and legally binding on us and that specify all significant terms, including fixed or minimum quantities to be purchased; fixed, minimum, or variable price provisions; and the approximate timing of the transaction.
(f) Includes unrecognized tax benefits under FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109* ("FIN 48").

Pending Adoption of Recent Accounting Pronouncements

Discussion regarding our pending adoption of Statement of Financial Accounting Standards ("SFAS") No. 157, *Fair Value Measurements*; SFAS No. 141(R), *Business Combinations*; SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51*; and SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133*, is included in Note B—Summary of Significant Accounting Policies to our Consolidated Financial Statements included elsewhere in this Annual Report.

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 US. 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, income taxes and product recall accounting. 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 and 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 back to net sales in the period in which the facts that give rise to the revision become known.

Inventory. Live chicken 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 their 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 inventory obsolescence, including significantly aged products, discontinued product lines, or damaged or obsolete products. We allocate meat costs between our various finished chicken 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. This primarily includes 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. Generally, the Company performs an evaluation of whether any lower of cost or market adjustments are required at the segment level based on a number of factors, including: (i) pools of related inventory, (ii) product continuation or discontinuation, (iii) estimated market selling prices and (iv) expected distribution channels. If actual market conditions or other factors are less favorable than those projected by management, additional inventory adjustments may be required. At September 27, 2008, the Company has lowered the carrying value of its inventories by $26.6 million due to lower-of-cost-or-market adjustments.

Property, Plant and Equipment. 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) future cash flows estimated to be generated by these assets, which are based on additional assumptions such as asset utilization, remaining length of service and estimated salvage values; (ii) estimated fair market value of the assets; and (iii) determinations with respect to the lowest level of cash flows relevant to the respective impairment test, generally groupings of related operational facilities. Given the interdependency of the Company's individual facilities during the production process, which operate as a vertically integrated network, and the fact that the Company does not price transfers of inventory between its vertically integrated facilities at market prices, it evaluates impairment of assets held and used at the country level (i.e., the US and Mexico) within each segment. Management believes this is the lowest level of identifiable cash flows for its assets that are held and used in production activities. At the present time, the Company's forecasts indicate that it can recover the carrying value of its assets based on the projected cash flows of the operations. A key assumption in management's forecast is that the Company's sales volumes will return to historical margins as supply and demand between commodities and chicken and other animal-based proteins become more balanced. However, the exact timing of the return to historical margins is not certain and if the return to historical margins is delayed, impairment charges could become necessary in the future. The Company recognized impairment charges related to closed production complexes and distribution centers totaling $10.2 million during 2008.

Goodwill. The Company evaluates goodwill for impairment annually or at other times when events and circumstances indicate the carrying value of this asset may no longer be fully recoverable. The Company first compares the fair value of each reporting unit, determined using both income and market approaches, to its carrying value. To determine the fair value of each reporting unit, the Company utilizes certain assumptions, including, but not limited to: (i) future cash flows estimated to be generated by each reporting unit, which are based on additional assumptions such as future market growth and trends, forecasted revenue and costs, appropriate discount rates and other variables, (ii) estimated value of the enterprise in the equity markets, and (iii) determinations with respect to the combination of operations that comprise a reporting unit. If the fair value of a reporting unit exceeds the carrying value of the net assets assigned to that unit, goodwill is not impaired and the Company does not perform further testing. If the carrying value of a reporting unit's net assets exceeds the fair value of the reporting unit, then the Company determines the implied fair value of the reporting unit's goodwill. If the carrying value of a reporting unit's goodwill exceeds its implied fair value, then an impairment of goodwill has occurred and the Company recognizes an impairment loss for the difference between the carrying amount and the implied fair value of goodwill. At September 27, 2008, the Company recognized an impairment charge of $501.4 million, which eliminated all goodwill.

Litigation and Contingent Liabilities. The Company is subject to lawsuits, investigations and other claims related to employment, environmental, product, and other matters. It is required to assess the likelihood of any adverse judgments or outcomes to these matters as well as potential ranges of probable losses. A determination of the amount of reserves required, including legal defense costs, if any, for these contingencies is made when losses are determined to be probable and loss amounts can be reasonably estimated, and after considerable analysis of each individual issue. With respect to our environmental remediation obligations, the accrual for environmental remediation liabilities is measured on an undiscounted basis. These reserves may change in the future due to favorable or adverse judgments, changes in the Company's assumptions, the effectiveness of strategies or other factors beyond the Company's control.

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. Certain categories of claim liabilities are actuarially determined. The assumptions used to arrive at periodic expenses are reviewed regularly by management. However, actual expenses could differ from these estimates and could result in adjustments to be recognized.

Business Combinations. The Company allocates the total purchase price in connection with acquisitions to assets and liabilities based upon their estimated fair values. For property, plant and equipment and intangible assets other than goodwill, for significant acquisitions, the Company has historically relied upon the use of third party valuation experts to assist in the estimation of fair values. Historically, the carrying value of acquired accounts receivable, inventory and accounts payable have approximated their fair value as of the date of acquisition, though adjustments are made within purchase price accounting to the extent needed to record such assets and liabilities at fair value. With respect to accrued liabilities, the Company uses all available information to make its best estimate of the fair value of the acquired liabilities and, when necessary, may rely upon the use of third party actuarial experts to assist in the estimation of fair value for certain liabilities, primarily self-insurance accruals.

Income Taxes. The provision for income taxes has been determined using the asset and liability approach of accounting for income taxes. Under this approach, deferred income taxes reflect the net tax effect of temporary differences between the book and tax bases of recorded assets and liabilities, net operating losses and tax credit carry forwards. The amount of deferred tax on these temporary differences is determined using the tax rates expected to apply to the period when the asset is realized or the liability is settled, as applicable, based on the tax rates and laws in the respective tax jurisdiction enacted as of the balance sheet date.

Realizability of Deferred Tax Assets. The Company reviews its deferred tax assets for recoverability and establishes a valuation allowance based on historical taxable income, projected future taxable income, applicable tax strategies, and the expected timing of the reversals of existing temporary differences. A valuation allowance is provided when it is more likely than not that some or all of the deferred tax assets will not be realized. Valuation allowances have been established primarily for US federal and state net operating loss carry forwards and Mexico net operating loss carry forwards. See Note M—Income Taxes to the Consolidated Financial Statements.

Indefinite Reinvestment in Foreign Subsidiaries. Taxes are provided for foreign subsidiaries based on the assumption that their earnings will be indefinitely reinvested. As such, US deferred income taxes have not been provided on these earnings. If such earnings were not considered indefinitely reinvested, certain deferred foreign and US income taxes would be provided.

Accounting for Uncertainty in Income Taxes. On September 30, 2007, and effective for 2008, we adopted the provisions of FIN 48. FIN 48 provides a recognition threshold and measurement criteria for the financial statement recognition of a tax benefit taken or expected to be taken in a tax return. Tax benefits are recognized only when it is more likely than not, based on the technical merits, that the benefits will be sustained on examination. Tax benefits that meet the more-likely-than-not recognition threshold are measured using a probability weighting of the largest amount of tax benefit that has greater than 50% likelihood of being realized upon settlement. Whether the more-likely-than-not recognition threshold is met for a particular tax benefit is a matter of judgment based on the individual facts and circumstances evaluated in light of all available evidence as of the balance sheet date. See Note M—Income Taxes to the Consolidated Financial Statements.

Pension and Other Postretirement Benefits. The Company's pension and other postretirement benefit costs and obligations are dependent on the various actuarial assumptions used in calculating such amounts. These assumptions relate to discount rates, salary growth, long-term return on plan assets, health care cost trend rates and other factors. The Company bases the discount rate assumptions on current investment yields on high-quality corporate long-term bonds. The salary growth assumptions reflect our long-term actual experience and future or near-term outlook. Long-term return on plan assets is determined based on historical portfolio results and management's expectation of the future economic environment. Our health care cost trend assumptions are developed based on historical cost data, the near-term outlook and an assessment of likely long-term trends. Actual results that differ from our assumptions are accumulated and, if in excess of the lesser of 10% of the project benefit obligation or the fair market value of plan assets, amortized over the estimated future working life of the plan participants.

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 primarily the potential loss arising from adverse changes in the price of feed ingredients, foreign currency exchange rates, interest rates and the credit quality of its available-for-sale securities 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, for use as ingredients in the feed we either sell commercially or consume in our live operations. As a result, our earnings are affected by changes in the price and availability of such feed ingredients. As market conditions dictate, we will attempt to minimize our exposure to the changing price and availability of such feed ingredients using various techniques, including, but not limited to: (i) executing purchase agreements with suppliers for future physical delivery of feed ingredients at established prices and (ii) purchasing or selling derivative financial instruments such as futures and options. 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 27, 2008. Based on our feed consumption during 2008, such an increase would have resulted in an increase to cost of sales of approximately $343.0 million, excluding the impact of any feed ingredients derivative financial instruments in that period. A 10% change in ending feed ingredients inventories at September 27, 2008 would be $9.5 million, excluding any potential impact on the production costs of our chicken inventories. As of September 27, 2008, the fair market value of the Company's open derivative commodity positions was an $18.0 million liability. During October 2009, all of the Company's positions were liquidated and an additional loss of $21.8 million was recognized.

Foreign Currency. Our earnings are affected by foreign exchange rate fluctuations related to the Mexican peso net monetary position of our Mexico subsidiaries. We manage this exposure primarily by attempting to minimize our Mexican peso net monetary position. We are also exposed to the effect of potential exchange rate fluctuations to the extent that amounts are repatriated from Mexico to the US. However, we currently anticipate that the future cash flows of our Mexico subsidiaries will be reinvested in our Mexico operations. In addition, the Mexican peso exchange rate can directly and indirectly impact our financial condition and results of operations in several ways, including potential economic recession in Mexico because of devaluation of their currency. The impact on our financial position and results of operations resulting from a hypothetical change in the exchange rate between the US dollar and the Mexican peso cannot be reasonably estimated. Foreign currency exchange gains and losses, representing the change in the US dollar value of the net monetary assets of our Mexico subsidiaries denominated in Mexican pesos, was a gain of $0.6 million in 2008, a loss of $1.4 million in 2007 and a loss of $0.1 million in 2006. The average exchange rates for 2008, 2007 and 2006 were 10.61 Mexican pesos to 1 US dollar, 10.95 Mexican pesos to 1 US dollar and 10.87 Mexican pesos to 1 US dollar, respectively. No assurance can be given as to how future movements in the Mexican peso could affect our future financial condition or results of operations**.**

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. We had variable-rate debt instruments representing approximately 54.7% of our total debt at September 27, 2008. Holding other variables constant, including levels of indebtedness, an increase in interest rates of 25 basis points would have increased our interest expense by $2.7 million for 2008. These amounts are determined by considering the impact of the hypothetical interest rates on our variable-rate debt at September 27, 2008.

Market risk for fixed-rate debt is estimated as the potential increase in fair value resulting from a hypothetical decrease in interest rates of 25 basis points. Using a discounted cash flow analysis, the market risk on fixed-rate debt totaled $30.1 million as of September 27, 2008. Due to our current financial condition, our public debt is trading at a substantial discount. As of November 28, 2008, the most recent trades of our 7 5/8% senior unsecured notes and 8 3/8% senior subordinated unsecured notes were executed at $14.00 per $100.00 par value and $4.50 per $100.00 par value, respectively. Management also expects that the fair value of our non-public credit facilities has also decreased, but cannot reliably estimate the fair value at this time.

Available-for-Sale Securities. The Company and certain retirement plans that it sponsors invest in a variety of financial instruments. In response to the continued turbulence in global financial markets, we have analyzed our portfolios of investments and, to the best of our knowledge, none of our investments, including money market funds units, commercial paper and municipal securities, have been downgraded because of this turbulence, and neither we nor any fund in which we participate hold significant amounts of structured investment vehicles, mortgage backed securities, collateralized debt obligations, auction-rate securities, credit derivatives, hedge funds investments, fund of funds investments or perpetual preferred securities. At September 27, 2008, the fair value of the Company's available-for-sale portfolio was $66.3 million. Management does not believe a hypothetical change in interest rates of 25 basis points or a 10% decrease in equity prices would be material to the Company.

Impact of Inflation. Due to low to moderate inflation in the US 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.

Item 8. Financial Statements and Supplementary Data

The consolidated financial statements together with the report of our independent registered public accounting firm and financial statement schedule are included on pages 95 through 151 of this report. 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.

Item 9A. Controls and Procedures

As of September 27, 2008, an evaluation was performed under the supervision and with the participation of the Company's management, including the Senior Chairman of the Board of Directors, Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's "disclosure controls and procedures" (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")). Based on that evaluation, the Company's management, including the Senior Chairman of the Board of Directors, Chief Executive Officer and Chief Financial Officer, concluded the Company's disclosure controls and procedures were effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that information we are required to disclose in our reports filed with the Securities and Exchange Commission is accumulated and communicated to our management, including our Senior Chairman of the Board of Directors, Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

In connection with the evaluation described above, the Company's management, including the Senior Chairman of the Board, Chief Executive Officer and Chief Financial Officer, identified no other change in the Company's internal control over financial reporting that occurred during the Company's quarter ended September 27, 2008 and that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Pilgrim's Pride Corporation's ("PPC") management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). PPC's internal control system is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with generally accepted accounting principles.

Under the supervision and with the participation of management, including its principal executive officer and principal financial officer, PPC's management assessed the design and operating effectiveness of internal control over financial reporting as of September 27, 2008 based on the framework set forth in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organization of the Treadway Commission.

Based on this assessment, management concluded that PPC's internal control over financial reporting was effective as of September 27, 2008. Ernst & Young LLP, an independent registered public accounting firm, has issued an attestation report on the effectiveness of the Company's internal control over financial reporting as of September 27, 2008. That report is included herein.

/s/ Lonnie "Bo" Pilgrim
Lonnie "Bo" Pilgrim
Senior Chairman of the Board of Directors

/s/ J. Clinton Rivers
J. Clinton Rivers
President,
Chief Executive Officer
Director

/s/ Richard A. Cogdill
Richard A. Cogdill
Chief Financial Officer,
Secretary and Treasurer
Director

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Board of Directors and Stockholders
Pilgrim's Pride Corporation

We have audited Pilgrim's Pride Corporation's internal control over financial reporting as of September 27, 2008, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Pilgrim's Pride Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying *Management's Report on Internal Control Over Financial Reporting*. Our responsibility is to express an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Pilgrim's Pride Corporation maintained, in all material respects, effective internal control over financial reporting as of September 27, 2008, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Pilgrim's Pride Corporation as of September 27, 2008 and September 29, 2007, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended September 27, 2008, of Pilgrim's Pride Corporation, and our report dated December 10, 2008, expressed an unqualified opinion thereon.

Ernst & Young LLP

Dallas, Texas
December 10, 2008

Item 9B. Other Information

Not applicable.

PART III

Item 10. Directors and Executive Officers and Corporate Governance

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 2009 Annual Meeting of Stockholders, which section is incorporated herein by reference.

Reference is made to the section entitled "Section 16(a) Beneficial Ownership Reporting Compliance" of the Company's Proxy Statement for its 2009 Annual Meeting of Stockholders, which section is incorporated herein by reference.

We have adopted a Code of Business Conduct and Ethics, which applies to all employees, including our Chief Executive Officer and our Chief Financial Officer and Principal Accounting Officer. The full text of our Code of Business Conduct and Ethics is published on our website, at www.pilgrimspride.com, under the "Investors-Corporate Governance" caption. We intend to disclose future amendments to, or waivers from, certain provisions of this Code on our website within four business days following the date of such amendment or waiver.

See Item 13. "Certain Relationships and Related Transactions, and Director Independence."

Item 11. Executive Compensation

See Item 13. "Certain Relationships and Related Transactions, and Director Independence."

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

See Item 13. "Certain Relationships and Related Transactions, and Director Independence."

As of September 27, 2008, 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, and Director Independence

Additional information responsive to Items 10, 11, 12 and 13 is incorporated by reference from the sections entitled "Security Ownership," "Board of Directors Independence," "Committees of the Board of Directors," "Election of Directors," "Report of the Compensation Committee," "Compensation Discussion and Analysis," "Executive Compensation," "Compensation Committee Interlocks and Insider Participation" and "Certain Transactions" of the Company's Proxy Statement for its 2009 Annual Meeting of Stockholders.

Item 14. Principal Accounting Fees and Services

The information required by this item is incorporated herein by reference from the section entitled "Independent Registered Public Accounting Firm Fee Information" of the Company's Proxy Statement for its 2009 Annual Meeting of Stockholders.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) Financial Statements

(1) The financial statements and schedules listed in the index to financial statements and schedules on page 3 of this report 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 151.

(b) 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).
2.3	Agreement and Plan of Merger dated as of December 3, 2006, by and among the Company, Protein Acquisition Corporation, a wholly owned subsidiary of the Company, and Gold Kist Inc. (incorporated by reference from Exhibit 99.(D)(1) to Amendment No. 11 to the Company's Tender Offer Statement on Schedule TO filed on December 5, 2006).
3.1	Certificate of Incorporation of the Company, as amended (incorporated by reference from Exhibit 3.1 of the Company's Annual Report on Form 10-K for the year ended October 2, 2004).
3.2	Amended and Restated Corporate Bylaws of the Company (incorporated by reference from Exhibit 4.4 of the Company's Registration Statement on Form S-8 (No. 333-111929) filed on January 15, 2004).
4.1	Certificate of Incorporation of the Company, as amended (included as Exhibit 3.1).
4.2	Amended and Restated Corporate Bylaws of the Company (included as Exhibit 3.2).

4.3	Indenture, dated November 21, 2003, between Pilgrim's Pride Corporation and The Bank of New York as Trustee relating to Pilgrim's Pride's 9 1/4% Senior Notes due 2013 (incorporated by reference from Exhibit 4.1 of the Company's Registration Statement on Form S-4 (No. 333-111975) filed on January 16, 2004).
4.4	Form of 9 1/4% Note due 2013 (incorporated by reference from Exhibit 4.3 of the Company's Registration Statement on Form S-4 (No. 333-111975) filed on January 16, 2004).
4.5	Senior Debt Securities Indenture dated as of January 24, 2007, by and between the Company and Wells Fargo Bank, National Association, as trustee (incorporated by reference from Exhibit 4.1 to the Company's Current Report on Form 8-K filed on January 24, 2007).
4.6	First Supplemental Indenture to the Senior Debt Securities Indenture dated as of January 24, 2007, by and between the Company and Wells Fargo Bank, National Association, as trustee (incorporated by reference from Exhibit 4.2 to the Company's Current Report on Form 8-K filed on January 24, 2007).
4.7	Form of 7 5/8% Senior Note due 2015 (incorporated by reference from Exhibit 4.3 to the Company's Current Report on Form 8-K filed on January 24, 2007).
4.8	Senior Subordinated Debt Securities Indenture dated as of January 24, 2007, by and between the Company and Wells Fargo Bank, National Association, as trustee (incorporated by reference from Exhibit 4.4 to the Company's Current Report on Form 8-K filed on January 24, 2007).
4.9	First Supplemental Indenture to the Senior Subordinated Debt Securities Indenture dated as of January 24, 2007, by and between the Company and Wells Fargo Bank, National Association, as trustee (incorporated by reference from Exhibit 4.5 to the Company's Current Report on Form 8-K filed on January 24, 2007).
4.10	Form of 8 3/8% Subordinated Note due 2017 (incorporated by reference from Exhibit 4.6 to the Company's Current Report on Form 8-K filed on January 24, 2007).
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-K filed on July 1, 1992). …
10.2	Senior Executive Performance Bonus Plan of the Company (incorporated by reference from Exhibit A in the Company's Proxy Statement dated December 13, 1999). …
10.3	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).

10.4	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).
10.5	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).
10.6	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).
10.7	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).
10.8	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).
10.9	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).
10.10	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).
10.11	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).
10.12	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 year ended October 2, 1999).
10.13	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).

10.14	Amendment No. 1 dated as of December 31, 2003 to 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 10.5 of the Company's Quarterly Report on Form 10-Q filed February 4, 2004).
10.15	Employee Stock Investment Plan of the Company (incorporated by reference from Exhibit 4.1 of the Company's Registration Statement on Form S-8 (No. 333-111929) filed on January 15, 2004). …
10.16	2005 Deferred Compensation Plan of the Company (incorporated by reference from Exhibit 10.1 of the Company's Current Report on Form 8-K dated December 27, 2004). **…**
10.17	Vendor Service Agreement dated effective December 28, 2005 between Pilgrim's Pride Corporation and Pat Pilgrim (incorporated by reference from Exhibit 10.2 of the Company's Current Report on Form 8-K dated January 6, 2006).
10.18	Transportation Agreement dated effective December 28, 2005 between Pilgrim's Pride Corporation and Pat Pilgrim (incorporated by reference from Exhibit 10.3 of the Company's Current Report on Form 8-K dated January 6, 2006).
10.19	Credit Agreement by and among the Avícola Pilgrim's Pride de México, S. de R.L. de C.V. (the "Borrower"), Pilgrim's Pride Corporation, certain Mexico subsidiaries of the Borrower, ING Capital LLC, and the lenders signatory thereto dated as of September 25, 2006 (incorporated by reference from Exhibit 10.1 of the Company's Current Report on Form 8-K filed on September 28, 2006).
10.20	2006 Amended and Restated Credit Agreement by and among CoBank, ACB, Agriland, FCS and the Company dated as of September 21, 2006 (incorporated by reference from Exhibit 10.2 of the Company's Current Report on Form 8-K filed on September 28, 2006).
10.21	First Amendment to the Pilgrim's Pride Corporation Amended and Restated 2005 Deferred Compensation Plan Trust, dated as of November 29, 2006 (incorporated by reference from Exhibit 10.03 of the Company's Current Report on Form 8-K filed on December 05, 2006). …
10.22	Agreement and Plan of Merger dated as of December 3, 2006, by and among the Company, Protein Acquisition Corporation, a wholly owned subsidiary of the Company, and Gold Kist Inc. (incorporated by reference from Exhibit 99.(D)(1) to Amendment No. 11 to the Company's Tender Offer Statement on Schedule TO filed on December 5, 2006).
10.23	First Amendment to Credit Agreement, dated as of December 13, 2006, by and among the Company, as borrower, CoBank, ACB, as lead arranger and co-syndication agent, and sole book runner, and as administrative, documentation and collateral agent, Agriland, FCS, as co-syndication agent, and as a syndication party, and the other syndication parties signatory thereto (incorporated by reference from Exhibit 10.01 to the Company's Current Report on Form 8-K filed on December 19, 2006).

10.24	Second Amendment to Credit Agreement, dated as of January 4, 2007, by and among the Company, as borrower, CoBank, ACB, as lead arranger and co-syndication agent, and sole book runner, and as administrative, documentation and collateral agent, Agriland, FCS, as co-syndication agent, and as a syndication party, and the other syndication parties signatory thereto (incorporated by reference from Exhibit 10.01 to the Company's Current Report on Form 8-K filed on January 9, 2007).
10.25	Fourth Amended and Restated Secured Credit Agreement, dated as of February 8, 2007, by and among the Company, To-Ricos, Ltd., To-Ricos Distribution, Ltd., Bank of Montreal, as agent, SunTrust Bank, as syndication agent, U.S. Bank National Association and Wells Fargo Bank, National Association, as co-documentation agents, BMO Capital Market, as lead arranger, and the other lenders signatory thereto (incorporated by reference from Exhibit 10.01 of the Company's Current Report on Form 8-K dated February 12, 2007).
10.26	Third Amendment to Credit Agreement, dated as of February 7, 2007, by and among the Company as borrower, CoBank, ACB, as lead arranger and co-syndication agent, and the sole book runner, and as administrative, documentation and collateral agent, Agriland, FCS, as co-syndication agent, and as a syndication party, and the other syndication parties signatory thereto (incorporated by reference from Exhibit 10.02 of the Company's Current Report on Form 8-K dated February 12, 2007).
10.27	First Amendment to Credit Agreement, dated as of March 15, 2007, by and among the Borrower, the Company, the Subsidiary Guarantors, ING Capital LLC, and the Lenders (incorporated by reference from Exhibit 10.01 of the Company's Current Report on Form 8-K dated March 20, 2007).
10.28	Fourth Amendment to Credit Agreement, dated as of July 3, 2007, by and among the Company as borrower, CoBank, ACB, as lead arranger and co-syndication agent, and the sole book runner, and as administrative, documentation and collateral agent, Agriland, FCS, as co-syndication agent, and as syndication party, and the other syndication parties signatory thereto (incorporated by reference from Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q filed July 31, 2007).
10.29	Retirement and Consulting Agreement dated as of October 10, 2007, between the Company and Clifford E. Butler (incorporated by reference from Exhibit 10.1 of the Company's Current Report on Form 8-K dated October 10, 2007). …
10.30	Fifth Amendment to Credit Agreement, dated as of August 7, 2007, by and among the Company as borrower, CoBank, ACB, as lead arranger and co-syndication agent, and the sole book runner, and as administrative, documentation and collateral agent, Agriland, FCS, as co-syndication agent, and as syndication party, and the other syndication parties signatory thereto (incorporated by reference from Exhibit 10.39 of the Company's Annual Report on Form 10-K filed on November 19, 2007).

10.31	Sixth Amendment to Credit Agreement, dated as of November 7, 2007, by and among the Company as borrower, CoBank, ACB, as administrative agent, and the other syndication parties signatory thereto (incorporated by reference from Exhibit 10.1 of the Company's Current Report on Form 8-K dated November 13, 2007).
10.32	Ground Lease Agreement effective February 1, 2008 between Pilgrim's Pride Corporation and Pat Pilgrim (incorporated by reference from Exhibit 10.1 of the Company's Current Report on Form 8-K dated February 1, 2008).
10.33	Seventh Amendment to Credit Agreement, dated as of March 10, 2008, by and among the Company as borrower, CoBank, ACB, as administrative agent, and the other syndication parties signatory thereto (incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K filed on February 20, 2008).
10.34	First Amendment to the Fourth Amended and Restated Secured Credit Agreement, dated as of March 11, 2008, by and among the Company, To-Ricos, Ltd., To-Ricos Distribution, Ltd., Bank of Montreal, as administrative agent, and the other lenders signatory thereto (incorporated by reference from Exhibit 10.2 to the Company's Current Report on Form 8-K filed on February 20, 2008).
10.35	Eighth Amendment to Credit Agreement, dated as of April 30, 2008, by and among the Company as borrower, CoBank, ACB, as administrative agent, and the other syndication parties signatory thereto (incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K filed on May 5, 2008).
10.36	Second Amendment to the Fourth Amended and Restated Secured Credit Agreement, dated as of April 30, 2008, by and among the Company, To-Ricos, Ltd., To-Ricos Distribution, Ltd., Bank of Montreal, as administrative agent, and the other lenders signatory thereto (incorporated by reference from Exhibit 10.2 to the Company's Current Report on Form 8-K filed on May 5, 2008).
10.37	Change to Company Contribution Amount Under the Amended and Restated 2005 Deferred Compensation Plan of the Company (incorporated by reference from Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed July 30, 2008). **…**
10.38	Limited Duration Waiver of Potential Defaults and Events of Default under Credit Agreement dated September 26, 2008 by and among Pilgrim's Pride Corporation, as borrower, CoBank, ACB, as administrative agent, and the other syndication parties signatory thereto (incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K filed on September 29, 2008).
10.39	Limited Duration Waiver Agreement dated as of September 26, 2008 by and among Pilgrim's Pride Corporation, as borrower, Bank of Montreal, as administrative agent, and certain other bank parties thereto (incorporated by reference from Exhibit 10.2 to the Company's Current Report on Form 8-K filed on September 29, 2008).

10.40	Limited Duration Waiver Agreement dated as of September 26, 2008 by and among Pilgrim's Pride Corporation, Pilgrim's Pride Funding Corporation, BMO Capital Markets Corp., as administrator, and Fairway Finance Company, LLC (incorporated by reference from Exhibit 10.3 to the Company's Current Report on Form 8-K filed on September 29, 2008).
10.41	Amended and Restated Receivables Purchase Agreement dated as of September 26, 2008 among Pilgrim's Pride Corporation, Pilgrim's Pride Funding Corporation, BMO Capital Markets Corp., as administrator, and the various purchasers and purchaser agents from time to time parties thereto (incorporated by reference from Exhibit 10.4 to the Company's Current Report on Form 8-K filed on September 29, 2008).
10.42	Amendment No. 1 dated as of October 10, 2008 to Amended and Restated Receivables Purchase Agreement, dated as of September 26, 2008 among Pilgrim's Pride Corporation, Pilgrim's Pride Funding Corporation, BMO Capital Markets Corp., as administrator, and the various purchasers and purchaser agents from time to time parties thereto.*
10.43	Amendment No. 2 to Purchase and Contribution Agreement dated as of September 26, 2008 among Pilgrim's Pride Funding Corporation and Pilgrim's Pride Corporation (incorporated by reference from Exhibit 10.5 to the Company's Current Report on Form 8-K filed on September 29, 2008).
10.44	Limited Duration Waiver of Potential Defaults and Events of Default under Credit Agreement dated October 26, 2008 by and among Pilgrim's Pride Corporation, as borrower, CoBank, ACB, as administrative agent, and the other syndication parties signatory thereto (incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K filed on October 27, 2008).
10.45	Limited Duration Waiver Agreement dated as of October 26, 2008 by and among Pilgrim's Pride Corporation, as borrower, Bank of Montreal, as administrative agent, and certain other bank parties thereto (incorporated by reference from Exhibit 10.2 to the Company's Current Report on Form 8-K filed on October 27, 2008).
10.46	Limited Duration Waiver Agreement dated as of October 26, 2008 by and among Pilgrim's Pride Corporation, Pilgrim's Pride Funding Corporation, BMO Capital Markets Corp., as administrator, and Fairway Finance Company, LLC (incorporated by reference from Exhibit 10.3 to the Company's Current Report on Form 8-K filed on October 27, 2008).
10.47	Form of Change in Control Agreement dated as of October 21, 2008 between the Company and certain of its executive officers (incorporated by reference from Exhibit 10.4 to the Company's Current Report on Form 8-K filed on October 27, 2008). **…**
10.48	First Amendment to Limited Duration Waiver of Potential Defaults and Events of Default under Credit Agreement dated November 25, 2008 by and among Pilgrim's Pride Corporation, as borrower, CoBank, ACB, as administrative agent, and the other syndication parties signatory thereto.*

10.49	First Amendment to Limited Duration Waiver Agreement dated as of November 25, 2008 by and among Pilgrim's Pride Corporation, as borrower, Bank of Montreal, as administrative agent, and certain other bank parties thereto.*
10.50	First Amendment to Limited Duration Waiver Agreement dated as of November 25, 2008 by and among Pilgrim's Pride Corporation, Pilgrim's Pride Funding Corporation, BMO Capital Markets Corp., as administrator, and Fairway Finance Company, LLC. *
10.51	Waiver Agreement and Second Amendment to Credit Agreement dated November 30, 2008, by and among the Company and certain non-debtor Mexico subsidiaries of the Company, ING Capital LLC, as agent, and the lenders signatory thereto.*
10.52	Post-Petition Credit Agreement dated December 2, 2008 by and among the Company, as borrower, the US Subsidiaries, as guarantors, Bank of Montreal, as agent, and the lenders party thereto.*
12	Ratio of Earnings to Fixed Charges for the years ended September 27, 2008, September 29, 2007, September 30, 2006, October 1, 2005, October 2, 2004, and September 27, 2003.*
21	Subsidiaries of Registrant.*
23	Consent of Ernst & Young LLP.*
31.1	Certification of Co-Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.2	Certification of Co-Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.3	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
32.1	Certification of Co-Principal Executive Officer of Pilgrim's Pride Corporation pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
32.2	Certification of Co-Principal Executive Officer of Pilgrim's Pride Corporation pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
32.3	Certification of Chief Financial Officer of Pilgrim's Pride Corporation pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*

***Filed herewith**

…Represents a management contract or compensation plan arrangement

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 11th day of December 2008.

PILGRIM'S PRIDE CORPORATION

By: /s/ Richard A. Cogdill
Richard A. Cogdill
Chief Financial Officer, Secretary and Treasurer
(Principal Financial and Accounting Officer)

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
/s/ Lonnie "Bo" Pilgrim Lonnie "Bo" Pilgrim	Senior Chairman of the Board	12/11/08
/s/ Lonnie Ken Pilgrim Lonnie Ken Pilgrim	Chairman of the Board	12/11/08
/s/ J. Clinton Rivers J. Clinton Rivers	President Chief Executive Officer and Director	12/11/08
/s/ Richard A. Cogdill Richard A. Cogdill	Chief Financial Officer, Secretary, Treasurer and Director (Principal Financial and Accounting Officer)	12/11/08
/s/ Charles L. Black Charles L. Black	Director	12/11/08
/s/ Linda Chavez Linda Chavez	Director	12/11/08
/s/ S. Key Coker S. Key Coker	Director	12/11/08
/s/ Keith W. Hughes Keith W. Hughes	Director	12/11/08
/s/ Blake D. Lovette Blake D. Lovette	Director	12/11/08

Signature	Title	Date
/s/ Vance C. Miller, Sr. Vance C. Miller, Sr.	Director	12/11/08
/s/ James G. Vetter, Jr. James G. Vetter, Jr.	Director	12/11/08
/s/ Donald L. Wass, Ph.D. Donald L. Wass, Ph.D.	Director	12/11/08

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Pilgrim's Pride Corporation

We have audited the accompanying consolidated balance sheets of Pilgrim's Pride Corporation (the "Company") as of September 27, 2008 and September 29, 2007, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended September 27, 2008. Our audits also include 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 the standards of the Public Company Accounting Oversight Board (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 at September 27, 2008 and September 29, 2007, and the consolidated results of its operations and its cash flows for each of the three years in the period ended September 27, 2008, in conformity with U.S. generally accepted accounting principles. 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.

The accompanying financial statements have been prepared assuming that Pilgrim's Pride Corporation will continue as a going concern. As more fully described in Note A, the Company filed for reorganization under Chapter 11 of the United States Bankruptcy Code on December 1, 2008. This, and the other business environment factors discussed, raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to this matter are also described in Note A. The accompanying consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

As discussed in Note M to the consolidated financial statements, Pilgrim's Pride Corporation adopted Financial Accounting Standards Board Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109," effective September 30, 2007.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Pilgrim's Pride Corporation's internal control over financial reporting as of September 27, 2008, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated December 10, 2008, expressed an unqualified opinion thereon.

Ernst & Young LLP

Dallas, Texas
December 10, 2008

Consolidated Balance Sheets
Pilgrim's Pride Corporation

	September 27, 2008	September 29, 2007
	(In thousands, except shares and per share data)	
Assets		
Current assets:		
Cash and cash equivalents	$ 61,553	$ 66,168
Investment in available-for-sale securities	10,439	8,153
Trade accounts and other receivables, less allowance for doubtful accounts	144,156	114,678
Inventories	1,036,163	925,340
Income taxes receivable	21,656	61,901
Current deferred taxes	54,312	8,095
Prepaid expenses and other current assets	71,552	47,959
Assets held for sale	17,370	15,534
Assets of discontinued business	33,519	53,232
Total current assets	1,450,720	1,301,060
Investment in available-for-sale securities	55,854	46,035
Other assets	51,768	60,113
Identified intangible assets, net	67,363	78,433
Goodwill	—	505,166
Property, plant and equipment, net	1,673,004	1,783,429
	$ 3,298,709	$ 3,774,236
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 378,887	$ 398,512
Accrued expenses	448,823	497,262
Current maturities of long-term debt	1,874,469	2,872
Liabilities of discontinued business	10,783	6,556
Total current liabilities	2,712,962	905,202
Long-term debt, less current maturities	67,514	1,318,558
Deferred income taxes	80,755	326,570
Other long-term liabilities	85,737	51,685
Commitments and contingencies	—	—
Stockholders' equity:		
Preferred stock, $.01 par value, 5,000,000 shares authorized; no shares issued	—	—
Common stock, $.01 par value, 160,000,000 shares authorized; 74,055,733 and 66,555,733 shares issued and outstanding at year end 2008 and 2007, respectively	740	665
Additional paid-in capital	646,922	469,779
Accumulated earnings (deficit)	(317,082)	687,775
Accumulated other comprehensive income	21,161	14,002
Total stockholders' equity	351,741	1,172,221
	$ 3,298,709	$ 3,774,236

The accompanying notes are an integral part of these Consolidated Financial Statements.

Consolidated Statements of Operations
Pilgrim's Pride Corporation

	Three Years Ended September 27, 2008		
	2008	2007	2006
	(In thousands, except per share data)		
Net sales	$ 8,525,112	$ 7,498,612	$ 5,152,729
Costs and expenses:			
Cost of sales	8,675,524	6,905,882	4,855,646
Operational restructuring charges	13,083	—	—
Gross profit (loss)	(163,495)	592,730	297,083
Selling, general and administrative expenses	376,599	355,539	285,978
Goodwill impairment	501,446	—	—
Administrative restructuring charges	16,156	—	—
Total costs and expenses	9,582,808	7,261,421	5,141,624
Operating income (loss)	(1,057,696)	237,191	11,105
Other expenses (income):			
Interest expense	134,220	123,183	49,013
Interest income	(2,593)	(4,641)	(10,048)
Loss on early extinguishment of debt	—	26,463	—
Miscellaneous, net	(2,230)	(6,649)	(1,234)
	129,397	138,356	37,731
Income (loss) from continuing operations before income taxes	(1,187,093)	98,835	(26,626)
Income tax expense (benefit)	(194,921)	47,319	1,573
Income (loss) from continuing operations	(992,172)	51,516	(28,199)
Income (loss) from operations of discontinued business, net of tax	(7,312)	(4,499)	(6,033)
Gain on disposal of discontinued business, net of tax	903	—	—
Net income (loss)	$ (998,581)	$ 47,017	$ (34,232)
Net income (loss) per common share—basic and diluted:			
Continuing operations	$ (14.31)	$ 0.77	$ (0.42)
Discontinued business	(0.09)	(0.06)	(0.09)
Net income (loss)	$ (14.40)	$ 0.71	$ (0.51)

The accompanying notes are an integral part of these Consolidated Financial Statements.

Consolidated Statements of Stockholders' Equity
Pilgrim's Pride Corporation

	Common Stock		Additional Paid-In	Accumulated	Accumulated Other	Treasury	
	Shares	Value	Capital	Earnings (Deficit)	Comprehensive Income (Loss)	Stock	Total
	(In thousands, except shares and per share data)						
Balance at October 1, 2005	66,826,833	$ 668	$ 471,344	$ 753,527	$ (373)	$ (1,568)	$ 1,223,598
Net loss				(34,232)			(34,232)
Other comprehensive income					507		507
Total comprehensive loss							(33,725)
Cancellation of treasury stock	(271,100)	(3)	(1,565)			1,568	—
Cash dividends declared ($1.09 per share)				(72,545)			(72,545)
Balance at September 30, 2006	66,555,733	665	469,779	646,750	134	—	1,117,328
Net income				47,017			47,017
Other comprehensive income					13,868		13,868
Total comprehensive income							60,885
Cash dividends declared ($.09 per share)				(5,992)			(5,992)
Balance at September 29, 2007	66,555,733	665	469,779	687,775	14,002	—	1,172,221
Net loss				(998,581)			(998,581)
Other comprehensive income					7,159		7,159
Total comprehensive loss							(991,422)
Sale of common stock	7,500,000	75	177,143				177,218
Cash dividends declared ($.09 per share)				(6,328)			(6,328)
Other				52			52
Balance at September 27, 2008	74,055,733	$ 740	$ 646,922	$ (317,082)	$ 21,161	$ —	$ 351,741

The accompanying notes are an integral part of these Consolidated Financial Statements.

Consolidated Statements of Cash Flows
Pilgrim's Pride Corporation

	Three Years Ended September 27, 2008		
	2008	2007	2006
		(In thousands)	
Cash flows from operating activities:			
Net income (loss)	$ (998,581)	$ 47,017	$ (34,232)
Adjustments to reconcile net income (loss) to cash provided by (used in) operating activities			
Depreciation and amortization	240,305	204,903	135,133
Non-cash loss on early extinguishment of debt	—	9,543	—
Tangible asset impairment	13,184	—	3,767
Goodwill impairment	501,446	—	—
Loss (gain) on property disposals	(14,850)	(446)	1,781
Deferred income taxes	(195,944)	83,884	20,455
Changes in operating assets and liabilities, net of the effect of business acquired			
Accounts and other receivables	(19,864)	247,217	31,121
Income taxes payable/receivable	(1,552)	5,570	(55,363)
Inventories	(103,937)	(129,645)	(58,612)
Prepaid expenses and other current assets	(23,392)	(2,981)	(6,594)
Accounts payable and accrued expenses	(71,293)	(5,097)	(3,501)
Other	(6,248)	4,045	(3,626)
Cash provided by (used in) operating activities	(680,726)	464,010	30,329
Cash flows from investing activities:			
Acquisitions of property, plant and equipment	(152,501)	(172,323)	(143,882)
Purchase of investment securities	(38,043)	(125,045)	(318,266)
Proceeds from sale or maturity of investment securities	27,545	208,676	490,764
Business acquisition, net of cash acquired	—	(1,102,069)	—
Proceeds from property disposals	41,367	6,286	4,148
Other, net	—	—	(506)
Cash provided by (used in) investing activities	(121,632)	(1,184,475)	32,258
Cash flows from financing activities:			
Proceeds from notes payable to banks	—	—	270,500
Repayments on notes payable to banks	—	—	(270,500)
Proceeds from long-term debt	2,264,912	1,981,255	74,683
Payments on long-term debt	(1,646,028)	(1,368,700)	(36,950)
Changes in cash management obligations	13,558	39,231	—
Sale of common stock	177,218	—	—
Debt issue costs	(5,589)	(15,565)	(3,938)
Cash dividends paid	(6,328)	(5,992)	(72,545)
Cash provided by (used in) financing activities	797,743	630,229	(38,750)
Increase (decrease) in cash and cash equivalents	(4,615)	(90,236)	23,837
Cash and cash equivalents, beginning of year	66,168	156,404	132,567
Cash and cash equivalents, end of year	$ 61,553	$ 66,168	$ 156,404
Supplemental Disclosure Information:			
Cash paid during the year for:			
Interest (net of amount capitalized)	$ 142,339	$ 104,394	$ 48,590
Income taxes paid	$ 6,411	$ 11,164	$ 37,813

The accompanying notes are an integral part of these Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A—BUSINESS, CHAPTER 11 BANKRUPTCY FILINGS AND PROCESS, AND GOING CONCERN MATTERS

Business

Pilgrim's Pride Corporation (referred to herein as "the Company," "we," "us," "our," or similar terms) is one of the largest chicken companies in the United States ("US"), Mexico and Puerto Rico. Our fresh chicken retail line is sold in the southeastern, central, southwestern and western regions of the US, throughout Puerto Rico, and in the northern and central regions of Me xico. Our prepared-foods products meet the needs of some of the largest customers in the food service industry across the US. Additionally, the Company exports commodity chicken products to 80 countries. As a vertically integrated company, we control every phase of the production of our products. We operate feed mills, hatcheries, processing plants and distribution centers in 14 US states, Puerto Rico and Mexico.

Our fresh chicken products consist of refrigerated (non-frozen) whole or cut-up chicken, either pre-marinated or non-marinated, and pre-packaged chicken in various combinations of freshly refrigerated, whole chickens and chicken parts. 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.

We reported a net loss of $998.6 million, or $14.40 per common share, for the year, which included a negative gross margin of $163.5 million. As of September 27, 2008, the Company's accumulated deficit aggregated $317.1 million. During 2008, the Company used $680.7 million of cash in operations. At September 27, 2008, we had cash and cash equivalents totaling $61.6 million. The following factors contributed to this performance:

- Feed ingredient costs increased substantially between the first quarter of 2007 and the end of 2008. While chicken selling prices generally improved over the same period, prices did not improve sufficiently to offset the higher costs of feed ingredients. More recently, prices have actually declined as the result of weak demand for breast meat and a general oversupply of chicken in the US.

- The Company recognized losses on derivative financial instruments, primarily futures contracts and options on corn and soybean meal, during 2008 totaling $38.3 million. In the fourth quarter of 2008, it recognized losses on derivative financial instruments totaling $155.7 million. In late June and July of 2008, management executed various derivative financial instruments for August and September soybean meal and corn prices. After entering into these positions, the prices of the commodities decreased significantly in July and August of 2008 creating these losses.

- The Company evaluated the carrying amount of its goodwill for potential impairment at September 27, 2008. We obtained valuation reports as of September 27, 2008 that indicated the carrying amount of our goodwill should be fully impaired based on current conditions. As a result, we recognized a pretax impairment charge of $501.4 million during 2008.

- The Company assessed the realizability of its net deferred tax assets position and increased its valuation allowance and recognized additional income tax expense of approximately $71.2 million during 2008.

In September 2008, the Company entered into agreements with its lenders to temporarily waive the fixed-charge coverage ratio covenant under its credit facilities. The lenders agreed to continue to provide liquidity under the credit facilities during the thirty-day period ended October 28, 2008. On October 27, 2008, the Company entered into further agreements with its lenders to temporarily waive the fixed-charge coverage ratio and leverage ratio covenants under its credit facilities. The lenders agreed to continue to provide liquidity under the credit facilities during the thirty-day period ended November 26, 2008. On that same day, the Company also announced its intention to exercise its 30-day grace period in making a $25.7 million interest payment due on November 3, 2008 under its 8 3/8% senior subordinated notes and its 7 5/8% senior notes. On November 17, 2008, the Company exercised its 30-day grace period in making a $0.3 million interest payment due on November 17, 2008 under its 9 1/4% senior subordinated notes. On November 26, 2008, the Company entered into further agreements with its lenders to extend the temporary waivers until December 1, 2008.

Chapter 11 Bankruptcy Filings

On December 1, 2008 (the "Petition Date"), the Company and certain of its subsidiaries (collectively, the "Debtors") filed voluntary petitions for reorganization under Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the Northern District of Texas, Fort Worth Division (the "Bankruptcy Court"). The cases are being jointly administered under Case No. 08-45664. The Company's operations in Mexico and certain operations in the US were not included in the filing (the "Non-filing Subsidiaries) and will continue to operate outside the Chapter 11 process.

Subject to certain exceptions under the Bankruptcy Code, the Debtors' Chapter 11 filing automatically enjoined, or stayed, the continuation of any judicial or administrative proceedings or other actions against the Debtors or their property to recover on, collect or secure a claim arising prior to the Petition Date. Thus, for example, most creditor actions to obtain possession of property from the Debtors, or to create, perfect or enforce any lien against the property of the Debtors, or to collect on monies owed or otherwise exercise rights or remedies with respect to a pre-petition claim are enjoined unless and until the Bankruptcy Court lifts the automatic stay.

The filing of the Chapter 11 petitions constituted an event of default under certain of our debt obligations, and those debt obligations became automatically and immediately due and payable, subject to an automatic stay of any action to collect, assert, or recover a claim against the Company and the application of applicable bankruptcy law. As a result, the accompanying Consolidated Balance Sheet as of September 27, 2008 includes a reclassification of $1,872.1 million to reflect as current certain long-term debt under its credit facilities that, absent the stay, would have become automatically and immediately due and payable.

Chapter 11 Process

The Debtors are currently operating as "debtors in possession" under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court. In general, as debtors in possession, we are authorized under Chapter 11 to continue to operate as an ongoing business, but may not engage in transactions outside the ordinary course of business without the prior approval of the Bankruptcy Court.

On December 2, 2008, the Bankruptcy Court granted interim approval authorizing the Company and the Subsidiaries organized in the United States (the "US Subsidiaries") to enter into that certain Post-Petition Credit Agreement (the "DIP Credit Agreement") among the Company, as borrower, the US Subsidiaries, as guarantors, Bank of Montreal, as agent (the "DIP Agent"), and the lenders party thereto. On December 2, 2008, the Company, the US Subsidiaries and the other parties entered into the DIP Credit Agreement, subject to final approval of the Bankruptcy Court.

The DIP Credit Agreement provides for an aggregate commitment of up to $450 million, which permits borrowings on a revolving basis. The Company received interim approval to access $365 million of the commitment pending issuance of the final order by the Bankruptcy Court. Outstanding borrowings under the DIP Credit Agreement will bear interest at a per annum rate equal to 8.0% plus the greatest of (i) the prime rate as established by the DIP agent from time to time, (ii) the average federal funds rate plus 0.5%, or (iii) the LIBOR rate plus 1.0%, payable monthly. The loans under the DIP Credit Agreement were used to repurchase all receivables sold under the Company's Receivables Purchase Agreement ("RPA") and may be used to fund the working capital requirements of the Company and its subsidiaries according to a budget as approved by the required lenders under the DIP Credit Agreement. For additional information on the RPA, see Note F—Accounts Receivable.

Actual borrowings by the Company under the DIP Credit Agreement are subject to a borrowing base, which is a formula based on certain eligible inventory and eligible receivables. The borrowing base formula is reduced by pre-petition obligations under the Fourth Amended and Restated Secured Credit Agreement dated as of February 8, 2007, among the Company and certain of its subsidiaries, Bank of Montreal, as administrative agent, and the lenders parties thereto, as amended, administrative and professional expenses, and the amount owed by the Company and the Debtor Subsidiaries to any person on account of the purchase price of agricultural products or services (including poultry and livestock) if that person is entitled to any grower's or producer's lien or other security arrangement. The borrowing base is also limited to 2.22 times the formula amount of total eligible receivables. As of December 6, 2008, the applicable borrowing base was $324.8 million and the amount available for borrowings under the DIP Credit Agreement was $210.9 million.

The principal amount of outstanding loans under the DIP Credit Agreement, together with accrued and unpaid interest thereon, are payable in full at maturity on December 1, 2009, subject to extension for an additional six months with the approval of all lenders thereunder. All obligations under the DIP Credit Agreement are unconditionally guaranteed by the US Subsidiaries and are secured by a first priority priming lien on substantially all of the assets of the Company and the US Subsidiaries, subject to specified permitted liens in the DIP Credit Agreement.

The DIP Credit Agreement allows the Company to provide advances to the Non-filing Subsidiaries of up to approximately $25 million at any time outstanding. Management believes that all of the Non-filing Subsidiaries, including the Company's Mexican subsidiaries, will be able to operate within this limitation.

For additional information on the DIP Credit Agreement, see Note L—Notes Payable and Long-Term Debt.

The Bankruptcy Court has approved payment of certain of the Debtors' pre-petition obligations, including, among other things, employee wages, salaries and benefits, and the Bankruptcy Court has approved the Company's payment of vendors and other providers in the ordinary course for goods and services received from and after the Petition Date and other business-related payments necessary to maintain the operation of our businesses. The Debtors have retained, subject to Bankruptcy Court approval, legal and financial professionals to advise the Debtors on the bankruptcy proceedings and certain other "ordinary course" professionals. From time to time, the Debtors may seek Bankruptcy Court approval for the retention of additional professionals.

Shortly after the Petition Date, the Debtors began notifying all known current or potential creditors of the Chapter 11 filing. Subject to certain exceptions under the Bankruptcy Code, the Debtors' Chapter 11 filing automatically enjoined, or stayed, the continuation of any judicial or administrative proceedings or other actions against the Debtors or their property to recover on, collect or secure a claim arising prior to the Petition Date. Thus, for example, most creditor actions to obtain possession of property from the Debtors, or to create, perfect or enforce any lien against the property of the Debtors, or to collect on monies owed or otherwise exercise rights or remedies with respect to a pre-petition claim are enjoined unless and until the Bankruptcy Court lifts the automatic stay. Vendors are being paid for goods furnished and services provided after the Petition Date in the ordinary course of business.

As required by the Bankruptcy Code, the United States Trustee for the Northern District of Texas appointed an official committee of unsecured creditors (the "Creditors' Committee"). The Creditors' Committee and its legal representatives have a right to be heard on all matters that come before the Bankruptcy Court with respect to the Debtors. There can be no assurance that the Creditors' Committee will support the Debtors' positions on matters to be presented to the Bankruptcy Court in the future or on any plan of reorganization, once proposed. Disagreements between the Debtors and the Creditors' Committee could protract the Chapter 11 proceedings, negatively impact the Debtors' ability to operate and delay the Debtors' emergence from the Chapter 11 proceedings.

Under Section 365 and other relevant sections of the Bankruptcy Code, we may assume, assume and assign, or reject certain executory contracts and unexpired leases, including, without limitation, leases of real property and equipment, subject to the approval of the Bankruptcy Court and certain other conditions. Any description of an executory contract or unexpired lease in this report, including where applicable our express termination rights or a quantification of our obligations, must be read in conjunction with, and is qualified by, any overriding rejection rights we have under Section 365 of the Bankruptcy Code.

In order to successfully exit Chapter 11, the Debtors will need to propose, and obtain confirmation by the Bankruptcy Court of a plan of reorganization that satisfies the requirements of the Bankruptcy Code. A plan of reorganization would, among other things, resolve the Debtors' pre-petition obligations, set forth the revised capital structure of the newly reorganized entity and provide for corporate governance subsequent to exit from bankruptcy.

The Debtors have the exclusive right for 120 days after the Petition Date to file a plan of reorganization and, if we do so, 60 additional days to obtain necessary acceptances of our plan. We will likely file one or more motions to request extensions of these time periods. If the Debtors' exclusivity period lapsed, any party in interest would be able to file a plan of reorganization for any of the Debtors. In addition to being voted on by holders of impaired claims and equity interests, a plan of reorganization must satisfy certain requirements of the Bankruptcy Code and must be approved, or confirmed, by the Bankruptcy Court in order to become effective.

The timing of filing a plan of reorganization by us will depend on the timing and outcome of numerous other ongoing matters in the Chapter 11 proceedings. There can be no assurance at this time that a plan of reorganization will be confirmed by the Bankruptcy Court or that any such plan will be implemented successfully.

We have incurred and will continue to incur significant costs associated with our reorganization. The amount of these costs, which are being expensed as incurred commencing in November 2008, are expected to significantly affect our results of operations.

Under the priority scheme established by the Bankruptcy Code, unless creditors agree otherwise, pre-petition liabilities and post-petition liabilities must be satisfied in full before stockholders are entitled to receive any distribution or retain any property under a plan of reorganization. The ultimate recovery to creditors and/or stockholders, if any, will not be determined until confirmation of a plan or plans of reorganization. No assurance can be given as to what values, if any, will be ascribed in the Chapter 11 cases to each of these constituencies or what types or amounts of distributions, if any, they would receive. A plan of reorganization could result in holders of our liabilities and/or securities, including our common stock, receiving no distribution on account of their interests and cancellation of their holdings. Because of such possibilities, the value of our liabilities and securities, including our common stock, is highly speculative. Appropriate caution should be exercised with respect to existing and future investments in any of the liabilities and/or securities of the Debtors. At this time there is no assurance we will be able to restructure as a going concern or successfully propose or implement a plan of reorganization.

Going Concern Matters

The accompanying Consolidated Financial Statements have been prepared assuming that the Company will continue as a going concern. However, there is substantial doubt about the Company's ability to continue as a going concern based on the factors previously discussed. The Consolidated Financial Statements do not include any adjustments related to the recoverability and classification of recorded assets or the amounts and classification of liabilities or any other adjustments that might be necessary should the Company be unable to continue as a going concern. The Company's ability to continue as a going concern is dependent upon the ability of the Company to return to historic levels of profitability and, in the near term, restructure its obligations in a manner that allows it to obtain confirmation of a plan of reorganization by the Bankruptcy Court.

Management is addressing the Company's ability to return to profitability by conducting profitability reviews at certain facilities in an effort to reduce inefficiencies and manufacturing costs. The Company reduced production capacity in the near term by closing two production complexes and consolidating operations at a third production complex into its other facilities. This action resulted in a headcount reduction of approximately 2,300 production employees. Subsequent to September 27, 2008, the Company also reduced headcount by 335 non-production employees.

On November 7, 2008, the Board of Directors appointed a Chief Restructuring Officer ("CRO") for the Company. The appointment of a CRO was a requirement included in the waivers received from the Company's lenders on October 27, 2008. The CRO will assist the Company with cost reduction initiatives, restructuring plans development and long-term liquidity improvement. The CRO reports to the Board of Directors of the Company.

In order to emerge from bankruptcy, the Company will need to obtain alternative financing to replace the DIP Credit Agreement and to satisfy the secured claims of its pre-bankruptcy creditors.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of Pilgrim's Pride Corporation and its majority owned subsidiaries. We eliminate all significant affiliate accounts and transactions upon consolidation.

The Company reports on the basis of a 52/53-week year that ends on the Saturday closest to September 30. As a result, 2008, 2007, and 2006 each had 52 weeks.

The Company re-measures the financial statements of its Mexico subsidiaries as if the US dollar were the functional currency. Accordingly, we translate assets and liabilities, other than non-monetary assets, of the Mexico subsidiaries at current exchange rates. We translate non-monetary assets using the historical exchange rate in effect on the date of each asset's acquisition. We translate income and expenses at average exchange rates in effect during the period. Currency exchange gains or losses are included in the line item *Other Expenses (Income)* in the Consolidated Statements of Operations.

Accounting Adjustments and Reclassifications

In 2006, the Company recognized tax-effected costs totaling $4.6 million related to events that occurred prior to 2006 affecting the Pilgrim's Pride Retirement Plan for Union Employees and certain postretirement obligations in Mexico. The Company believes these costs, considered individually and in the aggregate, are not material to our Consolidated Financial Statements for 2006.

We have made certain reclassifications to the 2007 and 2006 Consolidated Financial Statements with no impact to reported net income (loss) in order to conform to the 2008 presentation.

Revenue Recognition

Revenue is recognized upon shipment and 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 back to net sales in the period in which the facts that give rise to the revision become known.

Shipping and Handling Costs

Costs associated with the products shipped to customers are recognized in cost of sales.

Cash Equivalents

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

Current and Long-Term Investments

The Company's current and long-term investments consist primarily of investment-grade debt and equity securities, bond and equity mutual funds, and insurance contracts. The investment-grade debt and equity securities as well as the bond and equity mutual funds are classified as available-for-sale. These securities are recorded at fair value, and unrealized holding gains and losses are recorded, net of tax, as a separate component of accumulated other comprehensive income. Debt securities with remaining maturities of less than one year and those identified by management at the time of purchase for funding operations in less than one year are classified as current. Debt securities with remaining maturities greater than one year that management has not identified at the time of purchase for funding operations in less than one year are classified as long-term. All equity securities are classified as long-term. Unrealized losses are charged against net earnings when a decline in fair value is determined to be other than temporary. Management reviews several factors to determine whether a loss is other than temporary, such as the length of time a security is in an unrealized loss position, the extent to which fair value is less than amortized cost, the impact of changing interest rates in the short and long term, and the Company's intent and ability to hold the security for a period of time sufficient to allow for any anticipated recovery in fair value. The Company determines the cost of each security sold and each amount reclassified out of accumulated other comprehensive income into earnings using the specific identification method. Purchases and sales are recorded on a trade date basis. The insurance contracts are held in the Company's deferred compensation trusts. They are recorded at fair value with the gains and losses resulting from changes in fair value immediately recognized in earnings.

Investments in joint ventures and entities in which the Company has an ownership interest greater than 50% and exercises control over the venture are consolidated in the Consolidated Financial Statements. Minority interests in the years presented, amounts of which are not material, are included in the line item *Other Long-Term Liabilities* in the Consolidated Balance Sheets. Investments in joint ventures and entities in which the Company has an ownership interest between 20% and 50% and exercises significant influence are accounted for using the equity method. The Company owns a 49% interest in Merit Provisions LLC ("Merit") that it consolidates because the Company provided financial support to the entity that owns a 51% interest in Merit. The operations of Merit are not significant to the Company as a whole at this time. The Company invests from time to time in ventures in which its ownership interest is less than 20% and over which it does not exercise significant influence. Such investments are accounted for under the cost method. The fair values for investments not traded on a quoted exchange are estimated based upon the historical performance of the ventures, the ventures' forecasted financial performance and management's evaluation of the ventures' viability and business models. To the extent the book value of an investment exceeds its assessed fair value, the Company will record an appropriate impairment charge. Thus, the carrying value of the Company's investments approximates fair value.

Accounts Receivable

The Company records accounts receivable upon shipment and transfer of ownership of its products to customers. We record an allowance for doubtful accounts, reducing our receivables balance to an amount we estimate is collectible from our customers. Estimates used in determining the allowance for doubtful accounts are based on historical collection experience, current trends, aging of accounts receivable, and periodic credit evaluations of our customers' financial condition. We write off accounts receivable when it becomes apparent, based upon age or customer circumstances, that such amounts will not be collected. Generally, the Company does not require collateral for its accounts receivable.

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. 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 inventory's 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. Generally, the Company performs an evaluation of whether any lower-of-cost-or-market adjustments are required at the segment level based on a number of factors, including (i) pools of related inventory, (ii) product age, condition and continuation or discontinuation, (iii) estimated market selling prices and (iv) expected distribution channels. If actual market conditions or other factors are less favorable than those projected by management, additional inventory adjustments may be required.

Property, Plant and Equipment

Property, plant and equipment are stated at cost, and repair and maintenance costs are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of these assets. Estimated useful lives for building, machinery and equipment are 5 years to 33 years and for automobiles and trucks are 3 years to 10 years. The charge to income resulting from amortization of assets recorded under capital leases is included with depreciation expense.

The Company recognizes 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) future cash flows estimates expected to be generated by these assets, which are based on additional assumptions such as asset utilization, remaining length of service and estimated salvage values; (ii) estimated fair market value of the assets; and (iii) determinations with respect to the lowest level of cash flows relevant to the respective impairment test, generally groupings of related operational facilities.

Given the interdependency of the Company's individual facilities during the production process, which operate as a vertically integrated network, and the fact that the Company does not price transfers of inventory between its vertically integrated facilities at market prices, it evaluates impairment of assets held and used at the country level (i.e., the US and Mexico) within each segment. Management believes this is the lowest level of identifiable cash flows for its assets that are held and used in production activities. At the present time, the Company's forecasts indicate that it can recover the carrying value of its assets based on the projected cash flows of the operations. A key assumption in management's forecast is that the Company's sales volumes will return to historical margins as supply and demand between commodities and chicken and other animal-based proteins become more balanced. However, the exact timing of the return to historical margins is not certain, and if the return to historical margins is delayed, impairment charges could become necessary in the future.

Goodwill and Other Intangible Assets

Our intangible assets consist of goodwill and assets subject to amortization such as trade names, customer relationships and non-compete agreements. We calculate amortization of those assets that are subject to amortization on a straight-line basis over the estimated useful lives of the related assets. The useful lives range from three years for trade names and non-compete agreements to thirteen years for customer relationships.

We evaluate goodwill for impairment annually or at other times if events have occurred or circumstances exist that indicate the carrying value of goodwill may no longer be recoverable. We compare the fair value of each reporting unit to its carrying value. We determine the fair value using a weighted average of results derived from both the income approach and the market approach. Under the income approach, we calculate the fair value of a reporting unit based on the present value of estimated future cash flows. Under the market approach, we calculate the fair value of a reporting unit based on the market values of key competitors. If the fair value of the reporting unit exceeds the carrying value of the net assets including goodwill assigned to that unit, goodwill is not impaired. If the carrying value of the reporting unit's net assets including goodwill exceeds the fair value of the reporting unit, then we determine the implied fair value of the reporting unit's goodwill. If the carrying value of a reporting unit's goodwill exceeds its implied fair value, then an impairment of goodwill has occurred and we recognize an impairment loss for the difference between the carrying amount and the implied fair value of goodwill as a component of operating income.

We review intangible assets subject to amortization for impairment whenever an event or change in circumstances indicates the carrying values of the assets may not be recoverable. We test intangible assets subject to amortization for impairment and estimate their fair values using the same assumptions and techniques we employ on property, plant and equipment.

Litigation and Contingent Liabilities

The Company is subject to lawsuits, investigations and other claims related to employment, environmental, product, and other matters. The Company is required to assess the likelihood of any adverse judgments or outcomes, as well as potential ranges of probable losses, to these matters. The Company estimates the amount of reserves required, including anticipated cost of defense, if any, for these contingencies when losses are determined to be probable and after considerable analysis of each individual issue. With respect to our environmental remediation obligations, the accrual for environmental remediation liabilities is measured on an undiscounted basis. These reserves may change in the future due to changes in the Company's assumptions, the effectiveness of strategies, or other factors beyond the Company's control.

Accrued Self Insurance

Insurance expense for casualty claims and employee-related health care benefits are estimated using historical and current experience and actuarial estimates. Stop-loss coverage is maintained with third-party insurers to limit the Company's total exposure. Certain categories of claim liabilities are actuarially determined. 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

The provision for income taxes has been determined using the asset and liability approach of accounting for income taxes. Under this approach, deferred income taxes reflect the net tax effect of temporary differences between the book and tax bases of recorded assets and liabilities, net operating losses and tax credit carry forwards. The amount of deferred tax on these temporary differences is determined using the tax rates expected to apply to the period when the asset is realized or the liability is settled, as applicable, based on the tax rates and laws in the respective tax jurisdiction enacted as of the balance sheet date.

The Company reviews its deferred tax assets for recoverability and establishes a valuation allowance based on historical taxable income, projected future taxable income, applicable tax strategies, and the expected timing of the reversals of existing temporary differences. A valuation allowance is provided when it is more likely than not that some or all of the deferred tax assets will not be realized. Valuation allowances have been established primarily for US federal and state net operating loss carry forwards and Mexico net operating loss carry forwards. See Note M—Income Taxes to the Consolidated Financial Statements.

Taxes are provided for foreign subsidiaries based on the assumption that their earnings will be indefinitely reinvested. As such, US deferred income taxes have not been provided on these earnings. If such earnings were not considered indefinitely reinvested, certain deferred foreign and US income taxes would be provided.

On September 30, 2007, and effective for our year ended 2008, we adopted the provisions of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109* ("FIN 48"). FIN 48 provides a recognition threshold and measurement criteria for the financial statement recognition of a tax benefit taken or expected to be taken in a tax return. Tax benefits are recognized only when it is more likely than not, based on the technical merits, that the benefits will be sustained on examination. Tax benefits that meet the more-likely-than-not recognition threshold are measured using a probability weighting of the largest amount of tax benefit that is greater than 50% likely of being realized upon settlement. Whether the more-likely-than-not recognition threshold is met for a particular tax benefit is a matter of judgment based on the individual facts and circumstances evaluated in light of all available evidence as of the balance sheet date. See Note M—Income Taxes to the Consolidated Financial Statements.

Pension and Other Postretirement Benefits

Our pension and other postretirement benefit costs and obligations are dependent on the various actuarial assumptions used in calculating such amounts. These assumptions relate to discount rates, salary growth, long-term return on plan assets, health care cost trend rates and other factors. We base the discount rate assumptions on current investment yields on high-quality corporate long-term bonds. The salary growth assumptions reflect our long-term actual experience and future or near-term outlook. We determine the long-term return on plan assets based on historical portfolio results and management's expectation of the future economic environment. Our health care cost trend assumptions are developed based on historical cost data, the near-term outlook and an assessment of likely long-term trends. Actual results that differ from our assumptions are accumulated and, if in excess of the lesser of 10% of the projected benefit obligation or the fair market value of plan assets, amortized over the estimated future working life of the plan participants.

Business Combinations

The Company allocates the total purchase price in connection with acquisitions to assets and liabilities based upon their estimated fair values. For significant acquisitions, the Company has historically relied upon the use of third-party valuation experts to assist in the estimation of the fair values of property, plant and equipment and intangible assets other than goodwill. Historically, the carrying value of acquired accounts receivable, inventory and accounts payable have approximated their fair value as of the date of acquisition, though adjustments are made within purchase price accounting to the extent needed to record such assets and liabilities at fair value. With respect to accrued liabilities, the Company uses all available information to make its best estimate of the fair value of the acquired liabilities and, when necessary, may rely upon the use of third-party actuarial experts to assist in the estimation of fair value for certain liabilities, primarily pension and self-insurance accruals.

Operating Leases

Rent expense for operating leases is recorded on a straight-line basis over the lease term unless the lease contains an escalation clause which is not fixed and determinable. The lease term begins when we have the right to control the use of the leased property, which is typically before rent payments are due under the terms of the lease. If a lease has a fixed and determinable escalation clause, the difference between rent expense and rent paid is recorded as deferred rent and is included in the Consolidated Balance Sheets. Rent for operating leases that do not have an escalation clause or where escalation is based on an inflation index is expensed over the lease term as it is payable.

Derivative Financial Instruments

The Company attempts to mitigate certain financial exposures, including commodity purchase exposures and interest rate risk, through a program of risk management that includes the use of derivative financial instruments. We recognize all derivative financial instruments in the Consolidated Balance Sheets at fair value.

We have elected not to designate derivative financial instruments executed to mitigate commodity purchase exposures as hedges of forecasted transactions or of the variability of cash flows to be received or paid related to recognized assets or liabilities ("cash flow hedges"). Therefore, we recognize changes in the fair value of these derivative financial instruments immediately in earnings. Gains or losses related to these derivative financial instruments are included in the line item *Cost of sales* in the Consolidated Statements of Operations. We generally do not attempt to mitigate price change exposure on anticipated commodities transactions beyond 18 months.

We occasionally execute derivative financial instruments to manage exposure to interest rate risk. In particular, we executed a Treasury lock instrument in 2007 to "lock in", or secure, the Treasury rate that served as the basis for the pricing of a prospective public debt issue. A "treasury lock" is a synthetic forward sale of a US Treasury note or bond that is settled in cash based upon the difference between an agreed upon Treasury rate and the prevailing Treasury rate at settlement. We designated the lock instrument as a cash flow hedge and recognized changes in the fair value of the instrument in accumulated other comprehensive income until the prospective public debt issue occurred. Once the public debt was issued, we began recognizing the change in the fair value of the lock instrument as an adjustment to interest expense over the term of the related debt.

Fair Value of Financial Instruments

The asset (liability) amounts recorded in the Consolidated Balance Sheet (carrying amounts) and the estimated fair values of financial instruments at September 27, 2008 consisted of the following:

	Carrying Amount	Fair Value	Reference
	(In thousands)		
Cash and cash equivalents	$ 61,553	$ 61,553	
Investments in available-for-sale securities	66,293	66,293	Note H
Accounts receivable	144,156	144,156	Note F
Derivative financial instruments	(17,968)	(17,968)	Note Q
Accounts payable and accrued expenses	(827,710)	(827,710)	Note K
Public debt obligations	(656,996)	(371,206)	Note L
Non-public credit facilities	(1,284,987)	(a)	Note L

(a)Management also expects that the fair value of our non-public credit facilities has also decreased, but cannot reliably estimate the fair value at this time.

The carrying amounts of our cash and cash equivalents, accounts receivable, accounts payable and certain other liabilities approximate their fair values due to their relatively short maturities. The Company adjusts its investments to fair value based on quoted market prices. Derivative financial instruments are adjusted to fair value at least once each quarter using inputs that are readily available in public markets or can be derived from information available in public markets.

Concentrations of Various Risks

The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash equivalents, investment securities, derivative financial instruments and trade accounts receivable. The Company's cash equivalents and investment securities are high-quality debt and equity securities placed with major banks and financial institutions. Our derivative financial instruments are generally exchange-traded futures or options contracts placed with major financial institutions. The Company's trade accounts receivable are generally unsecured. Credit evaluations are performed on all significant customers and updated as circumstances dictate. Concentrations of credit risk with respect to trade accounts receivable are limited due to the large number of customers and their dispersion across geographic areas. With the exception of one customer that accounts for approximately 13% of trade accounts receivable at September 27, 2008 and approximately 11% of net sales for 2008 primarily related to our chicken segment, the Company does not believe it has significant concentrations of credit risk in its trade accounts receivable.

At September 27, 2008, approximately 33% of the Company's employees were covered under collective bargaining agreements and approximately 26% of the employees covered under collective bargaining agreements are covered under agreements that will expire in 2009. We have not experienced any work stoppage at any location in over five years. We believe our relations with our employees are satisfactory. At any given time, we will be in some stage of contract negotiation with various collective bargaining units.

Net Income (Loss) per Common Share

Net income (loss) per common 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) included herein were 69,337,326 shares in 2008 and 66,555,733 shares in both 2007 and 2006.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the US 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. We make significant estimates in regard to receivables collectibility; inventory valuation; realization of deferred tax assets; valuation of long-lived assets, including goodwill; valuation of contingent liabilities and self insurance liabilities; valuation of pension and other postretirement benefits obligations; and valuation of acquired businesses.

Pending Adoption of Recent Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 157, *Fair Value Measurements*. This Statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS No. 157 does not require any new fair value measurements. However, for some enterprises, the application of this Statement will change current practice. The Company must adopt SFAS No. 157 in the first quarter of fiscal 2009. The adoption of SFAS No. 157 will not require material modification of our fair value measurements and will be substantially limited to expanded disclosures in the notes to our Consolidated Financial Statements.

In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations.* This Statement improves the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial reports about a business combination and its effects by establishing principles and requirements for how the acquirer (i) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree, (ii) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase, and (iii) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The Company must apply prospectively SFAS No. 141(R) to business combinations for which the acquisition date occurs during or subsequent to the first quarter of 2010. The impact that adoption of SFAS No. 141(R) will have on the Company's financial condition, results of operations and cash flows is dependent upon many factors. Such factors would include, among others, the fair values of the assets acquired and the liabilities assumed in any applicable business combination, the amount of any costs the Company would incur to effect any applicable business combination, and the amount of any restructuring costs the Company expected but was not obligated to incur as the result of any applicable business combination. Thus, we cannot accurately predict the effect SFAS No. 141(R) will have on future acquisitions at this time.

In December 2007, the FASB also issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51*. This Statement improves the relevance, comparability, and transparency of the financial information that a reporting entity provides in its consolidated financial statements by establishing accounting and reporting standards for how that reporting entity (i) identifies, labels and presents in its consolidated statement of financial position the ownership interests in subsidiaries held by parties other than itself, (ii) identifies and presents on the face of its consolidated statement of operations the amount of consolidated net income attributable to itself and to the noncontrolling interest, (iii) accounts for changes in its ownership interest while it retains a controlling financial interest in a subsidiary, (iv) initially measures any retained noncontrolling equity investment in a subsidiary that is deconsolidated, and (v) discloses other information about its interests and the interests of the noncontrolling owners. The Company must apply prospectively the accounting requirements of SFAS No. 160 in the first quarter of 2010. The Company should also apply retroactively the presentation and disclosure requirements of the Statement for all periods presented at that time. The Company does not expect the adoption of SFAS No. 160 will have a material impact on its financial position, financial performance or cash flows.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133*. This Statement changes the disclosure requirements for derivative instruments and hedging activities. Entities are required to provide enhanced disclosures about (i) how and why an entity uses derivative instruments, (ii) how derivative instruments and related hedged items are accounted for under Statement 133 and its related interpretations, and (iii) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. The Company must apply the requirements of SFAS No. 161 in the first quarter of 2010. The Company does not expect the adoption of SFAS No. 161 will have a material impact on its financial position, financial performance or cash flows.

NOTE C—BUSINESS ACQUISITION

On December 27, 2006, we acquired 45,343,812 shares, representing 88.9% of shares outstanding, of Gold Kist Inc. ("Gold Kist") common stock through a tender offer. We subsequently acquired all remaining Gold Kist shares and, on January 9, 2007, Gold Kist became a wholly owned subsidiary of the Company. Gold Kist, based in Atlanta, Georgia, was the third largest chicken company in the United States, accounting for more than nine percent of chicken produced in the United States in recent years. Gold Kist operated a fully-integrated chicken production business that included live production, processing, marketing and distribution.

For financial reporting purposes, we have not included the operating results and cash flows of Gold Kist in our consolidated financial statements for the period from December 27, 2006 through December 30, 2006. The operating results and cash flows of Gold Kist from December 27, 2006 through December 30, 2006 were not material. We have included the acquired assets and assumed liabilities in our balance sheet using an allocation of the purchase price based on an appraisal received from a third-party valuation specialist.

The following summarizes the purchase price for Gold Kist at December 27, 2006 (in thousands):

Purchase of 50,146,368 shares at $21.00 per share	$	1,053,074
Premium paid on retirement of debt		22,208
Retirement of share-based compensation awards		25,677
Transaction costs and fees		37,740
Total purchase price	$	1,138,699

We retired the Gold Kist 10 1/4% Senior Notes due 2014 with a book value of $128.5 million at a cost of $149.8 million plus accrued interest and the Gold Kist Subordinated Capital Certificates of Interest at par plus accrued interest and a premium of one year's interest. We also paid acquisition transaction costs and funded change in control payments to certain Gold Kist employees. This acquisition was initially funded by (i) $780.0 million borrowed under our revolving-term secured credit facility and (ii) $450.0 million borrowed under our $450.0 million Senior Unsecured Term Loan Agreement ("Bridge Loan"). For additional information, see Note L—Notes Payable and Long-Term Debt.

In connection with the acquisition, we elected to freeze certain of the Gold Kist benefit plans with the intent to ultimately terminate them. We recorded a purchase price adjustment of $65.6 million to increase the benefit plans liability to the $82.5 million current estimated cost of these plan terminations. We do not anticipate any material net periodic benefit costs (income) related to these plans in the future. Additionally, we conformed Gold Kist's accounting policies to our accounting policies and provided for deferred income taxes on all related purchase adjustments.

The following summarizes our estimates of the fair value of the assets acquired and liabilities assumed at the date of acquisition (in thousands):

Current assets	$ 418,583
Property, plant and equipment	674,444
Goodwill	499,669
Intangible assets	64,500
Other assets	65,597
Total assets acquired	1,722,793
Current liabilities	269,619
Long-term debt, less current maturities	140,674
Deferred income taxes	93,509
Other long-term liabilities	80,292
Total liabilities assumed	584,094
Total purchase price	$ 1,138,699

Goodwill and other intangible assets reflected above were determined to meet the criteria for recognition apart from tangible assets acquired and liabilities assumed. Intangible assets related to the acquisition consisted of the following at December 27, 2006:

	Estimated Fair Value	Amortization Period
	(In millions)	(In years)
Intangible assets subject to amortization:		
Customer relationships	$ 51,000	13.0
Trade name	13,200	3.0
Non-compete agreements	300	3.0
Total intangible assets subject to amortization	64,500	
Goodwill	499,669	
Total intangible assets	$ 564,169	
Weighted average amortization period		10.9

Goodwill, which is recognized in the Company's chicken segment, represents the purchase price in excess of the value assigned to identifiable tangible and intangible assets. We elected to acquire Gold Kist at a price that resulted in the recognition of goodwill because we believed the following strategic and financial benefits were present:

- The combined company would be positioned as the world's leading chicken producer and that position would provide us with enhanced abilities to:
  - § Compete more efficiently and provide even better customer service;
  - § Expand our geographic reach and customer base;
  - § Further pursue value-added and prepared chicken opportunities; and
  - § Offer long-term growth opportunities for our stockholders, employees, and growers.
- The combined company would be better positioned to compete in the industry both internationally and in the US as additional consolidation occurred.

As discussed in Note I—Goodwill, because of the deterioration in the chicken industry subsequent to the acquisition, the Company determined that this goodwill was fully impaired at September 27, 2008.

The amortizable intangible assets were determined by us to have finite lives. The useful life for the customer relationships intangible asset we recognized was based on our forecasts of customer turnover. The useful life for the trade name intangible asset we recognized was based on the estimated length of our use of the Gold Kist trade name while it is phased out and replaced with the Pilgrim's Pride trade name. The useful life of the non-compete agreements intangible asset we recognized was based on the remaining life of the agreements. We amortize these intangible assets over their remaining useful lives on a straight-line basis. Annual amortization expense for these intangible assets was $8.4 million in 2008 and $6.3 million in 2007. We expect to recognize annual amortization expense of $8.4 million in 2009, $5.1 million in 2010, $3.9 million in each year from 2011 through 2019, and $1.0 million in 2020.

The following unaudited pro forma financial information has been presented as if the acquisition had occurred at the beginning of each period presented.

	2007 Pro forma	2006 Pro forma
	(In thousands, except shares and per share data)	
Net sales	$ 8,026,422	$ 7,269,182
Depreciation and amortization	$ 228,539	$ 221,512
Operating income (loss)	$ 206,640	$ (45,482)
Interest expense, net	$ 144,354	$ 123,726
Income (loss) from continuing operations before taxes	$ 43,900	$ (163,049)
Income (loss) from continuing operations	$ 17,331	$ (112,538)
Net income (loss)	$ 12,832	$ (118,571)
Income (loss) from continuing operations per common share	$ 0.26	$ (1.69)
Net income (loss) per common share	$ 0.19	$ (1.78)
Weighted average shares outstanding	66,555,733	66,555,733

NOTE D—DISCONTINUED BUSINESS

The Company sold certain assets of its turkey business for $18.6 million and recognized a gain of $1.5 million ($0.9 million, net of tax) during 2008 that is included in the line item *Gain on sale of discontinued business, net of tax* in the 2008 Consolidated Statement of Operations. This business was composed of substantially our entire former turkey segment. The results of this business are included in the line item *Income (loss) from operation of discontinued business, net of tax* in the Consolidated Statements of Operations for all periods presented.

For a period of time, we will continue to incur cash flow activities that are associated with our former turkey business. These activities are transitional in nature. We have entered into a short-term co-pack agreement with the acquirer of the former turkey business under which they will process turkeys for sale to our customers through the end of 2008. For the period of time until we have collected funds on the sale of these turkeys, we will continue to incur cash flow activity and to report operating activity, although at a substantially reduced level. Upon completion of these activities, the cash flows and the operating activity will be eliminated.

Neither our continued involvement in the distribution and sale of these turkeys or the co-pack agreement confers upon us the ability to influence the operating and/or financial policies of the turkey business under its new ownership.

No debt was assumed by the acquirer of the discontinued turkey business or required to be repaid as a result of the disposal transaction. We elected to allocate to the discontinued turkey operation other consolidated interest that was not directly attributable to or related to other operations of the Company based on the ratio of net assets to be sold or discontinued to the sum of the total net assets of the Company plus consolidated debt. Interest allocated to the discontinued business totaled $1.4 million, $2.6 million, and $1.6 million in 2008, 2007 and 2006, respectively.

The following amounts related to our turkey business have been segregated from continuing operations and included in the line items *Income (loss) from operation of discontinued business, net of tax* and *Gain on sale of discontinued business, net of tax* in the Consolidated Statements of Operations:

	2008	2007	2006
		(In thousands)	
Net sales	$ 86,261	$ 99,987	$ 82,836
Loss from operation of discontinued business before income taxes	$ (11,746)	$ (7,228)	$ (9,691)
Income tax benefit	(4,434)	(2,729)	(3,658)
Loss from operation of discontinued business, net of tax	$ (7,312)	$ (4,499)	$ (6,033)
Gain on sale of discontinued business before income taxes	$ 1,450	$ —	$ —
Income tax expense	547	—	—
Gain on sale of discontinued business, net of tax	$ 903	$ —	$ —

Property, plant and equipment related to our turkey business in the amount of $15.5 million was segregated and included in the line item *Assets held for sale* in the Consolidated Balance Sheet as of September 29, 2007. The following assets and liabilities related to our turkey business have been segregated and included in the line items *Assets of discontinued business* and *Liabilities of discontinued business*, as appropriate, in the Consolidated Balance Sheets as of September 27, 2008 and September 29, 2007.

	September 27, 2008	September 29, 2007
	(In thousands)	
Trade accounts and other receivables, less allowance for doubtful accounts	$ 5,881	$ 16,687
Inventories	27,638	36,545
Assets of discontinued business	$ 33,519	$ 53,232
Accounts payable	$ 7,737	$ 3,804
Accrued expenses	3,046	2,752
Liabilities of discontinued business	$ 10,783	$ 6,556

NOTE E—RESTRUCTURING ACTIVITIES

During 2008, the Company completed the following restructuring activities:

- Closed two processing complexes in Arkansas and North Carolina,
- Idled a processing complex in Louisiana,
- Transferred certain operations previously performed at a processing complex in Arkansas to other complexes,
- Closed seven distribution centers in Florida (2), Iowa, Mississippi, Ohio, Tennessee and Texas, and
- Closed an administrative office building in Georgia.

The Company's Board of Directors approved the actions as part of a plan intended to curtail losses amid record-high costs for corn, soybean meal and other feed ingredients and an oversupply of chicken in the United States. The actions began in March 2008 and were completed in September 2008. The affected processing complexes and distribution centers employed approximately 2,300 individuals. Virtually all of these individuals were impacted by the restructuring activities.

The Company recognized impairment charges during 2008 to reduce the carrying amounts of the following assets located at or related to the facilities discussed above to their estimated fair values:

	Impairment Charge
	(In thousands)
Property, plant and equipment	$ 10,210
Inventories	2,021
Intangible assets	852
Total	$ 13,083

Consistent with our previous practice and because management believes the realization of the carrying amount of the affected assets is directly related to the Company's production activities, the charges were reported as a component of gross profit (loss).

Results of operations for 2008 included restructuring charges totaling $16.2 million related to these actions. All of the restructuring charges, with the exception of certain lease commitment costs, have resulted in cash expenditures or will result in cash expenditures within one year.

The following table sets forth restructuring activity that occurred during 2008:

	September 29, 2007	2008		September 27, 2008
		Accruals	Payments	
		(In thousands)		
Lease continuation	$ —	$ 4,778	$ 312	$ 4,466
Severance and employee retention	—	4,000	1,306	2,694
Grower compensation	—	3,989	—	3,989
Other restructuring costs	—	3,389	1,727	1,662
Total	$ —	$ 16,156	$ 3,345	$ 12,811

Consistent with the Company's previous practice and because management believes these costs are related to ceasing production at these facilities and not directly related to the Company's ongoing production, they are classified as a component of operating income (expense).

We continue to review our business strategies and evaluate further restructuring activities. This could result in additional restructuring charges in future periods.

NOTE F—RECEIVABLES

Trade accounts and other receivables, less allowance for doubtful accounts, consisted of the following:

	September 27, 2008	September 29, 2007
	(In thousands)	
Trade accounts receivable	$ 135,003	$ 89,555
Other receivables	13,854	30,140
	148,857	119,695
Allowance for doubtful accounts	(4,701)	(5,017)
Receivables, net	$ 144,156	$ 114,678

In connection with the RPA, the Company sold, on a revolving basis, certain of its trade receivables (the "Pooled Receivables") to a special purpose entity ("SPE") wholly owned by the Company, which in turn sold a percentage ownership interest to third parties. The SPE was a separate corporate entity and its assets were available first and foremost to satisfy the claims of its creditors. The aggregate amount of Pooled Receivables sold plus the remaining Pooled Receivables available for sale under this RPA declined from $300.0 million at September 29, 2007 to $236.3 million at September 27, 2008. The outstanding amount of Pooled Receivables sold at September 27, 2008 and September 29, 2007 were $236.3 million and $300.0 million, respectively. The gross proceeds resulting from the sale are included in cash flows from operating activities in the Consolidated Statements of Cash Flows. The losses recognized on the sold receivables during 2008 and 2007 were not material. On December 3, 2008, the RPA was terminated and all receivables thereunder were repurchased with proceeds of borrowings under the DIP Credit Agreement.

NOTE G—INVENTORIES

Inventories consist of the following:

	September 27, 2008	September 29, 2007
	(In thousands)	
Chicken:		
Live chicken and hens	$ 385,511	$ 343,185
Feed and eggs	265,959	223,631
Finished chicken products	365,123	337,052
Total chicken inventories	1,016,593	903,868
Other products:		
Commercial feed, table eggs, retail farm store and other	$ 13,358	$ 11,327
Distribution inventories (other than chicken products)	6,212	10,145
Total other products inventories	19,570	21,472
Total inventories	$ 1,036,163	$ 925,340

Inventories included a lower-of-cost-or-market allowance of $26.6 million at September 27, 2008. Inventories did not include a lower-of-cost-or-market allowance at September 29, 2007.

NOTE H—INVESTMENTS IN AVAILABLE-FOR-SALE SECURITIES

The following is a summary of our current and long-term investments in available-for-sale securities:

	September 27, 2008	September 29, 2007
Current investments:	(In thousands)	
Fixed income securities	$ 9,835	$ 7,549
Other	604	604
Total current investments	$ 10,439	$ 8,153
Long-term investments:		
Fixed income securities	$ 44,127	$ 35,451
Equity securities	9,775	9,591
Other	1,952	993
	$ 55,854	$ 46,035

The Company and certain retirement plans that it sponsors invest in a variety of financial instruments. In response to the continued turbulence in global financial markets, we have analyzed our portfolios of investments and, to the best of our knowledge, none of our investments, including money market funds units, commercial paper and municipal securities, have been downgraded because of this turbulence, and neither we nor any fund in which we participate hold significant amounts of structured investment vehicles, mortgage backed securities, collateralized debt obligations, auction-rate securities, credit derivatives, hedge funds investments, fund of funds investments or perpetual preferred securities.

Certain investments are held in trust as compensating balance arrangements for our insurance liability and are classified as long-term based on a maturity date greater than one year from the balance sheet date and management's intention not to use such assets in the next twelve months.

Maturities for the Company's investments in fixed income securities as of September 27, 2008 were as follows:

	Amount	Percent
	(In thousands)	
Matures in less than one year	$ 9,835	18.2%
Matures between one and two years	7,952	14.8%
Matures between two and five years	28,690	53.1%
Matures in excess of five years	7,485	13.9%
	$ 53,962	100.0%

The Company has recorded unrealized pretax losses totaling $1.4 million, related to its investments at September 27, 2008 as accumulated other comprehensive income, a separate component of stockholders' equity.

NOTE I—GOODWILL AND IDENTIFIED INTANGIBLE ASSETS

The Company generally plans to perform its annual impairment test of goodwill at the beginning of its fourth quarter. However, the Company evaluated goodwill as of September 27, 2008 because of the significant deterioration in the operating environment during the fourth quarter of 2008. The Company's impairment test resulted in a non-cash, pretax impairment charge of $501.4 million ($7.40 per share) related to a write-down of the goodwill reported in the Chicken segment. The goodwill was primarily related to the 2007 acquisition of Gold Kist. The charge is not tax deductible because the acquisition of Gold Kist was structured as a tax-free stock transaction. The impairment charge is included in the line item *Goodwill impairment* in the Consolidated Statement of Operations for the year ended September 27, 2008.

The impairment of goodwill mainly resulted from declines in current and projected operating results and cash flows of the Company because of, among other factors, record-high costs for corn, soybean meal and other feed ingredients and an oversupply of chicken and other animal-based proteins in the United States. These factors resulted in the carrying value of the goodwill being greater than its implied fair value; therefore, a write-down to the implied fair value was required.

The implied fair value of goodwill is the residual fair value after allocating the total fair value of the Company to its other assets, net of liabilities. The total fair value of the Company was estimated using a combination of a discounted cash flow model (present value of future cash flows) and a market approach model (a multiple of various metrics based on comparable businesses and market transactions).

Identified intangible assets consisted of the following:

	Useful Life (Years)	Original Cost	Accumulated Amortization	Carrying Amount
			(In thousands)	
September 27, 2008:				
Trade names	3–15	$ 39,271	$ (16,168)	$ 23,103
Customer relationships	13	51,000	(6,865)	44,135
Non-compete agreement and other identified intangibles	3–15	300	(175)	125
Total intangible assets		$ 90,571	$ (23,208)	$ 67,363
September 29, 2007:				
Trade names		$ 39,271	$ (10,007)	$ 29,264
Customer relationships		51,000	(2,943)	48,057
Non-compete agreement and other identified intangibles		1,343	(231)	1,112
Total identified intangible assets		$ 91,614	$ (13,181)	$ 78,433

We recognized amortization expense of $10.2 million, $8.1 million and $1.8 million in 2008, 2007 and 2006, respectively.

We expect to recognize amortization expense associated with identified intangible assets of $10.2 million in 2009, $6.8 million in 2010 and $5.7 million in each year from 2011 through 2013.

NOTE J—PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, net consisted of the following:

	September 27, 2008	September 29, 2007
	(In thousands)	
Land	$ 111,567	$ 114,365
Buildings, machinery and equipment	2,465,608	2,366,418
Autos and trucks	64,272	59,489
Construction-in-progress	74,307	123,001
Property, plant and equipment, gross	2,715,754	2,663,273
Accumulated depreciation	(1,042,750)	(879,844)
Property, plant and equipment, net	$ 1,673,004	$ 1,783,429

Impairment

The Company recognized non-cash asset impairment charges totaling $10.2 million during 2008 to reduce the carrying amounts of certain property, plant and equipment located at the facilities discussed in Note E—Restructuring Activities to their estimated fair values.

Depreciation

We recognized depreciation expense related to our continuing operations of $224.4 million, $188.6 million and $129.3 million in 2008, 2007 and 2006, respectively. We also recognized depreciation charges related to our discontinued turkey business of $0.7 million, $1.6 million and $1.4 million in 2008, 2007 and 2006, respectively.

Assets Held for Sale

During 2008, the Company classified certain assets in the amount of $19.8 million related to its closed production complexes in North Carolina and Arkansas and its closed distribution centers in Florida and Texas as assets held for sale. The Company sold certain assets related to one of its closed distribution centers in Florida for $4.4 million in the third quarter of 2008 and recognized a gain of $2.0 million. At September 27, 2008, the Company reported $17.4 million of assets held for sale on its Consolidated Balance Sheet.

NOTE K—ACCRUED EXPENSES

Accrued expenses consisted of the following:

	September 27, 2008	September 29, 2007
	(In thousands)	
Compensation and benefits	$ 118,803	$ 159,322
Interest and debt maintenance	35,488	49,100
Self insurance	170,787	158,851
Other	123,745	129,989
Total	$ 448,823	$ 497,262

NOTE L—NOTES PAYABLE AND LONG-TERM DEBT

As previously discussed under Note A—Business, Chapter 11 Bankruptcy Filing and Process and Going Concern Matters, the Company filed for bankruptcy protection on December 1, 2008. The following discussion has two distinct sections, the first relating to our notes payable and long-term debt at September 27, 2008 and the second discussing our notes payable and long-term debt after filing for Chapter 11 bankruptcy protection on December 1, 2008.

Notes Payable and Long-Term Debt at September 27, 2008

Our notes payable and long-term debt consisted of the following:

	Final Maturity	September 27, 2008	September 29, 2007
		(In thousands)	
Senior unsecured notes, at 7 5/8%	2015	$ 400,000	$ 400,000
Senior subordinated unsecured notes, at 8 3/8%	2017	250,000	250,000
Secured revolving credit facility with notes payable at LIBOR plus 1.25% to LIBOR plus 2.75%	2013	181,900	—
Secured revolving credit facility with notes payable at LIBOR plus 1.65% to LIBOR plus 3.125%	2011	51,613	26,293
Secured revolving/term credit facility with four notes payable at LIBOR plus a spread, one note payable at 7.34% and one note payable at 7.56%	2016	1,035,250	622,350
Other	Various	23,220	22,787
Notes payable and long-term debt		1,941,983	1,321,430
Current maturities of long-term debt		(1,874,469)	(2,872)
Notes payable and long-term debt, less current maturities		$ 67,514	$ 1,318,558

In September 2006, the Company entered into an amended and restated revolver/term credit agreement with a maturity date of September 21, 2016. At September 27, 2008 this revolver/term credit agreement provided for an aggregate commitment of $1.172 billion consisting of (i) a $550 million revolving/term loan commitment and (ii) $622.4 million in various term loans. At September 27, 2008, the Company had $415.0 million outstanding under the revolver and $620.3 million outstanding in various term loans. The total credit facility is presently secured by certain fixed assets. On September 21, 2011, outstanding borrowings under the revolving/term loan commitment will be converted to a term loan maturing on September 21, 2016. The fixed rate term loans bear interest at rates ranging from 7.34% to 7.56%. The voluntary converted loans bear interest at rates ranging from LIBOR plus 1.0%-2.0%, depending upon the Company's total debt to capitalization ratio. The floating rate term loans bear interest at LIBOR plus 1.50%-1.75% based on the ratio of the Company's debt to EBITDA, as defined in the agreement. The revolving/term loans provide for interest rates ranging from LIBOR plus 1.0%-2.0%, depending upon the Company's total debt to capitalization ratio. Commitment fees charged on the unused balance of this facility range from 0.20% to 0.40%, depending upon the Company's total debt to capitalization ratio. In connection with temporary amendments to certain of the financial covenants in this agreement on April 30, 2008, the interest rates were temporarily increased until September 26, 2009 to the following ranges: (i) voluntary converted loans: LIBOR plus 1.5%-3.0%; (ii) floating rate terms loans: LIBOR plus 2.00%-2.75%; and (iii) revolving term loans: LIBOR plus 1.5%-3.0%. In connection with these amendments, the commitment fees were temporarily increased for the same period to range from 0.275%-0.525%. As a result of the Company's Chapter 11 filing, after December 1, 2008, interest will accrue at the default rate, which is two percent above the interest rate otherwise applicable under the credit agreement. One-half of the outstanding obligations under the revolver/term credit agreement are guaranteed by Pilgrim Interests, Ltd., an entity affiliated with our Senior Chairman, Lonnie "Bo" Pilgrim. The filing of the bankruptcy petitions also constituted an event of default under this credit agreement. The total principal

amount owed under this credit agreement was approximately $1,126.4 million as of December 1, 2008. As a result of such event of default, all obligations under the agreement became automatically and immediately due and payable, subject to an automatic stay of any action to collect, assert, or recover a claim against the Company and the application of applicable bankruptcy law.

In January 2007, the Company borrowed (i) $780 million under our revolver/term credit agreement and (ii) $450 million under our Bridge Loan agreement to fund the Gold Kist acquisition. On January 24, 2007, the Company closed on the sale of $400 million of 7 5/8% Senior Notes due 2015 (the "Senior Notes") and $250 million of 8 3/8% Senior Subordinated Notes due 2017 (the "Subordinated Notes"), sold at par. Interest is payable on May 1 and November 1 of each year, beginning November 1, 2007. Prior to the Chapter 11 filings, the notes were subject to certain early redemption features. The proceeds from the sale of the notes, after underwriting discounts, were used to (i) retire the loans outstanding under our Bridge Loan agreement, (ii) repurchase $77.5 million of the Company's 9 1/4% Senior Subordinated Notes due 2013 at a premium of $7.4 million plus accrued interest of $1.3 million and (iii) reduce outstanding revolving loans under our revolving/term credit agreement. Loss on early extinguishment of debt includes the $7.4 million premium along with unamortized loan costs of $7.1 million related to the retirement of these Notes.

In September 2007, the Company redeemed all of its 9 5/8% Senior Notes due 2011 at a total cost of $307.5 million. To fund a portion of the aggregate redemption price, the Company sold $300 million of trade receivables under the RPA. Loss on early extinguishment of debt includes the $9.5 million premium along with unamortized loan costs of $2.5 million related to the retirement of these Notes.

In February 2007, the Company entered into a domestic revolving credit agreement of up to $300.0 million with a final maturity date of February 18, 2013. The associated revolving credit facility provided for interest rates ranging from LIBOR plus 0.75-1.75%, depending upon our total debt to capitalization ratio. The obligations under this facility are secured by domestic chicken inventories and receivables that were not sold pursuant to the RPA. Commitment fees charged on the unused balance of this facility range from 0.175% to 0.35%, depending upon the Company's total debt to capitalization ratio. In connection with temporary amendments to certain of the financial covenants in this agreement on April 30, 2008, the interest rates were temporarily increased until September 26, 2009 to range between LIBOR plus 1.25%-2.75%. In connection with these amendments, the commitment fees were temporarily increased for the same period to range from 0.25%-0.50%. As a result of the Company's Chapter 11 filing, after December 1, 2008, interest will accrue at the default rate, which is two percent above the interest rate otherwise applicable under the credit agreement. One-half of the outstanding obligations under the domestic revolving credit facility are guaranteed by Pilgrim Interests, Ltd., an entity affiliated with our Senior Chairman, Lonnie "Bo" Pilgrim. The filing of the bankruptcy petitions also constituted an event of default under this credit agreement. The total principal amount owed under this credit agreement was approximately $199.5 million as of December 1, 2008. As a result of such event of default, all obligations under the agreement became automatically and immediately due and payable, subject to an automatic stay of any action to collect, assert, or recover a claim against the Company and the application of applicable bankruptcy law.

In September 2006, a subsidiary of the Company, Avícola Pilgrim's Pride de México, S. de R.L. de C.V. (the "Borrower"), entered into a secured revolving credit agreement of up to $75 million with a final maturity date of September 25, 2011. In March 2007, the Borrower elected to reduce the commitment under this agreement to 558 million Mexican pesos, a US dollar-equivalent 51.6 million at September 27, 2008. Outstanding amounts bear interest at rates ranging from the higher of the Prime Rate or Federal Funds Effective Rate plus 0.5%; LIBOR plus 1.65%-3.125%; or TIIE plus 1.05%-2.55% depending on the loan designation. Obligations under this agreement are secured by a security interest in and lien upon all capital stock and other equity interests of the Company's Mexican subsidiaries. All the obligations of the Borrower are secured by unconditional guaranty by the Company. At September 27, 2008, $51.6 million was outstanding and no other funds were available for borrowing under this line. Borrowings are subject to "no material adverse effect" provisions.

On November 30, 2008, the Company and certain non-Debtor Mexico subsidiaries of the Company (the "Mexico Subsidiaries") entered into a Waiver Agreement and Second Amendment to Credit Agreement (the "Waiver Agreement") with ING Capital LLC, as agent (the "Mexico Agent"), and the lenders signatory thereto (the "Mexico Lenders"). Under the Waiver Agreement, the Mexico Agent and the Mexico Lenders waived any default or event of default under the Credit Agreement dated as of September 25, 2006, by and among the Company, the Mexico Subsidiaries, the Mexico Agent and the Mexico Lenders, the administrative agent, and the lenders parties thereto (the "ING Credit Agreement"), resulting from the Company's filing of its bankruptcy petition with the Bankruptcy Court. Pursuant to the Waiver Agreement, outstanding amounts under the ING Credit Agreement now bear interest at a rate per annum equal to: the LIBOR Rate, the Base Rate, or the TIIE Rate, as applicable, plus the Applicable Margin (as those terms are defined in the ING Credit Agreement). While the Company is operating under its petitions for reorganization relief, the Waiver Agreement provides for an Applicable Margin for LIBOR loans, Base Rate loans, and TIIE loans of 6.0%, 4.0%, and 5.8%, respectively. The Waiver Agreement further amended the ING Credit Agreement to require the Company to make a mandatory prepayment of the revolving loans, in an aggregate amount equal to 100% of the net cash proceeds received by any Mexico Subsidiary, as applicable, in excess of thresholds specified in the ING Credit Agreement (i) from the occurrence of certain asset sales by the Mexico Subsidiaries; (ii) from the occurrence of any casualty or other insured damage to, or any taking under power of eminent domain or by condemnation or similar proceedings of, any property or asset of any Mexico Subsidiary; or (iii) from the incurrence of certain indebtedness by a Mexico Subsidiary. Any such mandatory prepayments will permanently reduce the amount of the commitment under the ING Credit Agreement. In connection with the Waiver Agreement, the Mexico Subsidiaries pledged substantially all of their receivables, inventory, and equipment and certain fixed assets.

Our loan agreements generally obligate us to reimburse the applicable lender for incremental increased costs due to a change in law that imposes (i) any reserve or special deposit requirement against assets of, deposits with or credit extended by such lender related to the loan, (ii) any tax, duty or other charge with respect to the loan (except standard income tax) or (iii) capital adequacy requirements. In addition, some of our loan agreements contain a withholding tax provision that requires us to pay additional amounts to the applicable lender or other financing party, generally if withholding taxes are imposed on such lender or other financing party as a result of a change in the applicable tax law. These increased cost and withholding tax provisions continue for the entire term of the applicable transaction, and there is no limitation on the maximum additional amounts we could be obligated to pay under such provisions.

In June 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. At September 27, 2008 and prior to our bankruptcy filing, the proceeds were available for the Company to draw from over the construction period in order to construct new sewage and solid waste disposal facilities at a poultry by-products plant in Camp County, Texas. There was no requirement that we borrow the full amount of the proceeds from these revenue bonds and we had not drawn on the proceeds or commenced construction of the facility as of September 27, 2008. Had the Company borrowed these funds, they would have become due in 2029. The revenue bonds are supported by letters of credit obtained by us under our revolving credit facilities, which are secured by our domestic chicken inventories. The bonds would have been recorded as debt of the Company if and when they were spent to fund construction. The original proceeds from the issuance of the revenue bonds continue to be held by the trustee of the bonds. The interest payment on the revenue bonds, which was due on December 1, 2008, was not paid. The filing of the bankruptcy petitions constituted an event of default under these bonds. As a result of the event of default, the trustee has the right to accelerate all obligations under the bonds such that they become immediately due and payable, subject to an automatic stay of any action to collect, assert, or recover a claim against the Company and the application of applicable bankruptcy law. In addition, the holders of the bonds may tender the bonds for remarketing at any time. We have been notified that the holders have tendered the bonds, which are required to be remarketed on or before December 16, 2008. If the bonds are not successfully remarketed by that date, the holders of the bonds may draw upon the letters of credit supporting the bonds.

Most of our domestic inventories and domestic fixed assets are pledged as collateral on our long-term debt and credit facilities.

At September 27, 2008, the Company was not in compliance with the provisions that required it to maintain levels of working capital and net worth and to maintain various fixed charge, leverage, current and debt-to-equity ratios. In September 2008, the Company notified its lenders that it expected to incur a significant loss in the fourth quarter of 2008 and entered into agreements with them to temporarily waive the fixed-charge coverage ratio covenant under its credit facilities. The lenders agreed to continue to provide liquidity under the credit facilities during the thirty-day period ended October 28, 2008. On October 27, 2008, the Company entered into further agreements with its lenders to temporarily waive the fixed-charge coverage ratio and leverage ratio covenants under its credit facilities. The lenders agreed to continue to provide liquidity under the credit facilities during the thirty-day period ended November 26, 2008. On November 26, 2008, the Company entered into further agreements with its lenders to extend the temporary waivers until December 1, 2008.

The filing of the bankruptcy petitions also constituted an event of default under the 7 5/8% Senior Notes due 2015, the 8 3/8% Senior Subordinated Notes due 2017 and the 9 1/4% Senior Subordinated Notes due 2013. The total principal amount of the Notes was approximately $657 million as of December 1, 2008. As a result of such event of default, all obligations under the Notes became automatically and immediately due and payable, subject to an automatic stay of any action to collect, assert, or recover a claim against the Company and the application of applicable bankruptcy law.

Assuming no amounts are accelerated, annual maturities of long-term debt for the five years subsequent to September 27, 2008 are: 2009—$2.4 million; 2010—$2.4 million; 2011—$54.3 million; 2012—$2.5 million; 2013—$200.9 million and thereafter—$1,679.4 million.

Total interest expense was $134.2 million, $123.2 million and $49.0 million in 2008, 2007 and 2006, respectively. Inter est related to new construction capitalized in 2008, 2007 and 2006 was $5.3 million, $5.7 million and $4.3 million, respectively.

The fair value of our public debt obligations at September 27, 2008 based upon quoted market prices for the issues, was approximately $371.2 million. Due to our current financial condition, our public debt is trading at a substantial discount. As of November 28, 2008, the most recent trades of our 7 5/8% senior unsecured notes and 8 3/8% senior subordinated unsecured notes were executed at $14.00 per $100.00 par value and $4.50 per $100.00 par value, respectively. Management also expects that the fair value of our non-public credit facilities has also decreased, but cannot reliably estimate the fair value at this time.

Notes Payable and Long-Term Debt after Chapter 11 Bankruptcy Filings

The filing of the Chapter 11 petitions constituted an event of default under certain of our debt obligations, and those debt obligations became automatically and immediately due and payable, subject to an automatic stay of any action to collect, assert, or recover a claim against the Company and the application of applicable bankruptcy law. As a result, the accompanying Consolidated Balance Sheet as of September 27, 2008 includes a reclassification of $1,872.1 million to reflect as current certain long-term debt under its credit facilities that became automatically and immediately due and payable.

On December 2, 2008, the Bankruptcy Court granted interim approval authorizing the Company and US Subsidiaries to enter into the DIP Credit Agreement among the Company, as borrower, the US Subsidiaries, as guarantors, Bank of Montreal, as agent, and the lenders party thereto. On December 2, 2008, the Company, the US Subsidiaries and the other parties entered into the DIP Credit Agreement, subject to final approval of the Bankruptcy Court.

The DIP Credit Agreement provides for an aggregate commitment of up to $450 million, which permits borrowings on a revolving basis. The Company received interim approval to access $365 million of the commitment pending issuance of the final order by the Bankruptcy Court. Outstanding borrowings under the DIP Credit Agreement will bear interest at a per annum rate equal to 8.0% plus the greatest of (i) the prime rate as established by the DIP agent from time to time, (ii) the average federal funds rate plus 0.5%, or (iii) the LIBOR rate plus 1.0%, payable monthly. The loans under the DIP Credit Agreement were used to repurchase all receivables sold under the Company's RPA and may be used to fund the working capital requirements of the Company and its subsidiaries according to a budget as approved by the required lenders under the DIP Credit Agreement. For additional information on the RPA, see Note F—Accounts Receivable.

Actual borrowings by the Company under the DIP Credit Agreement are subject to a borrowing base, which is a formula based on certain eligible inventory and eligible receivables. The borrowing base formula is reduced by pre-petition obligations under the Fourth Amended and Restated Secured Credit Agreement dated as of February 8, 2007, among the Company and certain of its subsidiaries, Bank of Montreal, as administrative agent, and the lenders parties thereto, as amended, administrative and professional expenses, and the amount owed by the Company and the Debtor Subsidiaries to any person on account of the purchase price of agricultural products or services (including poultry and livestock) if that person is entitled to any grower's or producer's lien or other security arrangement. The borrowing base is also limited to 2.22 times the formula amount of total eligible receivables. As of December 6, 2008, the applicable borrowing base was $324.8 million and the amount available for borrowings under the DIP Credit Agreement was $201.2 million.

The principal amount of outstanding loans under the DIP Credit Agreement, together with accrued and unpaid interest thereon, are payable in full at maturity on December 1, 2009, subject to extension for an additional six months with the approval of all lenders thereunder. All obligations under the DIP Credit Agreement are unconditionally guaranteed by the US Subsidiaries and are secured by a first priority priming lien on substantially all of the assets of the Company and the US Subsidiaries, subject to specified permitted liens in the DIP Credit Agreement.

Under the terms of the DIP Credit Agreement and applicable bankruptcy law, the Company may not pay dividends on the common stock while it is in bankruptcy. Any payment of future dividends and the amounts thereof will depend on our emergence from bankruptcy, our earnings, our financial requirements and other factors deemed relevant by our Board of Directors at the time.

On December 2, 2008, the Bankruptcy Court granted interim approval authorizing the Company and US Subsidiaries to enter into the DIP Credit Agreement among the Company, as borrower, the US Subsidiaries, as guarantors, Bank of Montreal, as agent, and the lenders party thereto. On December 2, 2008, the Company, the US Subsidiaries and the other parties entered into the DIP Credit Agreement, subject to final approval of the Bankruptcy Court.

The DIP Credit Agreement provides for an aggregate commitment of up to $450 million, which permits borrowings on a revolving basis. The Company received interim approval to access $365 million of the commitment pending issuance of the final order by the Bankruptcy Court. Outstanding borrowings under the DIP Credit Agreement will bear interest at a per annum rate equal to 8.0% plus the greatest of (i) the prime rate as established by the DIP agent from time to time, (ii) the average federal funds rate plus 0.5%, or (iii) the LIBOR rate plus 1.0%, payable monthly. The loans under the DIP Credit Agreement were used to repurchase all receivables sold under the Company's RPA and may be used to fund the working capital requirements of the Company and its subsidiaries according to a budget as approved by the required lenders under the DIP Credit Agreement. For additional information on the RPA, see Note F—Accounts Receivable.

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The principal amount of outstanding loans under the DIP Credit Agreement, together with accrued and unpaid interest thereon, are payable in full at maturity on December 1, 2009, subject to extension for an additional six months with the approval of all lenders thereunder. All obligations under the DIP Credit Agreement are unconditionally guaranteed by the US Subsidiaries and are secured by a first priority priming lien on substantially all of the assets of the Company and the US Subsidiaries, subject to specified permitted liens in the DIP Credit Agreement.

Under the terms of the DIP Credit Agreement and applicable bankruptcy law, the Company may not pay dividends on the common stock while it is in bankruptcy. Any payment of future dividends and the amounts thereof will depend on our emergence from bankruptcy, our earnings, our financial requirements and other factors deemed relevant by our Board of Directors at the time.

NOTE M—INCOME TAXES

Income (loss) from continuing operations before income taxes by jurisdiction is as follows:

	2008	2007	2006
		(In thousands)	
US	$ (1,165,208)	$ 87,235	$ (10,026)
Foreign	(21,885)	11,600	(16,600)
Total	$ (1,187,093)	$ 98,835	$ (26,626)

The components of income tax expense (benefit) are set forth below:

	2008	2007	2006
		(In thousands)	
Current:			
Federal	$ 925	$ (35,434)	$ (20,294)
Foreign	(1,649)	1,573	5,130
State and other	1,747	(2,704)	(3,718)
Total current	1,023	(36,565)	(18,882)
Deferred:			
Federal	(212,151)	73,285	9,511
Foreign	35,277	(1,637)	10,221
State and other	(19,070)	12,236	723
Total deferred	(195,944)	83,884	20,455
	$ (194,921)	$ 47,319	$ 1,573

The effective tax rate for continuing operations for 2008 was (16.4%) compared to 47.9% for 2007. The effective tax rate for 2008 differed from 2007 primarily as a result of net operating losses incurred in 2008 which are offset by the tax effect of goodwill impairment and valuation allowances established for deferred tax assets we believe no longer meet the more likely than not realization criteria of SFAS 109, *Accounting for Income Taxes*.

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Total deferred	(195,944)	83,884	20,455
	$ (194,921)	$ 47,319	$ 1,573

The effective tax rate for continuing operations for 2008 was (16.4%) compared to 47.9% for 2007. The effective tax rate for 2008 differed from 2007 primarily as a result of net operating losses incurred in 2008 which are offset by the tax effect of goodwill impairment and valuation allowances established for deferred tax assets we believe no longer meet the more likely than not realization criteria of SFAS 109, *Accounting for Income Taxes*.

The following table reconciles the statutory US federal income tax rate to the Company's effective income tax rate:

	2008	2007	2006
Federal income tax rate	(35.0) %	35.0%	(35.0) %
State tax rate, net	(2.2)	2.6	—
Permanent items	0.8	2.7	—
Difference in US statutory tax rate and foreign country effective tax rate	0.2	(0.7)	(1.4)
Goodwill impairment	14.8	—	—
Tax credits	(0.5)	(7.4)	(17.9)
Tax effect of American Jobs Creation Act repatriation	—	—	93.1
Currency related differences	—	3.5	11.5
Change in contingency / FIN 48 reserves	0.2	6.3	(40.5)
Change in valuation allowance	6.0	—	—
Change in tax rate	—	3.0	—
Other	(0.7)	2.9	(4.0)
Total	(16.4) %	47.9%	5.8%

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:

	2008	2007
	(In thousands)	
Deferred tax liabilities:		
Property and equipment	$ 207,706	$ 256,341
Inventories	84,261	109,410
Prior use of cash accounting	15,243	16,936
Acquisition-related items	13,832	14,820
Deferred foreign taxes	30,361	25,002
Identified intangibles	23,346	29,266
Other	6,722	51,654
Total deferred tax liabilities	381,471	503,429
Deferred tax assets:		
Net operating losses	212,421	—
Foreign net operating losses	50,824	41,257
Credit carry forwards	20,322	—
Expenses deductible in different years	142,619	143,697
Subtotal	426,186	184,954
Valuation allowance	(71,158)	—
Total deferred tax assets	355,028	184,954
Net deferred tax liabilities	$ 26,443	$ 318,475

The Company maintains valuation allowances when it is more likely than not that all or a portion of a deferred tax asset will not be realized. Changes in valuation allowances from period to period are included in the tax provision in the period of change. We evaluate the recoverability of our deferred income tax assets by assessing the need for a valuation allowance on a quarterly basis. If we determine that it is more likely than not that our deferred income tax assets will be recovered, the valuation allowance will be reduced.

At September 27, 2008, domestically we have recorded gross deferred tax assets of approximately $1,717.2 million with a valuation allowance of $24.6 million, offset by gross deferred tax liabilities of $1,693.0 million. In Mexico, we have recorded gross deferred tax assets of approximately $87.0 million with a valuation allowance of approximately $46.6 million, offset by deferred tax liabilities of $66.9 million.

Due to a recent history of losses, the Company does not believe it has sufficient positive evidence to conclude that realization of its net deferred tax asset position at September 27, 2008 in the US and Mexico is more likely than not.

As of September 27, 2008, the Company had US federal net operating loss carry forwards in the amount of $608.0 million that will begin to expire in 2027 and state net operating loss carry forwards in the amount of $523.7 million that will begin to expire in 2009. The Company also had Mexico net operating loss carry forwards at September 27, 2008 approximating $191.3 million that will begin to expire in 2011.

The Company has not provided any deferred income taxes on the undistributed earnings of its Mexico subsidiaries based upon the determination that such earnings will be indefinitely reinvested. As of September 27, 2008, the cumulative undistributed earnings of these subsidiaries were approximately $38.0 million. If such earnings were not considered indefinitely reinvested, certain deferred foreign and US income taxes would have been provided, after consideration of estimated foreign tax credits.

In October 2007, Mexico's legislative bodies enacted *La Ley del Impuesto Empresarial a Tasa Unica* ("IETU"), a new minimum corporate tax that was assessed on companies doing business in Mexico beginning January 1, 2008. While the Company has determined that it does not anticipate paying any significant taxes under IETU, the new law did affect the Company's tax planning strategies to fully realize its deferred tax assets under Mexico's regular income tax. The Company has evaluated the impact of IETU on its Mexico operations, and because of the treatment of net operating losses under the new law, established a valuation allowance for net operating losses it believes do not meet the more likely than not realization criteria of SFAS No. 109, *Accounting for Income Taxes*. This valuation allowance resulted in a $24.5 million charge to tax expense for 2008.

During the fourth quarter of 2006, the Company repatriated $155.0 million in previously unremitted, untaxed earnings under the provisions of the American Jobs Creation Act ("AJCA"). The AJCA, which was enacted in October 2004, included a temporary incentive to US multinationals to repatriate foreign earnings at an approximate effective 5.25% US federal tax rate. The total income tax effect of repatriations under the AJCA was $28.2 million.

The Company adopted the provisions of FIN 48 on September 30, 2007, effective for its year ended September 27, 2008. FIN 48 clarifies the accounting for income taxes by prescribing a minimum recognition threshold a tax benefit is required to meet before being recognized in the financial statements. FIN 48 also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. As a result of the implementation of FIN 48, the Company increased deferred tax assets by $22.9 million and goodwill by $0.5 million. Unrecognized tax benefits at September 27, 2008 relate to various US jurisdictions.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	2008
	(In thousands)
Unrecognized tax benefits, beginning of year	$ 58,557
Increases in tax positions for the current year	3,716
Increases in tax positions for prior years	4,120
Decreases in tax positions for prior years	(1,071)
Unrecognized tax benefits, end of year	$ 65,322

Included in unrecognized tax benefits of $65.3 million at September 27, 2008 was $36.6 million of tax benefits that, if recognized, would reduce the Company's effective tax rate.

The Company recognizes interest and penalties related to unrecognized tax benefits in its provision for income taxes. As of September 27, 2008, the Company had recorded a liability of $15.0 million for interest and penalties. This amount includes an increase of $3.3 million recognized for 2008.

The Company operates in the United States (including multiple state jurisdictions), Puerto Rico and Mexico. With few exceptions, the Company is no longer subject to US federal, state or local income tax examinations for years prior to 2003 and is no longer subject to Mexico income tax examinations by taxing authorities for years prior to 2005. We are currently under audit by the Internal Revenue Service for the tax years ended September 26, 2003 to September 30, 2006. It is likely that the examination phase of the audit will conclude in late 2009. As a result, no adjustments to our FIN 48 liability is expected within the next 12 months.

NOTE N—COMPREHENSIVE INCOME (LOSS)

For the year ending September 27, 2008, comprehensive loss, net of taxes, was $991.4 million, consisting of net loss of $998.6 million, unrealized loss related to our investments in debt securities of $2.2 million, gains related to pension and other postretirement benefits plans of $9.8 million and loss on cash flow hedges of $0.4 million. This compares to the year ended September 29, 2007 in which comprehensive income, net of taxes, was $60.9 million, consisting of net income of $47.0 million, unrealized gains related to our investments in debt securities of $0.8 million, gains related to pension and other postretirement benefits plans of $7.9 million and realized gains on cash flow hedges of $3.4 million. Comprehensive loss for the year ended September 30, 2006 was $33.7 million, consisting of net loss of $34.2 million and unrealized gains related to our investments in debt securities of $0.5 million.

Accumulated other comprehensive income at September 27, 2008 was $21.2 million, net of taxes of $13.4 million, and consisted of pretax adjustments for gains related to pension and other postretirement benefits plans totaling $31.2 million, accumulated unrealized gains on cash flow hedges totaling $4.8 million and accumulated unrealized loss on our investments in debt securities totaling $1.4 million. Accumulated other comprehensive income at September 29, 2007 was $14.0 million, net of taxes of $6.6 million, and consisted of pretax adjustments for gains related to pension and postretirement benefits plans totaling $14.3 million, accumulated unrealized gains on cash flow hedges totaling $5.3 million and accumulated unrealized gain on our investments in debt securities totaling $0.9 million.

NOTE O—COMMON STOCK

Prior to November 21, 2003, the Company had two classes of authorized common stock, Class A common stock and Class B common stock. After the New York Stock Exchange ("NYSE") closed on November 21, 2003, each share of Class A common stock and each share of Class B common stock was reclassified into one share of new common stock. The new common stock is our only class of authorized common stock. The new common stock was listed on the NYSE under the symbol "PPC" and registered under the Securities Exchange Act of 1934. Except as to voting rights, the rights of the new common stock are substantially identical to the rights of the Class A common stock and Class B common stock. Each share of common stock that was reclassified into our new common stock is generally entitled to cast twenty votes on all matters submitted to a vote of the stockholders until there is a change in the beneficial ownership of such share. The reclassification had no significant effect on our Consolidated Financial Statements, as the combination of the Class A and Class B shares into a new class of common stock did not affect the overall shares of common stock outstanding. As of September 27, 2008, we estimate that approximately 25.9 million shares of our common stock still carry twenty votes per share. We also estimate that 25.3 million shares of this common stock are beneficially owned by our Senior Chairman, Lonnie "Bo" Pilgrim, or certain affiliated entities.

In May 2008, the Company completed a public offering of 7.5 million shares of its common stock for total consideration of approximately $177.4 million ($177.2 million, net of costs incurred to complete the sale). The Company used the net proceeds of the offering to reduce outstanding indebtedness under two of its revolving credit facilities and for general corporate purposes.

Effective December 1, 2008, the NYSE delisted our common stock as a result of the Company's filing of its Chapter 11 petitions. Our common stock is now quoted on the Pink Sheets Electronic Quotation Service under the ticker symbol "PGPDQ.PK."

NOTE P—PENSION AND OTHER POSTRETIREMENT BENEFITS

Retirement Plans

The Company maintains the following retirement plans for eligible employees:

- The Pilgrim's Pride Retirement Savings Plan (the "RS Plan"), a Section 401(k) salary deferral plan,
- The Pilgrim's Pride Retirement Plan for Union Employees (the "Union Plan"), a defined benefit plan,
- The Pilgrim's Pride Retirement Plan for El Dorado Union Employees (the "El Dorado" Plan), a defined benefit plan,
- The To-Ricos Employee Cash or Deferred Arrangement Profit Sharing Plan (the "To-Ricos Plan"), a Section 1165(e) salary deferral plan, and
- The Gold Kist Pension Plan (the "GK Pension Plan"), a defined benefit plan.

The Company also maintains three postretirement plans for eligible Mexico employees as required by Mexico law that primarily cover termination benefits. Separate disclosure of plan obligations is not considered material.

The RS Plan is maintained for certain eligible US employees. Under the RS Plan, eligible employees may voluntarily contribute a percentage of their compensation and there are various Company matching provisions. The Union Plan covers certain locations or work groups within the Company. The El Dorado Plan was spun off from the Union Plan effective January 1, 2008 and covers certain eligible locations or work groups within the Company. The To-Ricos Plan is maintained for certain eligible Puerto Rican employees. Under the To-Ricos Plan, eligible employees may voluntarily contribute a percentage of their compensation and there are various Company matching provisions. The GK Pension Plan covers certain eligible US employees who were employed at locations that Pilgrim's Pride acquired in its acquisition of Gold Kist in 2007. Participation in the GK Pension Plan was frozen as of February 8, 2007 for all participants with the exception of terminated vested participants who are or may become permanently and totally disabled. The plan was frozen for that group as of March 31, 2007.

Under all of our retirement plans, the Company's expenses were $4.1 million, $10.0 million and $16.0 million in 2008, 2007 and 2006, respectively, including the correction of $4.6 million, pretax, in 2006 as described in Note B—Summary of Significant Accounting Policies.

The Company used a year-end measurement date of September 27, 2008 for its pension and postretirement benefits plans. Certain disclosures are listed below; other disclosures are not material to the financial statements.

Medical and Life Insurance Plans

Pilgrim's Pride assumed postretirement medical and life insurance obligations through its acquisition of Gold Kist in 2007. In January 2001, Gold Kist began to substantially curtail its programs for active employees. On July 1, 2003, Gold Kist terminated medical coverage for retirees age 65 and older, and only retired employees in the closed group between ages 55 and 65 could continue their coverage at rates above the average cost of the medical insurance plan for active employees. These retired employees will all reach the age of 65 by 2012 and liabilities of the postretirement medical plan will then end.

Benefit Obligations and Plan Assets

The following tables provide reconciliations of the changes in the plans' projected benefit obligations and fair value of assets as well as statements of the funded status, balance sheet reporting and economic assumptions for these plans.

	Pension Benefits		Other Benefits	
	2008	2007	2008	2007
Change in projected benefit obligation:		(In thousands)		
Projected benefit obligation, beginning of year	$ 196,803	$ 9,882	$ 2,432	$ —
Service cost	1,246	2,029	—	—
Interest cost	9,576	8,455	132	103
Plan participant contributions	29	61	79	681
Actuarial gains	(56,589)	(12,933)	(477)	(41)
Acquisitions	—	218,623	—	2,689
Prior year service cost	—	237	—	—
Benefits paid	(23,553)	(29,551)	(273)	(1,000)
Other	(158)	—	—	—
Projected benefit obligation, end of year	$ 127,354	$ 196,803	$ 1,893	$ 2,432

	Pension Benefits		Other Benefits	
	2008	2007	2008	2007
Change in plan assets:		(In thousands)		
Fair value of plan assets, beginning of year	$ 138,024	$ 6,252	$ —	$ —
Acquisitions	—	139,229	—	—
Actual return on plan assets	(24,063)	11,571	—	—
Contributions by employer	2,543	10,462	194	319
Plan participant contributions	29	61	79	681
Benefits paid	(23,553)	(29,551)	(273)	(1,000)
Fair value of plan assets, end of year	$ 92,980	$ 138,024	$ —	$ —

	Pension Benefits		Other Benefits	
	2008	2007	2008	2007
Funded status:		(In thousands)		
Funded status	$ (34,374)	$ (58,779)	$ (1,893)	$ (2,432)
Unrecognized prior service cost	121	237	—	—
Unrecognized net actuarial gain	(30,714)	(14,824)	(670)	(41)
Accrued benefit cost	$ (64,967)	$ (73,366)	$ (2,563)	$ (2,473)

	Pension Benefits		Other Benefits	
	2008	2007	2008	2007
Amounts recognized in the balance sheets:		(In thousands)		
Accrued benefit cost (current)	$ (13,596)	$ (17,614)	$ (203)	$ (380)
Accrued benefit cost (long-term)	(20,778)	(41,165)	(1,690)	(2,052)
Long-term deferred income taxes	(11,549)	(4,942)	(253)	(16)
Accumulated other comprehensive income	(19,044)	(9,645)	(417)	(25)
Net amount recognized	$ (64,967)	$ (73,366)	$ (2,563)	$ (2,473)

The accumulated benefit obligation for all defined benefit plans was $126.8 million and $196.2 million at September 27, 2008 and September 29, 2007, respectively. All of the Company's defined benefit plans had an accumulated benefit obligation in excess of plan assets at September 27, 2008 and September 29, 2007.

Net Periodic Benefit Cost (Income)

The following table provides the components of net periodic benefit cost (income) for the plans.

	Pension Benefits			Other Benefits		
	2008	2007	2006	2008	2007	2006
			(In thousands)			
Service cost	$ 1,246	$ 2,029	$ 2,242	$ —	$ —	$ —
Interest cost	9,576	8,455	458	132	103	—
Estimated return on plan assets	(10,200)	(8,170)	(454)	—	—	—
Settlement gain	(6,312)	(2,327)	—	153	—	—
Amortization of prior service cost	116	—	—	—	—	—
Effect of special events	(158)	—	—	—	—	—
Amortization of net gain	(125)	—	—	—	—	—
Net periodic benefit cost (income)	$ (5,857)	$ (13)	$ 2,246	$ 285	$ 103	$ —

Economic Assumptions

The following table presents the assumptions used in determining the benefit obligations and the net periodic benefit cost amounts.

	Pension Benefits		Other Benefits	
	2008	2007	2008	2007
Weighted average assumptions for benefit obligations at year end:				
Discount rate	7.38%	5.06%	7.53%	5.87%
Rate of increase in compensation levels	3.00%	3.00%	NA	NA
Weighted average assumptions for net periodic cost for the year:				
Discount rate	5.08%	5.06%	5.87%	5.50%
Rate of increase in compensation levels	3.00%	3.00%	NA	NA
Expected return on plan assets	7.77%	7.75%	7.75%	7.75%
Assumed health care cost trend rates:				
Health care cost trend rate assumed for next year	NA	NA	9.00%	8.00%
Rate to which the cost trend rate gradually declines	NA	NA	6.00%	5.00%
Year that the rate will reach the rate at which it is assumed to remain	NA	NA	2015	2014

The Company changed its approach in determining the discount rate from an annuity purchase rate approach to a yield curve approach. The effect has been an increase in the discount rate from September 29, 2007 to September 27, 2008. The yield curve approach better mirrors the Company's expectation that the termination of the GK Pension Plan and other benefit plans will not occur in the near future.

A one percentage-point change in the assumed health care cost trend rates would have an insignificant impact on 2008 expense and year-end liabilities.

Plan Assets

The following table reflects the pension plans' actual asset allocations.

	2008	2007
Asset allocation:		
Cash and money market funds	1%	2%
Equity securities	68%	71%
Debt securities	31%	27%
Total assets	100%	100%

Absent regulatory or statutory limitations, the target asset allocation for the investment of the assets for our ongoing pension plans is 25% in debt securities and 75% in equity securities. The plans only invest in debt and equity instruments for which there is a ready public market. We develop our expected long-term rate of return assumptions based on the historical rates of returns for equity and debt securities of the type in which our plans invest.

Benefit Payments

The following table reflects the benefits as of December 31, 2007 expected to be paid in each of the next five years and in the aggregate for the five years thereafter from our pension and other postretirement plans. Because our pension plans are primarily funded plans, the anticipated benefits with respect to these plans will come primarily from the trusts established for these plans. Because our other postretirement plans are unfunded, the anticipated benefits with respect to these plans will come from our own assets.

	Pension Benefits	Other Benefits
Expected benefit payments for year:	**(In thousands)**	
2009	$ 13,596	$ 204
2010	13,235	197
2011	12,554	171
2012	11,996	174
2013	11,459	176
2014—2018	51,807	887
Total	$ 114,647	$ 1,809

We anticipate contributing $1.8 million and $0.2 million to our pension and other postretirement plans, respectively, during 2009.

Unrecognized Benefit Amounts in Accumulated Other Comprehensive Income

The amounts in accumulated other comprehensive income that have not yet been recognized as components of net periodic benefits cost at September 27, 2008 and the changes in these amounts during 2008 are as follows.

	Pension Benefits	Other Benefits
Components of accumulated other comprehensive income, before tax:	**(In thousands)**	
Net actuarial gain	$ (30,714)	$ (670)
Net prior service cost	121	—
Total	$ (30,593)	$ (670)

	Pension Benefits	Other Benefits
Changes in accumulated other comprehensive income, before tax:	**(In thousands)**	
Net actuarial gain, beginning of year	$ (14,824)	$ (41)
Amortization	125	—
Curtailment and settlement adjustments	6,312	(153)
Liability gain	(56,589)	(477)
Asset loss	34,264	—
Other	(2)	1
Net actuarial gain, end of year	$ (30,714)	$ (670)
Net prior service cost, beginning of year	$ 237	$ —
Amortization	(116)	—
Net prior service cost, end of year	$ 121	$ —

NOTE Q—DERIVATIVE FINANCIAL INSTRUMENTS

The Company purchases certain commodities, primarily corn and soybean meal, for use as ingredients in the feed it either sells commercially or consumes in its live operations. As a result, the Company's operating results and cash flows are affected by changes in the price and availability of such feed ingredients. The Company attempts to mitigate its exposure to these changes through a program of risk management that includes the use of (i) contracts for the future delivery of commodities at fixed prices and (ii) derivative financial instruments such as exchange-traded futures and options. The Company has elected not to designate the derivative financial instruments it executes to mitigate its exposure to commodity price changes as cash flow hedges. The Company recognized $38.3 million in losses related to changes in the fair value of these derivative financial instruments during 2008. These losses are recorded in cost of sales. The impact of changes in the fair value of these derivative financial instruments in 2007 and 2006 was immaterial. The impact of changes in the fair value of these derivative financial instruments in 2007 and 2006 was immaterial. At September 27, 2008, the Company recorded a liability for futures contracts with an aggregate fair value of $18.0 million executed to manage the price risk on 19.1 million bushels of corn and 0.3 million tons of soybean meal.

In October 2008, the Company suspended the use of derivative financial instruments in response to its current financial condition. It immediately settled all outstanding derivative financial instruments and recognized losses in October totaling $18.4 million.

NOTE R—RELATED PARTY TRANSACTIONS

Lonnie "Bo" Pilgrim, the Senior Chairman, and certain entities related to Mr. Pilgrim are, collectively, the major stockholder of the Company (the "major stockholder").

Transactions with the major stockholder or related entities are summarized as follows:

	2008	2007	2006
		(In thousands)	
Loan guaranty fees	$ 4,904	$ 3,592	$ 1,615
Contract grower pay	1,008	885	976
Lease payments on commercial egg property	750	750	750
Other sales to major stockholder	710	620	747
Lease payments and operating expenses on airplane	456	507	492
Live chicken purchases from major stockholder	—	—	231

Pilgrim Interests, Ltd., an entity related to Lonnie "Bo" Pilgrim, guarantees a portion of the Company's debt obligations. In consideration of such guarantees, the Company has paid Pilgrim Interests, Ltd. a quarterly fee equal to 0.25% of one-half of the average aggregate outstanding balance of such guaranteed debt. During 2008, 2007 and 2006, we paid $4.9 million, $3.6 million and $1.6 million, respectively, to Pilgrim Interests, Ltd. Pursuant to the terms of the DIP Credit Agreement, the Company may not pay any guarantee fees without the consent of the lenders party thereto.

The Company has executed chicken grower contracts involving farms owned by the major stockholder as well as a farm owned by one former officer and director that provide for the placement of Company-owned flocks on these farms during the grow-out phase of production. These contracts are on terms substantially the same as contracts executed by the Company with unaffiliated parties and can be terminated by either party upon completion of the grow-out phase for each flock. The aggregate amounts paid by the Company to the officers and directors party to these grower contracts were less than $2.0 million in each of the years 2008, 2007 and 2006.

The Company leases a commercial egg property including all of the ongoing costs of the operation from the Company's major stockholder. The lease, which was executed in December 2000, runs for ten years with a monthly lease payment of $62.5 thousand.

The major stockholder owns both an egg laying operation and a chicken growing operation. At certain times during the year, the major stockholder may purchase live chickens and hens, and certain feed inventories during the grow-out phase for his flocks, from the Company and then sell the birds to the Company at maturity using a market-based formula in which the price is subject to a ceiling calculated at his cost plus two percent. The Company has not purchased chickens under this agreement since the first quarter of 2006 when the major stockholder recognized an operating margin of $4.5 thousand on the aggregate amount paid by the Company to the major stockholder reflected in the line item *Live chicken purchases from major stockholder* in the table above.

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 $33.0 thousand plus operating expenses. Lease expense was $396.0 thousand for each of the years 2008, 2007 and 2006. Operating expenses were $60.0 thousand, $111.2 thousand and $96.5 thousand in 2008, 2007 and 2006, respectively. The lease was terminated on November 18, 2008.

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 2008, 2007 and 2006 were insignificant. As of September 27, 2008, the Company had account balances at this financial institution of approximately $2.4 million.

The major stockholder has deposited $0.3 million with the Company as an advance on miscellaneous expenditures.

A son of the major stockholder sold commodity feed products and a limited amount of other services to the Company aggregating approximately $0.4 million and $0.6 million in 2008 and 2007, respectively. He also leases an insignificant amount of land from the Company.

NOTE S—COMMITMENTS AND CONTINGENCIES

General

We are a party to many routine contracts in which we provide general indemnities in the normal course of business to third parties for various risks. Among other considerations, we have not recorded a liability for any of these indemnities as based upon the likelihood of payment, the fair value of such indemnities is immaterial.

Purchase Obligations

The Company will sometimes enter into non-cancelable contracts to purchase capital equipment and certain commodities such as corn, soybean meal, cooking oil and natural gas. At September 27, 2008, the Company was party to outstanding purchase contracts totaling $164.9 million. Payments for purchases made under these contracts are due in less than 1 year.

Operating Leases

The Consolidated Statements of Operations include rental expense for operating leases of approximately $71.3 million, $67.3 million and $54.0 million in 2008, 2007 and 2006, respectively. The Company's future minimum lease commitments under non-cancelable operating leases are as follows: 2009—$43.6 million; 2010—$34.6 million; 2011—$27.4 million; 2012—$15.3 million; 2013—$8.0 million and thereafter—$1.7 million.

Certain of the Company's operating leases include rent escalations. The Company includes the rent escalation in its minimum lease payments obligations and recognizes them as a component of rental expense on a straight-line basis over the minimum lease term.

The Company also maintains operating leases for various types of equipment, some of which contain residual value guarantees for the market value of assets at the end of the term of the lease. The terms of the lease maturities range from one to seven years. The maximum potential amount of the residual value guarantees is estimated to be approximately $19.9 million; however, the actual amount would be offset by any recoverable amount based on the fair market value of the underlying leased assets. No liability has been recorded related to this contingency as the likelihood of payments under these guarantees is not considered to be probable and the fair value of such guarantees is immaterial. The Company historically has not experienced significant payments under similar residual guarantees.

Financial Instruments

At September 27, 2008, the Company had $111.2 million in letters of credit outstanding relating to normal business transactions. Letters of credit totaling $86.0 million affect the availability of credit under our $300.0 million secured revolving credit facility with notes payable at LIBOR plus 1.25% to LIBOR plus 2.75%.

The Company's loan agreements generally obligate the Company to reimburse the applicable lender for incremental increased costs due to a change in law that imposes (i) any reserve or special deposit requirement against assets of, deposits with or credit extended by such lender related to the loan, (ii) any tax, duty or other charge with respect to the loan (except standard income tax) or (iii) capital adequacy requirements. In addition, some of the Company's loan agreements contain a withholding tax provision that requires the Company to pay additional amounts to the applicable lender or other financing party, generally if withholding taxes are imposed on such lender or other financing party as a result of a change in the applicable tax law. These increased cost and withholding tax provisions continue for the entire term of the applicable transaction, and there is no limitation on the maximum additional amounts the Company could be obligated to pay under such provisions. Any failure to pay amounts due under such provisions generally would trigger an event of default, and, in a secured financing transaction, would entitle the lender to foreclose upon the collateral to realize the amount due.

Litigation

The Company is subject to various legal proceedings and claims which arise in the ordinary course of business. In the Company's opinion, it has made appropriate and adequate accruals for claims where necessary, and the Company believes the probability of material losses beyond the amounts accrued to be remote; however, the ultimate liability for these matters is uncertain, and if significantly different than the amounts accrued, the ultimate outcome could have a material effect on the financial condition or results of operations of the Company. On December 1, 2008, the Debtors filed voluntary petitions for reorganization under Chapter 11 of the Bankruptcy Code in the Bankruptcy Court. The cases are being jointly administered under Case No. 08-45664. The Debtors continue to operate their business as "debtors-in-possession" under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court. As of the date of the Chapter 11 filing, virtually all pending litigation against the Company (including the actions described below) is stayed as to the Company, and absent further order of the Bankruptcy Court, no party, subject to certain exceptions, may take any action, also subject to certain exceptions, to recover on pre-petition claims against the Debtors. At this time it is not possible to predict the outcome of the Chapter 11 filings or their effect on our business. Below is a summary of the most significant claims outstanding against the Company. The Company believes it has substantial defenses to the claims made and intends to vigorously defend these cases.

Among the claims presently pending against the Company are claims seeking unspecified damages brought by a stockholder, individually and on behalf of a putative class, alleging violations of certain antifraud provisions of the Securities Exchange Act of 1934. The Company intends to defend vigorously against the merits of the action and any attempts by the plaintiff to certify a class action. The likelihood of an unfavorable outcome or the amount or range of any possible loss to the Company cannot be determined at this time.

Other claims presently pending against the Company are claims seeking unspecified damages brought by current and former employees seeking compensation for the time spent donning and doffing clothing and personal protective equipment. We are aware of an industry-wide investigation by the Wage and Hour Division of the US Department of Labor to ascertain compliance with various wage and hour issues, including the compensation of employees for the time spent on activities such as donning and doffing clothing and personal protective equipment. Due, in part, to the government investigation and the recent US Supreme Court decision in *IBP, Inc. v. Alvarez*, it is possible that we may be subject to additional employee claims. We intend to assert vigorous defenses to the litigation. Nonetheless, there can be no assurances that other similar claims may not be brought against the Company.

US Immigration and Customs Enforcement has recently been investigating identity theft within our workforce. With our cooperation, during the past eleven months US Immigration and Customs Enforcement has arrested approximately 350 of our employees believed to have engaged in identity theft at five of our facilities. No assurances can be given that further enforcement efforts by governmental authorities against our employees or the Company will not disrupt a portion of our workforce or our operations at one or more of our facilities, thereby negatively impacting our business.

NOTE T—BUSINESS SEGMENTS

We operate in two reportable business segments as (i) a producer and seller of chicken products and (ii) a seller of other products.

Our chicken segment includes sales of chicken products we produce and purchase for resale in the US, including Puerto Rico, and Mexico. Our chicken segment conducts separate operations in the US and Puerto Rico and in Mexico and is reported as two separate geographical areas.

Our other products segment includes distribution of non-poultry products that are purchased from third parties and sold to independent grocers and quick service restaurants. Also included in this category are sales of table eggs, feed, protein products, live hogs and other items, some of which are produced or raised by the Company.

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 allocated to Mexico based upon various apportionment methods for specific expenditures incurred related thereto with the remaining amounts allocated to the US portions of the segments based on number of employees.

Assets associated with our corporate functions, included cash and cash equivalents and investments in available for sale securities are included in our chicken segment.

Selling, general and administrative expenses related to our distribution centers are allocated based on the proportion of net sales to the particular segment to which the product sales relate.

Depreciation and amortization, total assets and capital expenditures of our distribution centers are included in our chicken segment based on the primary focus of the centers.

The following table presents certain information regarding our segments:

As of or for the Year Ended	September 27, 2008	September 29, 2007[a]	September 30, 2006
		(In thousands)	
Net sales to customers:			
Chicken:			
United States	$ 7,077,047	$ 6,328,354	$ 4,098,403
Mexico	543,583	488,466	418,745
Subtotal	7,620,630	6,816,820	4,517,148
Other Products:			
United States	869,850	661,115	618,575
Mexico	34,632	20,677	17,006
Subtotal	904,482	681,792	635,581
Total	$ 8,525,112	$ 7,498,612	$ 5,152,729
Operating income (loss):			
Chicken:			
United States[b]	$ (1,135,370)	$ 192,447	$ 28,619
Mexico	(25,702)	13,116	(17,960)
Subtotal	(1,161,072)	205,563	10,659
Other Products:			
United States	98,863	28,636	(1,192)
Mexico	4,513	2,992	1,638
Subtotal	103,376	31,628	446
Total	$ (1,057,696)	$ 237,191	$ 11,105
Depreciation and amortization[c][d][e]:			
Chicken:			
United States	$ 215,586	$ 183,808	$ 114,516
Mexico	10,351	11,015	11,305
Subtotal	225,937	194,823	125,821
Other Products:			
United States	13,354	8,278	7,743
Mexico	244	215	146
Subtotal	13,598	8,493	7,889
Total	$ 239,535	$ 203,316	$ 133,710
Total assets[f]:			
Chicken:			
United States	$ 2,733,089	$ 3,247,812	$ 1,909,129
Mexico	372,952	348,894	361,887
Subtotal	3,106,041	3,596,706	2,271,016
Other Products:			
United States	153,607	104,644	89,447
Mexico	5,542	4,120	1,660
Subtotal	159,149	108,764	91,107
Total	$ 3,265,190	$ 3,705,470	$ 2,362,123
Acquisitions of property, plant and equipment (excluding business acquisition)[g]:			
Chicken:			
United States	$ 148,811	$ 164,449	$ 133,106
Mexico	545	1,633	6,536
Subtotal	149,356	166,082	139,642
Other Products:			
United States	2,815	5,699	3,567

Mexico	330	40	416
Subtotal	3,145	5,739	3,983
Total	$ 152,501	$ 171,821	$ 143,625

(a) The Company acquired Gold Kist on December 27, 2006 for $1.139 billion.

(b) Includes goodwill impairment of $501.4 million and restructuring charges of $29.3 million in 2008.

(c) Includes amortization of capitalized financing costs of approximately $4.9 million, $6.6 million and $2.6 million in 2008, 2007 and 2006, respectively

(d) Includes amortization of intangible assets of $10.2 million, $8.1 million and $1.8 million recognized in 2008, 2007 and 2006 related primarily to the Gold Kist and ConAgra Chicken acquisitions.

(e) Excludes depreciation costs incurred by our discontinued turkey business of $0.7 million, $1.6 million and $1.4 million during 2008, 2007 and 2006, respectively.

(f) Excludes total assets of our discontinued turkey business of $33.5 million at September 27, 2008, $68.8 million at September 29 2007 and $64.7 million at September 30, 2006.

(g) Excludes acquisitions of property, plant and equipment by our discontinued turkey business of $0.5 million and $0.3 million during 2007 and 2006, respectively. Acquisitions of property, plant and equipment by our discontinued turkey business during 2008 were immaterial.

The Company had one customer that represented 10% or more of annual net sales in 2008, 2007 and 2006.

The Company's Mexico operations had net long-lived assets of $97.2 million, $106.2 million, and $116.9 million at September 27, 2008, September 29, 2007 and September 30, 2006, respectively.

The Company's Mexico operations had net assets of $230.5 million and $284.8 million and at September 27, 2008 and September 29, 2007, respectively.

NOTE U—QUARTERLY RESULTS (UNAUDITED)

2008	First	Second[a]	Third[b]	Fourth[c]	Year
	(In thousands, except per share data)				
Net sales	$ 2,047,353	$ 2,100,794	$ 2,207,476	$ 2,169,489	$ 8,525,112
Gross profit (loss)	105,103	(35,401)	53,211	(286,408)	(163,495)
Operating income (loss)	670	(143,629)	(42,531)	(872,206)	(1,057,696)
Loss from continuing operations	(33,166)	(111,501)	(48,344)	(799,161)	(992,172)
Income (loss) from operation of discontinued business	837	(850)	(4,437)	(2,862)	(7,312)
Gain on disposal of discontinued business	—	903	—	—	903
Net loss	(32,329)	(111,448)	(52,781)	(802,023)	(998,581)
Per share amounts:					
Continuing operations	$ (0.50)	$ (1.67)	$ (0.69)	$ (10.79)	$ (14.31)
Discontinued business	0.01	—	(0.06)	(0.04)	(0.09)
Net loss	(0.49)	(1.67)	(0.75)	(10.83)	(14.40)
Dividends	0.0225	0.0225	0.0225	0.0225	0.0900
Number of days in quarter	91	91	91	91	364

(a) The company recognized restructuring charges of $17.7 million in the second quarter of 2008.

(b) The Company recognized gains on derivative financial instruments of $102.4 million in the third quarter of 2008.

(c) The Company recognized goodwill impairment of $501.4 million, losses on derivative financial instruments of $155.7 million, restructuring charges of $8.1 million and valuation allowances of $34.6 million in the fourth quarter of 2008.

2007	First[(a)]	Second	Third	Fourth	Year
	(In thousands, except per share data)				
Net sales	$ 1,291,957	$ 1,987,185	$ 2,104,499	$ 2,114,971	$ 7,498,612
Gross profit	62,238	84,049	234,825	211,618	592,730
Operating income (loss)	(4,902)	(10,674)	136,896	115,871	237,191
Income (loss) from continuing operations	(9,827)	(39,018)	63,277	37,084	51,516
Income (loss) from operation of discontinued business	1,091	(1,059)	(636)	(3,895)	(4,499)
Net income (loss)	(8,736)	(40,077)	62,641	33,189	47,017
Per share amounts:					
Continuing operations	$ (0.15)	$ (0.59)	$ 0.95	$ 0.56	$ 0.77
Discontinued business	0.02	(0.01)	(0.01)	(0.06)	(0.06)
Net income (loss)	(0.13)	(0.60)	0.94	0.50	0.71
Dividends	0.0225	0.0225	0.0225	0.0225	0.0900
Number of days in quarter	91	91	91	91	364

(a) The Company acquired Gold Kist on December 27, 2006 for $1.139 billion. For financial reporting purposes, we have not included the operating results and cash flows of Gold Kist in our consolidated financial statements for the period from December 27, 2006 through December 30, 2006. The operating results and cash flows of Gold Kist from December 27, 2006 through December 30, 2006 were not material.

SCHEDULE II
PILGRIM'S PRIDE CORPORATION
VALUATION AND QUALIFYING ACCOUNTS

	Beginning Balance	Additions: Charged to Costs and Expenses	Additions: Charged to Other Accounts		Deductions [b]	Ending Balance
			(In thousands)			
Trade Accounts and Other Receivables— Allowance for Doubtful Accounts:						
2008	$ 5,017	$ 1,956	$ —		$ 2,272	$ 4,701
2007	2,155	4,751	424	[a]	2,313	5,017
2006	4,818	(185)	—		2,478	2,155
Deferred Tax Assets— Valuation Allowance:						
2008	$ 308	$ 70,850	$ —		$ —	$ 71,158
2007	—	—	308		—	308
2006	—	—	—		—	—

[a] Adjustment to balance established for accounts receivable acquired from Gold Kist.
[b] Uncollectible accounts written off, net of recoveries.

Exhibit Index

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).
2.3	Agreement and Plan of Merger dated as of December 3, 2006, by and among the Company, Protein Acquisition Corporation, a wholly owned subsidiary of the Company, and Gold Kist Inc. (incorporated by reference from Exhibit 99.(D)(1) to Amendment No. 11 to the Company's Tender Offer Statement on Schedule TO filed on December 5, 2006).
3.1	Certificate of Incorporation of the Company, as amended (incorporated by reference from Exhibit 3.1 of the Company's Annual Report on Form 10-K for the year ended October 2, 2004).
3.2	Amended and Restated Corporate Bylaws of the Company (incorporated by reference from Exhibit 4.4 of the Company's Registration Statement on Form S-8 (No. 333-111929) filed on January 15, 2004).
4.1	Certificate of Incorporation of the Company, as amended (included as Exhibit 3.1).
4.2	Amended and Restated Corporate Bylaws of the Company (included as Exhibit 3.2).
4.3	Indenture, dated November 21, 2003, between Pilgrim's Pride Corporation and The Bank of New York as Trustee relating to Pilgrim's Pride's 9 1/4% Senior Notes due 2013 (incorporated by reference from Exhibit 4.1 of the Company's Registration Statement on Form S-4 (No. 333-111975) filed on January 16, 2004).
4.4	Form of 9 1/4% Note due 2013 (incorporated by reference from Exhibit 4.3 of the Company's Registration Statement on Form S-4 (No. 333-111975) filed on January 16, 2004).
4.5	Senior Debt Securities Indenture dated as of January 24, 2007, by and between the Company and Wells Fargo Bank, National Association, as trustee (incorporated by reference from Exhibit 4.1 to the Company's Current Report on Form 8-K filed on January 24, 2007).
4.6	First Supplemental Indenture to the Senior Debt Securities Indenture dated as of January 24, 2007, by and between the Company and Wells Fargo Bank, National Association, as trustee (incorporated by reference from Exhibit 4.2 to the Company's Current Report on Form 8-K filed on January 24, 2007).

4.7	Form of 7 5/8% Senior Note due 2015 (incorporated by reference from Exhibit 4.3 to the Company's Current Report on Form 8-K filed on January 24, 2007).
4.8	Senior Subordinated Debt Securities Indenture dated as of January 24, 2007, by and between the Company and Wells Fargo Bank, National Association, as trustee (incorporated by reference from Exhibit 4.4 to the Company's Current Report on Form 8-K filed on January 24, 2007).
4.9	First Supplemental Indenture to the Senior Subordinated Debt Securities Indenture dated as of January 24, 2007, by and between the Company and Wells Fargo Bank, National Association, as trustee (incorporated by reference from Exhibit 4.5 to the Company's Current Report on Form 8-K filed on January 24, 2007).
4.10	Form of 8 3/8% Subordinated Note due 2017 (incorporated by reference from Exhibit 4.6 to the Company's Current Report on Form 8-K filed on January 24, 2007).
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-K filed on July 1, 1992). …
10.2	Senior Executive Performance Bonus Plan of the Company (incorporated by reference from Exhibit A in the Company's Proxy Statement dated December 13, 1999). …
10.3	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).
10.4	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).
10.5	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).
10.6	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).
10.7	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).

10.8	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).
10.9	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).
10.10	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).
10.11	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).
10.12	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 year ended October 2, 1999).
10.13	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).
10.14	Amendment No. 1 dated as of December 31, 2003 to 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 10.5 of the Company's Quarterly Report on Form 10-Q filed February 4, 2004).
10.15	Employee Stock Investment Plan of the Company (incorporated by reference from Exhibit 4.1 of the Company's Registration Statement on Form S-8 (No. 333-111929) filed on January 15, 2004). …
10.16	2005 Deferred Compensation Plan of the Company (incorporated by reference from Exhibit 10.1 of the Company's Current Report on Form 8-K dated December 27, 2004). **…**
10.17	Vendor Service Agreement dated effective December 28, 2005 between Pilgrim's Pride Corporation and Pat Pilgrim (incorporated by reference from Exhibit 10.2 of the Company's Current Report on Form 8-K dated January 6, 2006).
10.18	Transportation Agreement dated effective December 28, 2005 between Pilgrim's Pride Corporation and Pat Pilgrim (incorporated by reference from Exhibit 10.3 of the Company's Current Report on Form 8-K dated January 6, 2006).

10.19	Credit Agreement by and among the Avícola Pilgrim's Pride de México, S. de R.L. de C.V. (the "Borrower"), Pilgrim's Pride Corporation, certain Mexico subsidiaries of the Borrower, ING Capital LLC, and the lenders signatory thereto dated as of September 25, 2006 (incorporated by reference from Exhibit 10.1 of the Company's Current Report on Form 8-K filed on September 28, 2006).
10.20	2006 Amended and Restated Credit Agreement by and among CoBank, ACB, Agriland, FCS and the Company dated as of September 21, 2006 (incorporated by reference from Exhibit 10.2 of the Company's Current Report on Form 8-K filed on September 28, 2006).
10.21	First Amendment to the Pilgrim's Pride Corporation Amended and Restated 2005 Deferred Compensation Plan Trust, dated as of November 29, 2006 (incorporated by reference from Exhibit 10.03 of the Company's Current Report on Form 8-K filed on December 05, 2006). …
10.22	Agreement and Plan of Merger dated as of December 3, 2006, by and among the Company, Protein Acquisition Corporation, a wholly owned subsidiary of the Company, and Gold Kist Inc. (incorporated by reference from Exhibit 99.(D)(1) to Amendment No. 11 to the Company's Tender Offer Statement on Schedule TO filed on December 5, 2006).
10.23	First Amendment to Credit Agreement, dated as of December 13, 2006, by and among the Company, as borrower, CoBank, ACB, as lead arranger and co-syndication agent, and sole book runner, and as administrative, documentation and collateral agent, Agriland, FCS, as co-syndication agent, and as a syndication party, and the other syndication parties signatory thereto (incorporated by reference from Exhibit 10.01 to the Company's Current Report on Form 8-K filed on December 19, 2006).
10.24	Second Amendment to Credit Agreement, dated as of January 4, 2007, by and among the Company, as borrower, CoBank, ACB, as lead arranger and co-syndication agent, and sole book runner, and as administrative, documentation and collateral agent, Agriland, FCS, as co-syndication agent, and as a syndication party, and the other syndication parties signatory thereto (incorporated by reference from Exhibit 10.01 to the Company's Current Report on Form 8-K filed on January 9, 2007).
10.25	Fourth Amended and Restated Secured Credit Agreement, dated as of February 8, 2007, by and among the Company, To-Ricos, Ltd., To-Ricos Distribution, Ltd., Bank of Montreal, as agent, SunTrust Bank, as syndication agent, U.S. Bank National Association and Wells Fargo Bank, National Association, as co-documentation agents, BMO Capital Market, as lead arranger, and the other lenders signatory thereto (incorporated by reference from Exhibit 10.01 of the Company's Current Report on Form 8-K dated February 12, 2007).

10.26	Third Amendment to Credit Agreement, dated as of February 7, 2007, by and among the Company as borrower, CoBank, ACB, as lead arranger and co-syndication agent, and the sole book runner, and as administrative, documentation and collateral agent, Agriland, FCS, as co-syndication agent, and as a syndication party, and the other syndication parties signatory thereto (incorporated by reference from Exhibit 10.02 of the Company's Current Report on Form 8-K dated February 12, 2007).
10.27	First Amendment to Credit Agreement, dated as of March 15, 2007, by and among the Borrower, the Company, the Subsidiary Guarantors, ING Capital LLC, and the Lenders (incorporated by reference from Exhibit 10.01 of the Company's Current Report on Form 8-K dated March 20, 2007).
10.28	Fourth Amendment to Credit Agreement, dated as of July 3, 2007, by and among the Company as borrower, CoBank, ACB, as lead arranger and co-syndication agent, and the sole book runner, and as administrative, documentation and collateral agent, Agriland, FCS, as co-syndication agent, and as syndication party, and the other syndication parties signatory thereto (incorporated by reference from Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q filed July 31, 2007).
10.29	Retirement and Consulting Agreement dated as of October 10, 2007, between the Company and Clifford E. Butler (incorporated by reference from Exhibit 10.1 of the Company's Current Report on Form 8-K dated October 10, 2007). …
10.30	Fifth Amendment to Credit Agreement, dated as of August 7, 2007, by and among the Company as borrower, CoBank, ACB, as lead arranger and co-syndication agent, and the sole book runner, and as administrative, documentation and collateral agent, Agriland, FCS, as co-syndication agent, and as syndication party, and the other syndication parties signatory thereto (incorporated by reference from Exhibit 10.39 of the Company's Annual Report on Form 10-K filed on November 19, 2007).
10.31	Sixth Amendment to Credit Agreement, dated as of November 7, 2007, by and among the Company as borrower, CoBank, ACB, as administrative agent, and the other syndication parties signatory thereto (incorporated by reference from Exhibit 10.1 of the Company's Current Report on Form 8-K dated November 13, 2007).
10.32	Ground Lease Agreement effective February 1, 2008 between Pilgrim's Pride Corporation and Pat Pilgrim (incorporated by reference from Exhibit 10.1 of the Company's Current Report on Form 8-K dated February 1, 2008).
10.33	Seventh Amendment to Credit Agreement, dated as of March 10, 2008, by and among the Company as borrower, CoBank, ACB, as administrative agent, and the other syndication parties signatory thereto (incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K filed on February 20, 2008).

10.34	First Amendment to the Fourth Amended and Restated Secured Credit Agreement, dated as of March 11, 2008, by and among the Company, To-Ricos, Ltd., To-Ricos Distribution, Ltd., Bank of Montreal, as administrative agent, and the other lenders signatory thereto (incorporated by reference from Exhibit 10.2 to the Company's Current Report on Form 8-K filed on February 20, 2008).
10.35	Eighth Amendment to Credit Agreement, dated as of April 30, 2008, by and among the Company as borrower, CoBank, ACB, as administrative agent, and the other syndication parties signatory thereto (incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K filed on May 5, 2008).
10.36	Second Amendment to the Fourth Amended and Restated Secured Credit Agreement, dated as of April 30, 2008, by and among the Company, To-Ricos, Ltd., To-Ricos Distribution, Ltd., Bank of Montreal, as administrative agent, and the other lenders signatory thereto (incorporated by reference from Exhibit 10.2 to the Company's Current Report on Form 8-K filed on May 5, 2008).
10.37	Change to Company Contribution Amount Under the Amended and Restated 2005 Deferred Compensation Plan of the Company (incorporated by reference from Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed July 30, 2008). **…**
10.38	Limited Duration Waiver of Potential Defaults and Events of Default under Credit Agreement dated September 26, 2008 by and among Pilgrim's Pride Corporation, as borrower, CoBank, ACB, as administrative agent, and the other syndication parties signatory thereto (incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K filed on September 29, 2008).
10.39	Limited Duration Waiver Agreement dated as of September 26, 2008 by and among Pilgrim's Pride Corporation, as borrower, Bank of Montreal, as administrative agent, and certain other bank parties thereto (incorporated by reference from Exhibit 10.2 to the Company's Current Report on Form 8-K filed on September 29, 2008).
10.40	Limited Duration Waiver Agreement dated as of September 26, 2008 by and among Pilgrim's Pride Corporation, Pilgrim's Pride Funding Corporation, BMO Capital Markets Corp., as administrator, and Fairway Finance Company, LLC (incorporated by reference from Exhibit 10.3 to the Company's Current Report on Form 8-K filed on September 29, 2008).
10.41	Amended and Restated Receivables Purchase Agreement dated as of September 26, 2008 among Pilgrim's Pride Corporation, Pilgrim's Pride Funding Corporation, BMO Capital Markets Corp., as administrator, and the various purchasers and purchaser agents from time to time parties thereto (incorporated by reference from Exhibit 10.4 to the Company's Current Report on Form 8-K filed on September 29, 2008).

10.42	Amendment No. 1 dated as of October 10, 2008 to Amended and Restated Receivables Purchase Agreement, dated as of September 26, 2008 among Pilgrim's Pride Corporation, Pilgrim's Pride Funding Corporation, BMO Capital Markets Corp., as administrator, and the various purchasers and purchaser agents from time to time parties thereto.*
10.43	Amendment No. 2 to Purchase and Contribution Agreement dated as of September 26, 2008 among Pilgrim's Pride Funding Corporation and Pilgrim's Pride Corporation (incorporated by reference from Exhibit 10.5 to the Company's Current Report on Form 8-K filed on September 29, 2008).
10.44	Limited Duration Waiver of Potential Defaults and Events of Default under Credit Agreement dated October 26, 2008 by and among Pilgrim's Pride Corporation, as borrower, CoBank, ACB, as administrative agent, and the other syndication parties signatory thereto (incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K filed on October 27, 2008).
10.45	Limited Duration Waiver Agreement dated as of October 26, 2008 by and among Pilgrim's Pride Corporation, as borrower, Bank of Montreal, as administrative agent, and certain other bank parties thereto (incorporated by reference from Exhibit 10.2 to the Company's Current Report on Form 8-K filed on October 27, 2008).
10.46	Limited Duration Waiver Agreement dated as of October 26, 2008 by and among Pilgrim's Pride Corporation, Pilgrim's Pride Funding Corporation, BMO Capital Markets Corp., as administrator, and Fairway Finance Company, LLC (incorporated by reference from Exhibit 10.3 to the Company's Current Report on Form 8-K filed on October 27, 2008).
10.47	Form of Change in Control Agreement dated as of October 21, 2008 between the Company and certain of its executive officers (incorporated by reference from Exhibit 10.4 to the Company's Current Report on Form 8-K filed on October 27, 2008). **…**
10.48	First Amendment to Limited Duration Waiver of Potential Defaults and Events of Default under Credit Agreement dated November 25, 2008 by and among Pilgrim's Pride Corporation, as borrower, CoBank, ACB, as administrative agent, and the other syndication parties signatory thereto.*
10.49	First Amendment to Limited Duration Waiver Agreement dated as of November 25, 2008 by and among Pilgrim's Pride Corporation, as borrower, Bank of Montreal, as administrative agent, and certain other bank parties thereto.*
10.50	First Amendment to Limited Duration Waiver Agreement dated as of November 25, 2008 by and among Pilgrim's Pride Corporation, Pilgrim's Pride Funding Corporation, BMO Capital Markets Corp., as administrator, and Fairway Finance Company, LLC. *
10.51	Waiver Agreement and Second Amendment to Credit Agreement dated November 30, 2008, by and among the Company and certain non-debtor Mexico subsidiaries of the Company, ING Capital LLC, as agent, and the lenders signatory thereto.*
10.52	Post-Petition Credit Agreement dated December 2, 2008 by and among the Company, as borrower, the US Subsidiaries, as guarantors, Bank of Montreal, as agent, and the lenders party thereto.*

12	Ratio of Earnings to Fixed Charges for the years ended September 27, 2008, September 29, 2007, September 30, 2006, October 1, 2005, October 2, 2004, and September 27, 2003.*
21	Subsidiaries of Registrant.*
23	Consent of Ernst & Young LLP.*
31.1	Certification of Co-Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.2	Certification of Co-Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.3	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
32.1	Certification of Co-Principal Executive Officer of Pilgrim's Pride Corporation pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
32.2	Certification of Co-Principal Executive Officer of Pilgrim's Pride Corporation pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
32.3	Certification of Chief Financial Officer of Pilgrim's Pride Corporation pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*

***Filed herewith**

…Represents a management contract or compensation plan arrangement

Index

Exhibit 10.42

AMENDMENT No. 1

Dated as of October 10, 2008

to

AMENDED AND RESTATED RECEIVABLES PURCHASE AGREEMENT

Dated as of September 26, 2008

This AMENDMENT NO. 1 (this "Amendment") dated as of October 10, 2008 is entered into among PILGRIM'S PRIDE FUNDING CORPORATION ("Seller"), PILGRIM'S PRIDE CORPORATION ("Pilgrim's Pride") as initial Servicer, THE VARIOUS PURCHASERS AND PURCHASER AGENTS FROM TIME TO TIME PARTY THERETO and BMO CAPITAL MARKETS CORP., as administrator (in such capacity, together with its successors and assigns, the "Administrator").

RECITALS

WHEREAS, the parties hereto have entered into a certain Amended and Restated Receivables Purchase Agreement dated as of September 26, 2008 (the "Agreement");

WHEREAS, in order to make the most efficient use of the financing facility contemplated by the Agreement and the other Transaction Documents, the Seller has requested the Purchaser and the Administrator to agree to certain amendments and/or modifications to such facility as described herein for various purposes;

WHEREAS, the Purchaser and the Administrator are willing to agree to such amendments solely on the terms and subject to the conditions set forth herein;

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 used, but not otherwise defined, herein shall have the respective meanings for such terms set forth in Exhibit I to the Agreement.

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

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

"Loss Percentage" means, on any date, (a) solely during the Waiver Period, the greatest of (i) 4 times the sum of (x) the highest average of the Default Ratios for any three consecutive calendar months during the twelve most recent calendar months, plus (y) the greater of (1) the highest average of the Dilution Ratios for any three consecutive calendar months during the twelve most recent calendar months and (2) 1.75%, (ii) 3.5 times the quotient (expressed as a percentage) of (x) the aggregate Outstanding Balance of the Eligible Receivables then included in the Net Receivable Pool Balance of the non-Investment Grade Obligor with the greatest amount of Receivables included in the Net Receivables Pool Balance divided by (y) Net Receivables Pool Balance on such date, and (iii) 12%; and

(b) at all times following the expiration of the Waiver Period, the greatest of (i) 5 times the sum of (x) the highest average of the Default Ratios for any three consecutive calendar months during the twelve most recent calendar months, plus (y) the greater of (1) the highest average of the Dilution Ratios for any three consecutive calendar months during the twelve most recent calendar months and (2) 2.25%, (ii) 4 times the quotient (expressed as a percentage) of (x) the aggregate Outstanding Balance of the Eligible Receivables then included in the Net Receivable Pool Balance of the non-Investment Grade Obligor with the greatest amount of Receivables included in the Net Receivables Pool Balance divided by (y) Net Receivables Pool Balance on such date, and (iii) 18%.

2.2. The definition of "Normal Concentration Percentage" set forth in Exhibit I to the Agreement is hereby amended and restated in its entirety as follows:

"Normal Concentration Percentage" means, at any time, (1) solely during the Waiver Period (a) for any Obligor that is not a Special Obligor or Wal-Mart, 3%; (b) for any Obligor that is a Special Obligor, (i) if such Special Obligor is rated A+ or better by S&P and A1 or better by Moody's, 12% or (ii) if such Special Obligor is not so rated but is rated at least BBB- by S&P and Baa3 by Moody's, 6%; or (c) for any Obligor that is Wal-Mart, (i) if Wal-Mart is rated AA or better by S&P and Aa2 or better by Moody's, 18%, or (ii) if Wal-Mart is not so rated but is rated at least AA- by S&P and Aa3 by Moody's, 15% or (iii) if Wal-Mart is rated A+ or lower by S&P and A1 or lower by Moody's, the applicable percentage shall be as set forth for Obligors and Special Obligors in this definition. If the ratings from S&P and Moody's fall within different categories, the Normal Concentration Percentage shall be based on the category in which the lower of the two ratings falls. If any Obligor is rated only by S&P or only by Moody's, the Normal Concentration Percentage shall be based on the rating by such Rating Agency without regard to a rating by any other Rating Agency; and

(2) at all times following the expiration of the Waiver Period (a) for any Obligor that is not a Special Obligor, 3%; or (b) for any Obligor that is a Special Obligor, (i) if such Special Obligor is rated A+ or better by S&P and A1 or better by Moody's, 12% or (ii) if such Special

Obligor is not so rated but is rated at least BBB- by S&P and Baa3 by Moody's, 6%. If the ratings from S&P and Moody's fall within different categories, the Normal Concentration Percentage shall be based on the category in which the lower of the two ratings falls. If any Obligor is rated only by S&P or only by Moody's, the Normal Concentration Percentage shall be based on the rating by such Rating Agency without regard to a rating by any other Rating Agency.

2.3. The definition of "Net Receivables Pool Balance" set forth in Exhibit I to the Agreement is hereby amended by inserting, immediately prior to the period at the end of such definition, the following proviso:

; provided, that, for purposes of calculating the Outstanding Balance of each such Eligible Receivable then in the Receivables Pool, to the extent that the Outstanding Balance of such Receivable has been reduced by the Servicer by application of payments on account of such Receivable deposited to the Lock-Box Accounts, Collection Account and/or Liquidation Account but not yet available funds, the Outstanding Balance of such Receivable shall be deemed increased solely to the extent of such payments until such time as such payments become available funds.

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

NRB=the Net Receivables Pool Balance at the time of computation.

2.5. Exhibit I to the Agreement is hereby amended by adding the following new definition thereto in the appropriate alphabetical order:

"PPC Limited Duration Waiver Agreement" means the Pilgrim's Pride Corporation Limited Duration Waiver Agreement, dated as of September 26, 2008, among Pilgrims Pride Corporation, Pilgrim's Pride Funding Corporation, the various purchasers and purchaser agents from time to time party thereto and BMO Capital Markets Corp.

"Waiver Period" has the meaning set forth in the PPC Limited Duration Waiver Agreement.

"Wal-Mart" means Wal-Mart Stores, Inc., a Delaware corporation, and its subsidiaries.

SECTION 3. Representations and Warranties. Each of the Seller and the Servicer hereby represents and warrants to the Purchaser and the Administrator that the representations and warranties of such Person contained in Exhibit III to the Agreement are true and correct as of the date hereof (unless stated to relate solely to an earlier date, in which case such representations and warranties were true and correct as of such earlier date), and that as of the date hereof, no Termination Event or Unmatured Termination Event has occurred and is continuing or will result from this Amendment.

SECTION 4. Effect of Amendment. (a) All provisions of the Agreement, as expressly amended and modified by this Amendment, shall remain in full force and effect and are hereby ratified and confirmed in all respects. After this Amendment becomes effective, all references in the Agreement (or in any other Transaction Document) to "this Agreement", "hereof", "herein" or words of similar effect referring to the Agreement shall be deemed to be references to the Agreement as amended by this Amendment. This Amendment shall not be deemed, either expressly or impliedly, to waive, amend or supplement any provision of the Agreement other than as set forth herein.

(b) Notwithstanding anything in the Agreement or any other Transaction Document to the contrary, each of the parties hereto, hereby consents and agrees to the amendments contemplated hereby and that all of the provisions in the Agreement, the Purchase and Contribution Agreement, the Purchase Agreement and the other Transaction Documents shall be interpreted so as to give effect to the intent of the parties hereto as set forth in this Amendment.

SECTION 5. Effectiveness. This Amendment shall become effective as of the date hereof upon receipt by the Administrator of the following (each, in form and substance satisfactory to the Administrator):

(a) Counterparts of this Amendment executed by each of the parties hereto (including facsimile or electronic copies);

(b) (i) Evidence, in form and substance satisfactory to the Administrator that the Seller and the Servicer have complied with the Administrator's request (as described in its letter to the Seller and the Servicer with respect thereto delivered on October 9, 2008) to provide the Administrator with a daily Collateral Report and to direct Collections to the Administrator or an account designated by the Administrator on a daily basis and (ii) a signed copy of an account control agreement, in form and substance satisfactory to the Administrator, covering each of the Lock-Box Accounts at Bank of America, N.A.;

(c) Evidence, in form and substance satisfactory to the Administrator, that any requirement for there to be undrawn commitments under either or both of the BMO Credit Agreement and the CoBank Credit Agreement, be reduced to an aggregate amount of not greater than $75,000,000; and

(d) Such other documents, resolutions, certificates, agreements and opinions as the Administrator may reasonably request in connection herewith.

For purposes of this Section 5, (a) "BMO Credit Agreement", means the Fourth Amended and Restated Credit Agreement dated as of February 8, 2007 among Pilgrim Pride Corporation , To-Ricos, Ltd and To-Ricos Distribution Ltd, the various banks party thereto and Bank of Montreal as agent (as amended, supplemented or otherwise modified from time to time) and (b) "CoBank Credit Agreement" means, the Amended and Restated Credit Agreement dated as of September 21, 2006, among Pilgrims Pride Funding Corporation, CoBank, ACB, Farm Credit Services of America, FLCA and the various other parties thereof (as amended, supplemented or otherwise modified from time to time).

SECTION 6. Additional Covenant. The Company and the Servicer hereby covenant and agree that, if any upfront fees are paid to the agents, or if pricing or other fees are otherwise increased, under the BMO Credit Agreement or the CoBank Credit Agreement in connection with any amendments thereto during the Waiver Period, the Company (or the Servicer on its behalf) shall (a) in the case of any upfront fees, pay to the Administrator, within one Business Day of any payment of fees under any amendments to the BMO Credit Agreement or the CoBank Credit Agreement, a corresponding fee to the Administrator (calculated by converting any such fee under the amendments to the BMO Credit Agreement or the CoBank Credit Agreement into an equivalent rate based on the relative commitments thereunder and multiplying such equivalent rate by the Commitment) and (b) in the case of increased pricing or other fees, as soon as practicable thereafter amend the Agreement or Purchaser Group Fee Letter or execute such other documents as may be requested by the Administrator, in form and substance satisfactory to the Administrator, to reflect increased pricing or other fees on similarly favorable terms.

SECTION 7. RELEASE. FOR VALUE RECEIVED, INCLUDING WITHOUT LIMITATION, THE AGREEMENTS OF THE ADMINISTRATOR AND THE PURCHASERS IN THIS AMENDMENT AND THE AGREEMENT AS AMENDED HEREBY, EACH OF THE SELLER AND THE SERVICER HEREBY RELEASES THE ADMINISTRATOR, EACH PURCHASER AGENT, EACH PURCHASER, EACH INDEMNIFIED PARTY AND THEIR RESPECTIVE CURRENT AND FORMER SHAREHOLDERS, DIRECTORS, OFFICERS, AGENTS, EMPLOYEES, ATTORNEYS, CONSULTANTS, AND PROFESSIONAL ADVISORS (COLLECTIVELY, THE "RELEASED PARTIES") OF AND FROM ANY AND ALL DEMANDS, ACTIONS, CAUSES OF ACTION, SUITS, CONTROVERSIES, ACTS AND OMISSIONS, LIABILITIES, AND OTHER CLAIMS OF EVERY KIND OR NATURE WHATSOEVER, BOTH IN LAW AND IN EQUITY, KNOWN OR UNKNOWN, WHICH SUCH SELLER OR SERVICER HAS OR EVER HAD AGAINST THE RELEASED PARTIES FROM THE BEGINNING OF THE WORLD TO THIS DATE ARISING IN ANY WAY OUT OF THE EXISTING FINANCING ARRANGEMENTS BETWEEN THE SELLER, THE SERVICER, THE ADMINISTRATOR, THE PURCHASER AGENTS AND THE PURCHASERS, AND EACH OF THE SELLER AND THE SERVICER FURTHER ACKNOWLEDGES THAT, AS OF THE DATE HEREOF, IT DOES NOT HAVE ANY COUNTERCLAIM, SET-OFF, OR DEFENSE AGAINST THE RELEASED PARTIES, EACH OF WHICH EACH OF THE SELLER AND THE SERVICER HEREBY EXPRESSLY WAIVES.

SECTION 8. Counterparts. This Amendment may be executed in any number of counterparts and by different parties on separate counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute but one and the same instrument.

SECTION 9. 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).

SECTION 10. Section Headings. The various headings of this Amendment are included for convenience only and shall not affect the meaning or interpretation of this Amendment, the Agreement or any provision hereof or thereof.

SECTION 11. JURY TRIAL. THE JURY TRIAL WAIVER SET FORTH IN SECTION 6.10 OF THE AGREEMENT SHALL APPLY TO THIS AMENDMENT AS IF IT WERE FULLY SET FORTH HEREIN.

(continued on following page)

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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,
as Seller

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

PILGRIM'S PRIDE CORPORATION,
as initial Servicer

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

FAIRWAY FINANCE COMPANY, LLC,
as Uncommitted Purchaser and as Related Committed Purchaser for the BMOCM Purchaser Group

By: /s/ Phillip A. Martone
Name: Phillip A. Martone
Title: Vice President

BMO CAPITAL MARKETS CORP.,
as Administrator and as Purchaser Agent for the BMOCM Purchaser Group

By: /s/ Brian Zaban
Name: Brian Zaban
Title: Managing Director

EXHIBIT 10.48

FIRST AMENDMENT TO LIMITED DURATION WAIVER OF POTENTIAL DEFAULTS AND EVENTS OF DEFAULT UNDER CREDIT AGREEMENT

This First Amendment to Limited Duration Waiver Of Potential Defaults And Events Of Default Under Credit Agreement (the **"Amendment"**) is made as November 25, 2008, by and among the Pilgrim's Pride Corporation, a Delaware Corporation ("**Borrower**"), the Syndication Parties (whose signatures appear below), and CoBank ACB, as Administrative Agent for the Syndication Parties ("**CoBank**").

Recitals:

A.The Borrower, the Syndication Parties and the Agent are parties to that certain Limited Duration Waiver Of Potential Defaults And Events Of Default Under Credit Agreement dated as of October 26, 2008 (the "**Waiver Agreement**").

B.Pursuant to the Waiver Agreement, the Required Lenders agreed, among other things, to waive the Subject Defaults for during the period ending on November 26, 2008.

C.The Borrower has requested that the Required Lenders amend the Waiver Agreement to extend the Waiver Period and to amend certain other provisions thereof, and the Required Lenders are willing to do so subject to the terms and conditions set forth herein.

Accordingly, subject to the satisfaction of the conditions precedent set forth below, the Borrower and the Required Lenders agree as follows:

Now, Therefore, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1.*Incorporation of Recitals; Defined Terms.* The Borrower acknowledges that the Recitals set forth above are true and correct in all material respects. The defined terms in the Recitals set forth above are hereby incorporated into this Amendment by reference. All other capitalized terms used herein without definition shall have the same meanings herein as such terms have in the Waiver Agreement.

2.*Amendment of Section 2.1 of the Waiver Agreement.*

Section 2.1 of the Waiver Agreement shall be amended to read as follows:

2.1.Except as provided in this Subsection 2.1 of this Agreement, the Agent and the Syndication Parties reserve the right to exercise any and all of their rights, powers and remedies under the Credit Agreement and the other Loan Documents, including the right to cease making Loans, and the right to accelerate the maturity of all outstanding Bank Debt. Subject to satisfaction of the terms and conditions contained in this Agreement, the Agent and the Syndication Parties agree to waive the Subject Defaults and shall, with respect to the Subject Defaults (but not with respect to any other Potential Default or Event of Default that may be existing or that may occur), not exercise their rights, powers and remedies under the Credit Agreement or the other Loan Documents but only for the period beginning October 28, 2008, and ending at 12:00 Noon, Chicago time, on December 1, 2008 (the **"Waiver Period"**).

3.*Amendment of the Waiver Agreement*. The definition of "Subject Defaults" in the Waiver Agreement shall be amended to include the Indenture Payment Event (as defined below).

4.*Amendment of Section 4.3 of the Waiver Agreement.*

Section 4.3 of the Waiver Agreement shall be amended to read as follows:

No later than December 1, 2008, the Borrower shall execute and deliver a deed of trust or mortgage and assignment of leases and rents with respect to Borrower's interest in each unencumbered property of the Borrower pursuant to section 10.18(f) of the Credit Agreement.

5.*Acknowledgement of Liens*. The Borrower hereby acknowledges and agrees that all indebtedness, obligations and liabilities of the Borrower, owing to the Agent and the Syndication Parties arising out of or in any manner relating to the Loan Documents, shall continue to be secured by liens and security interests on all of the Collateral pursuant to the Loan Documents heretofore or hereafter executed and delivered by the Borrower, and nothing herein contained shall in any manner affect or impair the priority of the liens and security interests created and provided for thereby as to the indebtedness, obligations, and liabilities which would be secured thereby prior to giving effect to this Amendment.

6.*Representations and Warranties*. The Borrower represents and warrants to the Agent and the Syndication Parties that:

(a)the Borrower has full right and authority to enter into this Amendment and to perform all of its obligations under the Waiver Agreement as amended hereby;

(b)this Amendment and the performance or observance by the Borrower of any of the matters and things herein provided for do not (i) contravene or constitute a default under any provision of law or any judgment, injunction, order or decree binding upon the Borrower or any provision of the organizational documents (*e.g.*, certificate or articles of incorporation and by-laws) of the Borrower, or (ii) contravene or constitute a default under any covenant, indenture or agreement of or affecting the Borrower or any of its Property;

(c)the obligations of the Borrower under the Waiver Agreement as amended hereby are legal, valid, enforceable (except as enforcement may be limited by equitable principles or by bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or limiting creditors' rights generally) and subsisting and not subject to set-off, defense (other than payment) or counterclaim;

(d)no Potential Default or Event of Default has occurred and is continuing, other than the Subject Defaults;

(e)the Company's indebtedness, obligations and liabilities to the Agent and the Syndication Parties under the Loan Documents constitute "Designated Senior Indebtedness" as defined in the First Supplemental Indenture dated as of January 24, 2007, between the Company and Wells Fargo Bank, National Association, as Trustee, relating to the Company's 8-3/8% Senior Subordinated Notes due 2017; and

(f)the Company has decided that during the Waiver Period as extended by this Amendment it will not pay any interest on its 8-3/8% Senior Subordinated Notes due 2017 or its 7-5/8% Senior Notes due May-1, 2015 (the **"Indenture Payment Event"**).

7.*Release*. For value received, including without limitation, the agreements of the Syndication Parties in this Amendment, the Borrower hereby releases the Agent and each Syndication Party, its current and former shareholders, directors, officers, agents, employees, attorneys, consultants, and professional advisors (collectively, the *"Released Parties"*) of and from any and all demands, actions, causes of action, suits, controversies, acts and omissions, liabilities, and other claims of every kind or nature whatsoever, both in law and in equity, known or unknown, which such Borrower has or ever had against the Released Parties from the beginning of the world to this date arising in any way out of the existing financing arrangements between the Borrower and the Syndication Parties, and the Borrower further acknowledges that, as of the date hereof, it does not have any counterclaim, set-off, or defense against the Released Parties, each of which the Borrower hereby expressly waives.

8.*Waiver Agreement Remains Effective*. Except as expressly set forth in this Amendment, the Waiver Agreement and all of the obligations of the Borrower thereunder, the rights and benefits of the Agent and Syndication Parties thereunder, and the liens and security interests created thereby remain in full force and effect. Without limiting the foregoing, the Borrower agrees to comply with all of the terms, conditions, and provisions of the Waiver Agreement except to the extent such compliance is irreconcilably inconsistent with the express provisions of this Amendment. This Amendment is intended by the Syndication Parties as a final expression of their agreement and is intended as a complete and exclusive statement of the terms and conditions of this Amendment.

9.*Fees and Expenses*. The Company shall pay on demand all fees and expenses (including attorneys' fees) incurred by the Agent and its counsel in connection with this Amendment and the other instruments and documents being executed and delivered in connection herewith, and all fees and expenses of counsel to the Agent with respect to the credit facilities subject to the Credit Agreement.

10.*Conditions Precedent.* The effectiveness of this Amendment is subject to the satisfaction of the following conditions precedent:

(a)the Borrower, the Agent, and the Required Lenders shall have executed and delivered this Amendment and consent in the space provided for that purpose below, on or before November 26, 2008;

(b)the Agent shall have received a copy of a fully executed amendment to the BMO Limited Duration Waiver extending the waiver under the BMO Limited Duration Waiver of any default under the BMO Credit Agreement that is analogous to the Subject Defaults for a period ending no earlier that the Waiver Period as extended by this Amendment, which amendment shall not contain or add to the BMO Limited Duration Waiver any other terms or provisions that are not contained in the Waiver Agreement as amended by this Amendment or that are inconsistent with the terms of the Waiver Agreement as amended by this Amendment or that are more favorable to the lenders under the BMO Credit Agreement than the terms of the Waiver Agreement as amended by this Amendment are favorable to the Syndication Parties, and which otherwise shall be in form and substance reasonably satisfactory to the Agent, and such amendment to the BMO Limited Duration Waiver shall be effective;

(c)the Agent shall have received a copy of a fully executed amendment to the Fairway Limited Duration Waiver extending the waiver thereunder of any default under the Receivables Purchase Agreement that is analogous to the Subject Defaults for a period ending no earlier that the Waiver Period as extended by this Amendment, agreeing to extend the existing amendments to the Amended and Restated Receivables Purchase Agreement during the Waiver Period and agreeing to continue to provide credit thereunder during the Waiver Period as extended by this Amendment, which limited duration waiver shall not contain any other terms or provisions that are not contained in the Waiver Agreement as amended by this Amendment or that are inconsistent with the terms of the Waiver Agreement as amended by this Amendment or that are more favorable to the lenders under the Receivables Purchase Agreement than the terms of the Waiver Agreement as amended by this Amendment are favorable to the Banks, and which otherwise shall be in form and substance reasonably satisfactory to the Agent, and such amendment to the Fairway Limited Duration Waiver shall be effective; and

(d)the payment of the current legal fees and expenses referred to in Section 9 above.

11.*General Provisions.*

(a)Authority of Borrower. By its acceptance hereof, the Borrower hereby represents that it has the necessary power and authority to execute, deliver, and perform the undertakings contained herein, and that this Amendment constitutes the valid and binding obligation of the Borrower enforceable against it in accordance with its terms.

(b)Severability. Any provision of this Amendment held invalid, illegal, or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality, or unenforceability without affecting the validity, legality, and enforceability of the remaining provision hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

(c)Loan Document. The parties hereto hereby acknowledge and agree that this Amendment shall constitute a Loan Document for all purposes of the Credit Agreement and the other Loan Documents.

(d)Survivability. Unless otherwise expressly stated herein, the provisions of this Amendment shall survive the termination of the Waiver Period.

(e)Counterparts. This Amendment may be executed in counterparts and by different parties on separate counterpart signature pages, each of which constitutes an original and all of which taken together constitute one and the same instrument. Delivery of executed counterparts of this Amendment by telecopy shall be effective as an original. This Amendment may be executed by the parties hereto in separate counterparts, each of which, when so executed and delivered, shall be an original, but all such counterparts shall together constitute one and the same instrument. Each counterpart may consist of a number of copies hereof, each signed by less than all, but together signed by all, of the parties hereto. Copies of documents or signature pages bearing original signatures, and executed documents or signature pages delivered by a party by telefax, facsimile, or e-mail transmission of an Adobe® file format document (also known as a PDF file) shall, in each such instance, be deemed to be, and shall constitute and be treated as, an original signed document or counterpart, as applicable. Any party delivering an executed counterpart of this Amendment by telefax, facsimile, or e-mail transmission of an Adobe® file format document also shall deliver an original executed counterpart of this Amendment, but the failure to deliver an original executed counterpart shall not affect the validity, enforceability, and binding effect of this Amendment.

(f)Governing Law. This Amendment shall be governed by Colorado law and shall be governed and interpreted on the same basis as the Credit Agreement.

(g)Successors and Assigns. This Amendment shall be binding upon and inure to the benefit of Borrower, Agent, and the Syndication Parties, and their respective successors and assigns, except that Borrower may not assign or transfer its rights or obligations hereunder without the prior written consent of all the Syndication Parties.

(h)Headings. The captions or headings in this Amendment are for convenience only and in no way define, limit or describe the scope or intent of any provision of this Amendment.

(i)No Other Modifications. The Credit Agreement, except as expressly modified herein, shall continue in full force and effect and be binding upon the parties thereto.

[Signature Pages to Follow]

IN WITNESS WHEREOF, the parties hereto have caused this First Amendment to Limited Duration Waiver Of Potential Defaults And Events Of Default Under Credit Agreement to be executed as of the date and year first above written.

ADMINISTRATIVE AGENT:CoBank, ACB

By:/s/ James Matzat
Name:James Matzat
Title:Vice President

BORROWER:Pilgrim's Pride Corporation

By: /s/ Richard A. Cogdill
Name: Richard A. Cogdill
Title: Vice President, Secretary and Treasurer

SYNDICATION PARTIES:CoBank, ACB

By:/s/ James Matzat
Name:James Matzat
Title:Vice President

Agriland, FCS

By: /s/ Dwayne Young
Name:Dwayne Young
Title:Chief Executive Officer

Deere Credit, Inc.

By: /s/ John H. Winger
Name:John H. Winger
Title:Manager, AFS Credit Operations

Bank of the West

By:/s/ Larry L. Redding
Name:Larry L. Redding
Title:Vice President

John Hancock Life Insurance Company

By:/s/ Dwayne Bertrand
Name:Dwayne Bertrand
Title:Managing Director

The Variable Annuity Life Insurance Company
AIG Global Investment Corp., investment advisor

By:
Name:
Title:

The United States Life Insurance Company in the City of New York
AIG Global Investment Corp., investment advisor

By:

Name:
Title:

Merit Life Insurance Co.
AIG Global Investment Corp., investment advisor

By:
Name:
Title:

American General Assurance Company
AIG Global Investment Corp., investment advisor

By:
Name:
Title:

AIG International Group, Inc.
AIG Global Investment Corp., investment advisor

By:
Name:
Title:

AIG Annuity Insurance Company
AIG Global Investment Corp., investment advisor

By:
Name:
Title:

Transamerica Life Insurance Company

By:
Name:
Title:

The CIT Group/Business Credit, Inc.

By:
Name:
Title:

Metropolitan Life Insurance Company

By:/s/ Barry L. Bogseth
Name:Barry L. Bogseth
Title:Director

Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A., "Rabobank-Nederland" New York Branch

By:/s/ Richard J. Beard
Name:Richard J. Beard
Title:Executive Director

By:/s/ Rebecca Morrow
Name:Rebecca Morrow
Title:Executive Director

Farm Credit Services of America, PCA

By:/s/ Bruce Dean
Name:Bruce Dean
Title:Vice President

The Prudential Insurance Company of America

By:
Name:
Title:

{Signature Page to First Amendment}

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PILGRIM'S PRIDE CORPORATION

FIRST AMENDMENT TO LIMITED DURATION WAIVER AGREEMENT

This First Amendment to Limited Duration Waiver Agreement (herein, the *"Amendment"*) is made as November 25, 2008, by and among Pilgrim's Pride Corporation, a Delaware corporation (the *"Company"*), To-Ricos, Ltd., a Bermuda company (*"To-Ricos"*), To-Ricos Distribution, Ltd., a Bermuda company (*"To-Ricos Distribution"*; and together with To-Ricos, the *"Foreign Borrowers"*; the Company and the Foreign Borrowers collectively, the *"Borrowers"* and individually, a *"Borrower"*), the Banks party hereto, and Bank of Montreal, a Canadian chartered bank acting through its Chicago branch, as administrative agent for the Banks (the *"Agent"*).

Recitals:

A.The Borrowers, the Banks and the Agent are parties to that certain Limited Duration Waiver Agreement dated as of October 26, 2008 (the *"Waiver Agreement"*).

B.Pursuant to the Waiver Agreement the Required Banks agree, among other things, to waive the Subject Default during the period ending November 26, 2008.

C.The Borrowers has requested that the Required Banks amend the Waiver Agreement to extend the Scheduled Waiver Expiration Date and to amend certain other provisions thereof, and the Required Banks are willing to do so subject to the terms and conditions set forth herein.

Accordingly, subject to the satisfaction of the conditions precedent set forth below, the Borrowers and the Required Banks agree as follows:

Now, Therefore, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1.*Incorporation of Recitals; Defined Terms*. The Borrowers acknowledge that the Recitals set forth above are true and correct in all material respects. The defined terms in the Recitals set forth above are hereby incorporated into this Amendment by reference. All other capitalized terms used herein without definition shall have the same meanings herein as such terms have in the Waiver Agreement.

2.*Amounts Owing*. The Borrowers acknowledge and agree that the principal amount of Loans, Reimbursement Obligations and L/Cs as of November 25, 2008, is $310,795,372 ($0 in Bid Loans, $199,526,529 in Revolving Credit Loans, $0 in Swing Loans, $0 in Bond Reimbursement Obligations, $25,239,727 in the Bond L/C, $0 in Reimbursement Obligations, and $86,029,116 in issued and currently undrawn L/Cs), and such amount (together with interest and fees thereon) is justly and truly owing by the Borrowers without defense, offset or counterclaim.

3.*Amendment of Section 3 of the Waiver Agreement*. Section 3 of the Waiver Agreement shall be amended to read as follows:

3.*Limited Duration Waiver*. Subject to the terms and conditions contained in this Agreement, the Required Banks waive the Subject Default but only for the period (the *"Waiver Period"*) beginning October 28, 2008, and ending at 12:00 Noon, Chicago time, on December 1, 2008 (the *"Scheduled Waiver Expiration Date"*). The foregoing waiver shall become null and void on the Scheduled Waiver Expiration Date and from and after the Scheduled Waiver Expiration Date the Agent and the Banks shall have all rights and remedies available to them as a result of the occurrence of the Subject Default as though this waiver had never been granted.

4.*Amendment of the Waiver Agreement*. The definition of "Subject Default" in the Waiver Agreement shall be amended to include the Indenture Payment Event (as defined below).

5.*Acknowledgement of Liens*. The Company hereby acknowledges and agrees that all indebtedness, obligations and liabilities of the Borrowers, or any of them, owing to the Agent and the Banks arising out of or in any manner relating to the Loan Documents, as well as all Hedging Liability and Funds Transfer and Deposit Account Liability, shall continue to be secured by liens and security interests on all of the Collateral pursuant to the Loan Documents heretofore or hereafter executed and delivered by the Company, and nothing herein contained shall in any manner affect or impair the priority of the liens and security interests created and provided for thereby as to the indebtedness, obligations, and liabilities which would be secured thereby prior to giving effect to this Amendment.

6.*Representations and Warranties*. The Borrowers represent and warrant to the Agent and the Banks that:

(a)each Borrower has full right and authority to enter into this Amendment and to perform all of its obligations under the Waiver Agreement as amended hereby;

(b)this Amendment and the performance or observance by the Borrowers of any of the matters and things herein provided for do not (i) contravene or constitute a default under any provision of law or any judgment, injunction, order or decree binding upon any Borrower or any provision of the organizational documents (*e.g.*, certificate or articles of incorporation and by-laws) of any Borrower, or (ii) contravene or constitute a default under any covenant, indenture or agreement of or affecting any Borrower or any of its Property;

(c)the obligations of each Borrower and the Guarantor under the Waiver Agreement as amended hereby are legal, valid, enforceable (except as enforcement may be limited by equitable principles or by bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or limiting creditors' rights generally) and subsisting and not subject to set-off, defense (other than payment) or counterclaim;

(d)no Potential Default or Event of Default has occurred and is continuing, other than the Subject Default;

(e)the Company's indebtedness, obligations and liabilities to the Agent and the Banks under the Loan Documents constitute "Designated Senior Indebtedness" as defined in the First Supplemental Indenture dated as of January 24, 2007, between the Company and Wells Fargo Bank, National

Association, as Trustee, relating to the Company's 8-3/8% Senior Subordinated Notes due 2017; and

(f)the Company has decided that during the Waiver Period as extended by this Amendment it will not pay any interest on its 8-3/8% Senior Subordinated Notes due 2017 or its 7-5/8% Senior Notes due May-1, 2015 (the "*Indenture Payment Event*").

7.*Release.* For value received, including without limitation, the agreements of the Banks in this Amendment, each Borrower hereby releases the Agent and each Bank, its current and former shareholders, directors, officers, agents, employees, attorneys, consultants, and professional advisors (collectively, the *"Released Parties"*) of and from any and all demands, actions, causes of action, suits, controversies, acts and omissions, liabilities, and other claims of every kind or nature whatsoever, both in law and in equity, known or unknown, which such Borrower has or ever had against the Released Parties from the beginning of the world to this date arising in any way out of the existing financing arrangements between the Borrowers and the Banks, and each Borrower further acknowledges that, as of the date hereof, it does not have any counterclaim, set-off, or defense against the Released Parties, each of which each Borrower hereby expressly waives.

8.*Waiver Agreement Remains Effective*. Except as expressly set forth in this Amendment, the Waiver Agreement and all of the obligations of the Borrowers thereunder, the rights and benefits of the Agent and Banks thereunder, and the liens and security interests created thereby remain in full force and effect. Without limiting the foregoing, each Borrower agrees to comply with all of the terms, conditions, and provisions of the Waiver Agreement except to the extent such compliance is irreconcilably inconsistent with the express provisions of this Amendment. This Amendment intended by the Banks as a final expression of their agreement and is intended as a complete and exclusive statement of the terms and conditions of this agreement.

9.*Fees and Expenses*. The Company shall pay on demand all fees and expenses (including attorneys' fees) incurred by the Agent and its counsel, special counsel to the Banks and counsel to each Bank in connection with this Amendment and the other instruments and documents being executed and delivered in connection herewith, and all fees and expenses of counsel to the Agent and special counsel to the Banks with respect to the credit facilities subject to the Credit Agreement.

10.*Conditions Precedent.* The effectiveness of this Amendment is subject to the satisfaction of the following conditions precedent:

(a)the Borrowers, the Agent, and the Required Banks shall have executed and delivered this Amendment, and the Guarantor shall have executed and delivered its reaffirmation, acknowledgment, and consent in the space provided for that purpose below, on or before November __, 2008;

(b)the Agent shall have received a copy of a fully executed amendment to the CoBank Limited Duration Waiver extending the waiver under the CoBank Limited Duration Waiver of any default under the CoBank Credit Agreement that is analogous to the Subject Default for a period ending no earlier that the Scheduled Waiver Expiration Date as extended by this Amendment, which amendment shall not contain or add to the CoBank Limited Duration Waiver any other terms or provisions that are not contained in the Waiver Agreement as amended by this Amendment or that are inconsistent with the terms of the Waiver Agreement as amended by this Amendment or that are more favorable to the lenders under the CoBank Credit Agreement than the terms of the Waiver Agreement as amended by this Amendment are favorable to the Banks, and which otherwise shall be in form and substance reasonably satisfactory to the Agent, and such amendment to the CoBank Limited Duration Waiver shall be effective;

(c)the Agent shall have received a copy of a fully executed amendment to the Fairway Limited Duration Waiver extending the waiver thereunder of any default under the Receivables Purchase Agreement that is analogous to the Subject Default for a period ending no earlier that the Scheduled Waiver Expiration Date as extended by this Amendment, agreeing to extend the existing amendments to the Amended and Restated Receivables Purchase Agreement during the Waiver Period and agreeing to continue to provide credit thereunder during the Waiver Period as extended by this Amendment, which limited duration waiver shall not contain any other terms or provisions that are not contained in the Waiver Agreement as amended by this Amendment or that are inconsistent with the terms of the Waiver Agreement as amended by this Amendment or that are more favorable to the lenders under the Receivables Purchase Agreement than the terms of the Waiver Agreement as amended by this Amendment are favorable to the Banks, and which otherwise shall be in form and substance reasonably satisfactory to the Agent, and such amendment to the Fairway Limited Duration Waiver shall be effective; and

(d)the payment of the current legal fees and expenses referred to in Section 8 above.

11.*Miscellaneous.* By its acceptance hereof, each Borrower hereby represents that it has the necessary power and authority to execute, deliver, and perform the undertakings contained herein, and that this Amendment constitutes the valid and binding obligation of each Borrower enforceable against it in accordance with its terms. Any provision of this Amendment held invalid, illegal, or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality, or unenforceability without affecting the validity, legality, and enforceability of the remaining provision hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction. The parties hereto hereby acknowledge and agree that this Amendment shall constitute a Loan Document for all purposes of the Credit Agreement and the other Loan Documents. Unless otherwise expressly stated herein, the provisions of the Waiver as amended by this Amendment shall survive the termination of the Waiver Period as extended by this Amendment. This Amendment may be executed in counterparts and by different parties on separate counterpart signature pages, each of which constitutes an original and all of which taken together constitute one and the same instrument. Delivery of executed counterparts of this Amendment by telecopy shall be effective as an original. This Amendment shall be governed by Illinois law and shall be governed and interpreted on the same basis as the Waiver Agreement.

[SIGNATURE PAGES TO FOLLOW]

This First Amendment to Limited Duration Waiver Agreement is entered into as of the date and year first above written.

"Borrowers"

Pilgrim's Pride Corporation

By /s/ Richard A. Cogdill
Its Chief Financial Officer

To-Ricos, Ltd.

By /s/ Richard A. Cogdill
Its Executive Vice President, Treasurer and Assistant Secretary

To-Ricos Distribution, Ltd.

By /s/ Richard A. Cogdill
Its Executive Vice President, Treasurer and Assistant Secretary

Accepted and agreed to.

Bank of Montreal, as Agent

By /s/ David J. Bechstein
Its Vice President

BMO Capital Markets Financing, Inc., individually and as Swing Bank

By /s/ David J. Bechstein
Its Vice President

SunTrust Bank

By/s/ Janet R. Naifeh
Its Senior Vice President

U.S. Bank National Association

By/s/ Dale L. Welke
Its Vice President

Wells Fargo Bank National Association

By/s/ Roger Fruendt
Its Vice President

ING Capital LLC

By /s/ Lina A. Garcia
Its Vice President

Credit Suisse, Cayman Islands Branch

By
Its

By
Its

Bank of America N.A.

By /s/ Patrick Honey
Its Senior Vice President

CALYON New York Branch

By/s/ illegible
Its Managing Director

By/s/ illegible
Its Managing Director

NATIXIS NEW YORK BRANCH

By /s/ Vincent Lauras
Its Managing Director

By /s/ Stephen A. Jendra
Its Managing Director

JP MORGAN CHASE BANK, N.A.

By/s/ Stephanie Parker
Its Executive Director

DEUTSCHE BANK TRUST COMPANY AMERICAS

By
Its

By
Its

FIRST NATIONAL BANK OF OMAHA

By /s/ Wade Horton
Its Vice President

REAFFIRMATION, ACKNOWLEDGEMENT, AND CONSENT OF GUARANTOR

The undersigned, Pilgrim Interests, Ltd., a Texas limited partnership (the *"Guarantor"*), has executed and delivered a Second Amended and Restated Guaranty Agreement dated as of February 8, 2007 (the *"Guaranty"*) to the Banks. As an additional inducement to and in consideration of the Banks' acceptance of the First Amendment to Limited Duration Waiver Agreement dated as of October 26, 2008 (the *"Amendment"*), the Guarantor hereby agrees with the Banks as follows:

1.The Guarantor consents to the execution of the Amendment by the Borrowers and acknowledges that this consent is not required under the terms of the Guaranty and that the execution hereof by the Guarantor shall not be construed to require the Banks to obtain the Guarantor's consent to any future amendment, modification or waiver of any term of the Credit Agreement except as otherwise provided in said Guaranty. The Guarantor hereby agrees that the Guaranty shall apply to all indebtedness, obligations and liabilities of the Borrowers to the Banks, the Agent and the L/C Issuers under the Credit Agreement. The Guarantor further agrees that the Guaranty shall be and remain in full force and effect.

2.All terms used herein shall have the same meaning as in the Amendment.

Dated as of November 25, 2008.

PILGRIM INTERESTS, LTD.

By /s/ Lonnie A. Pilgrim
Lonnie A. Pilgrim, as trustee of the Lonnie A. Pilgrim 1998 Revocable Trust created by agreement dated September 9, 1998, as amended
Its General Partner

By /s/ Lonnie Ken Pilgrim
Lonnie Ken Pilgrim
Its General Partner

WHO REPRESENT AND WARRANT THAT THEY HAVE AUTHORITY TO BIND THE PARTNERSHIP

PILGRIM INTERESTS, LTD.

By /s/ Lonnie A. Pilgrim
Lonnie A. Pilgrim, as trustee of the Lonnie A. Pilgrim 1998 Revocable Trust created by agreement dated September 9, 1998, as amended
Its General Partner

By /s/ Lonnie Ken Pilgrim
Lonnie Ken Pilgrim
Its General Partner

WHO REPRESENT AND WARRANT THAT THEY HAVE AUTHORITY TO BIND THE PARTNERSHIP

PILGRIM'S PRIDE CORPORATION
FIRST AMENDMENT TO LIMITED DURATION WAIVER AGREEMENT

This First Amendment to Limited Duration Waiver Agreement (herein, the "Amendment") is made as of November 25, 2008, by and among PILGRIM'S PRIDE CORPORATION, a Delaware corporation (the "Servicer"), PILGRIM'S PRIDE FUNDING CORPORATION, a Delaware limited liability company (the "Seller" and, together with the Servicer, the "Seller Parties"), the PURCHASERS AND PURCHASER AGENTS ON THE SIGNATURE PAGES HERETO (collectively, the "Purchasers") and BMO CAPITAL MARKETS CORP., as administrator (in such capacity, together with its successors and assigns, the "Administrator" and, collectively with the Purchasers, the "Waiving Parties").

Recitals:

A.The Seller, the Servicer, the Purchasers and the Administrator are parties to that certain Limited Duration Waiver Agreement dated as of October 26, 2008 (the "Waiver Agreement").

B.Pursuant to the Waiver Agreement, the Waiving Parties agreed, among other things, to waive the Subject Default during the period ending November 26, 2008.

C.The Seller Parties have requested that the Waiving Parties amend the Waiver Agreement to extend the Scheduled Waiver Expiration Date and to amend certain other provisions thereof, and the Waiving Parties are willing to do so subject to the terms and conditions set forth herein.

Accordingly, subject to the satisfaction of the conditions precedent set forth below, the Seller Parties and the Waiving Parties agree as follows:

Now, Therefore, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1.*Incorporation of Recitals; Defined Terms.* The Seller Parties acknowledge that the Recitals set forth above are true and correct in all material respects. The defined terms in the Recitals set forth above are hereby incorporated into this Amendment by reference. All other capitalized terms used herein without definition shall have the same meanings herein as such terms have in the Waiver Agreement.

2.*Amounts Owing*. The Seller Parties acknowledge and agree that there are amounts outstanding, including Investment and Discount in respect of the Participation and other amounts, that are payable by the Originator, the Seller or the Servicer, as applicable, to the Purchasers and the Administrator (and any other Indemnified Party and Affected Person under the Transaction Documents, as applicable), and such amounts (together with interest and fees thereon) are justly and truly owing by the Seller without defense, offset or counterclaim.

3.*Amendments to the Waiver Agreement.*

(a)Section 3 of the Waiver Agreement shall be amended to read as follows:

> 3. *Limited Duration Waiver*. Subject to the terms and conditions contained in this Agreement, the Waiving Parties waive the Subject Default but only for the period (the *"Waiver Period"*) beginning October 28, 2008, and ending at 12:00 noon, Chicago time, on December 1, 2008 (the *"Scheduled Waiver Expiration Date"*). The foregoing waiver shall become null and void on the Scheduled Waiver Expiration Date and from and after the Scheduled Waiver Expiration Date the Administrator and the Purchasers shall have all rights and remedies available to them as a result of the occurrence of the Subject Default as though this waiver had never been granted.

(b)The definition of "Subject Default" in the Waiver Agreement shall be amended to include the Indenture Payment Event (as defined below).

4.[Reserved].

5.*Acknowledgement of Liens*. The Seller Parties hereby acknowledge and agree that all indebtedness, obligations and liabilities of the Seller owing to the Administrator and the Purchasers arising out of or in any manner relating to the Transaction Documents shall continue to be secured by liens and security interests on all of the Receivables, Contracts and Related Security and all other collateral pursuant to the Transaction Documents heretofore or hereafter executed and delivered by the Seller or the Servicer, and nothing herein contained shall in any manner affect or impair the priority of the liens and security interests created and provided for thereby as to the indebtedness, obligations, and liabilities which would be secured thereby prior to giving effect to this Amendment.

6.*Representations and Warranties*. Each of the Seller Parties represents and warrants to the Administrator and the Purchasers that:

(a)each Seller Party has full right and authority to enter into this Amendment and to perform all of its obligations under the Waiver Agreement as amended hereby;

(b)this Amendment and the performance or observance by the Seller Parties of any of the matters and things herein provided for do not (i) contravene or constitute a default under any provision of law or any judgment, injunction, order or decree binding upon any Seller Party or any provision of the organizational documents (*e.g.*, certificate or articles of incorporation and by-laws) of any Seller Party, or (ii) contravene or constitute a default under any covenant, indenture or agreement of or affecting any Seller Party or any of its Property;

(c)the obligations of each Seller Party under the Waiver Agreement as amended hereby are legal, valid, enforceable (except as enforcement may be limited by equitable principles or by bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or limiting creditors' rights generally) and subsisting and not subject to set-off, defense (other than payment) or counterclaim;

(d)no Unmatured Termination Event or Termination Event (other than the Subject Default) has occurred and is continuing;

(e)[Reserved];

(f)the Servicer has decided that during the Waiver Period as extended by this Amendment it will not make the Indenture Interest Payments (the "Indenture Payment Event"); and

(g)Each Seller Party represents and warrants that (i) each of the Lock-Box Accounts and lock-boxes set forth on Schedule I hereto is subject to a Lock-Box Agreement, (ii) the Lock-Box Accounts and lock-boxes set forth on Schedule I hereto cover all of the accounts and lock-boxes into which Obligors are instructed to deposit Collections and any other amounts related to Receivables and (iii) all Obligors have been instructed to make payments of all Receivables only to one or more of the Lock-Box Accounts or lock-boxes set forth on Schedule I hereto.

9.*Agreements.* The Seller Parties further acknowledge and agree that, notwithstanding anything to the contrary in the Receivables Purchase Agreement or the Waiver Agreement as amended by this Amendment, the Seller shall not request, and the Purchasers shall not make, any purchases or reinvestments at any time on or after 12:01 a.m. on December 1, 2008, and any such request or any such purchase or reinvestment shall constitute a breach by the Seller of the Waiver Agreement as amended by this Amendment.

10.*Release*. For value received, including without limitation, the agreements of the Administrator and the Purchasers in this Amendment, each Seller Party hereby releases the Administrator, each Purchaser, each Indemnified Party and their respective current and former shareholders, directors, officers, agents, employees, attorneys, consultants, and professional advisors (collectively, the *"Released Parties"*) of and from any and all demands, actions, causes of action, suits, controversies, acts and omissions, liabilities, and other claims of every kind or nature whatsoever, both in law and in equity, known or unknown, which such Seller Party has or ever had against the Released Parties from the beginning of the world to this date arising in any way out of the existing financing arrangements between the Seller Parties, the Administrator and the Purchasers, and each Seller Party further acknowledges that, as of the date hereof, it does not have any counterclaim, set-off, or defense against the Released Parties, each of which each Seller Party hereby expressly waives.

11.*Waiver Agreement Remain Effective*. Except as expressly set forth in this Amendment, the Waiver Agreement and all of the obligations of the Seller Parties thereunder, the rights and benefits of the Administrator and Purchasers thereunder, and the liens and security interests created thereby remain in full force and effect. Without limiting the foregoing, each Seller Party agrees to comply with all of the terms, conditions, and provisions of the Waiver Agreement except to the extent such compliance is irreconcilably inconsistent with the express provisions of this Amendment. This Amendment is intended by the Administrator and the Purchasers as a final expression of their agreement and is intended as a complete and exclusive statement of the terms and conditions of that agreement.

12.*Fees and Expenses*. The Seller and the Servicer shall pay on demand all fees and expenses (including attorneys' fees) incurred by the Administrator and its counsel in connection with this Amendment and the other instruments and documents being executed and delivered in connection herewith, and all fees and expenses of counsel to the Administrator with respect to the securitization facility subject to the Receivables Purchase Agreement.

13.*Conditions Precedent.* The effectiveness of this Amendment is subject to the satisfaction of the following conditions precedent:

(a)the Seller Parties, the Administrator, and the Purchasers shall have executed and delivered this Amendment on or before November 26, 2008;

(b)the Administrator shall have received a copy of a fully executed amendment to the CoBank Limited Duration Waiver extending the waiver under the CoBank Limited Duration Waiver of any default under the CoBank Credit Agreement that is analogous to the Subject Default for a period ending no earlier that the Scheduled Waiver Expiration Date as extended by this Amendment, which amendment shall not contain or add to the CoBank Limited Duration Waiver any terms or provisions that are not contained in the Waiver Agreement as amended by this Amendment materially adverse to the Administrator and the Purchasers or that are, in any material respect, more favorable to the lenders under the CoBank Credit Agreement than the terms of the Waiver Agreement as amended by this Amendment are favorable to the Administrator and the Purchasers, and which otherwise shall be in form and substance reasonably satisfactory to the Administrator, and such amendment to the CoBank Limited Duration Waiver shall be effective;

(c)the Administrator shall have received a copy of a fully executed amendment to the Credit Agreement Limited Duration Waiver extending the waiver under the Credit Agreement Limited Duration Waiver of any default under the Credit Agreement that is analogous to the Subject Default for a period ending no earlier that the Scheduled Waiver Expiration Date as extended by this Amendment, which amendment shall not contain or add to the Credit Agreement Limited Duration Waiver any terms or provisions that are not contained in the Waiver Agreement as amended by this Amendment materially adverse to the Administrator and the Purchasers or that are, in any material respect, more favorable to the lenders under the Credit Agreement than the terms of the Waiver Agreement as amended by this Amendment are favorable to the Administrator and the Purchasers, and which otherwise shall be in form and substance reasonably satisfactory to the Administrator, and such amendment to the Credit Agreement Limited Duration Waiver shall be effective; and

(d)the payment of the current legal fees and expenses referred to in Section 12 above.

14.*Miscellaneous.* By its acceptance hereof, each Seller Party hereby represents that it has the necessary power and authority to execute, deliver, and perform the undertakings contained herein, and that this Amendment constitutes the valid and binding obligation of such Seller Party enforceable against it in accordance with its terms. Any provision of this Amendment held invalid, illegal, or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality, or unenforceability without affecting the validity, legality, and enforceability of the remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction. The parties hereto hereby acknowledge and agree that this Amendment shall constitute a Transaction Document for all purposes of the Receivables Purchase Agreement and the other Transaction Documents. Unless otherwise expressly stated herein, the provisions of the Waiver Agreement as amended by this Amendment shall survive the termination of the Waiver Period as extended by this Amendment. This Amendment may be executed in counterparts and by different parties on separate counterpart signature pages, each of which constitutes an original and all of which taken together constitute one and the same instrument. Delivery of executed counterparts of this Amendment by telecopy shall be effective as an original. This Amendment shall be governed by Texas law and shall be governed and interpreted on the same basis as the Waiver Agreement.

[Signature Pages to Follow]

This First Amendment to Limited Duration Waiver Agreement is entered into as of the date and year first above written.

PILGRIM'S PRIDE CORPORATION, AS SERVICER

By:/s/ Richard A. Cogdill
Name: Richard A. Cogdill
Title: Chief Financial Officer, Secretary and Treasurer

PILGRIM'S PRIDE FUNDING CORPORATION, AS SELLER

By:/s/ Richard A. Cogdill
Name: Richard A. Cogdill
Title: Chief Financial Officer, Secretary and Treasurer

Accepted and agreed to:

BMO Capital Markets Corp., as Administrator

By: /s/ Brian Zaban
Name: Brian Zaban
Title: Managing Director

BMO Capital Markets Corp., as Purchaser Agent

By: /s/ Brian Zaban
Name: Brian Zaban
Title: Managing Director

Fairway Finance Company, LLC, as Uncommitted Purchaser and as Related Committed Purchaser

By: /s/ Lori Gebron
Name: Lori Gebron
Title: Vice President

Exhibit 10.51

WAIVER AGREEMENT

AND SECOND AMENDMENT TO

CREDIT AGREEMENT

THIS WAIVER AGREEMENT AND SECOND AMENDMENT TO CREDIT AGREEMENT (the "Agreement") is made and entered into as of this 30th day of November, 2008 (the "Effective Date"), by and among AVÍCOLA PILGRIM'S PRIDE DE MÉXICO, S. de R.L. de C.V., a *sociedad de responsabilidad limitada de capital variable* organized under the laws of the United Mexican States (the "Borrower"), PILGRIM'S PRIDE CORPORATION, a Delaware corporation (the "Parent"), THE SUBSIDIARIES OF THE BORROWER PARTY HERETO, as Guarantors, the several banks and other financial institutions parties hereto which constitute Majority Lenders, and ING CAPITAL LLC, as lead arranger and as administrative agent for the Lenders.

RECITALS

A. Borrower, Guarantors, Lenders and the Administrative Agent are parties to that certain Credit Agreement dated as of September 25, 2006 (as amended, modified or supplemented from time to time, the "Credit Agreement"), pursuant to which Lenders agreed to make loans to Borrower from time to time subject to the terms and conditions set forth therein. Capitalized terms not otherwise defined herein shall have the meanings given such terms in the Credit Agreement.

B. Borrower has advised the Administrative Agent and the Lenders that (i) Parent has determined to file a case (the "Bankruptcy Filing") under Title 11 of the United States Code with a U.S. Bankruptcy Court (the "Bankruptcy Court"), and if such Bankruptcy Filing occurs, an Event of Default will occur under Section 7.1(g) of the Credit Agreement (the "Bankruptcy Event"), and (ii) Parent has defaulted as of the date hereof, or will default during the Bankruptcy Filing, in the payment of principal or interest, beyond the applicable period of grace, with respect to Indebtedness of the Parent in an aggregate principal amount greater than US$20,000,000, and if such payment default occurs, an Event of Default will occur under Section 7.1(f) of Credit Agreement (the "Payment Event"; the Payment Event, and the Bankruptcy Event shall be collectively referred to hereinafter as the "Credit Events").

C. As a result of the occurrence of the Credit Events, Lenders would have no obligation to make additional Revolving Loans under the Credit Agreement, and Administrative Agent would have the full legal right to exercise its rights and remedies under the Credit Agreement and the Loan Documents. Such rights and remedies include, but are not limited to, the right to accelerate the Obligations and the right to exercise its remedies under the Collateral Documents.

D. Borrower has requested the Administrative Agent and Majority Lenders, for the Waiver Period (defined below), to continue to make Loans (if available) and waive any Events of Default arising from the Credits Events.

E. Administrative Agent and Majority Lenders are willing, for the Waiver Period (defined below), to continue to make certain Loans (if available) to Borrower and to waive any Events of Default arising from the Credit Events, subject to the terms and conditions of this Agreement.

AGREEMENT

In consideration of the Recitals and of the mutual promises and covenants contained herein, Administrative Agent, Majority Lenders and Borrower agree as follows:

1. Waiver. During the period commencing on the date of a Bankruptcy Filing and ending on the earlier of the Waiver Termination Date (defined below) and the date that any Waiver Default (defined below) occurs (the "Waiver Period"), and subject to the other terms and conditions of this Agreement, Administrative Agent and Majority Lenders agree that they hereby waive any Default or Event of Default arising under the Credit Agreement and the Loan Documents by reason of the Credit Events and agree that they will waive their rights and remedies that arise upon the occurrence of a Default or an Event of Default under the Credit Agreement and the Loan Documents by reason of the Credit Events (the "Waiver"), including, without limitation, waiving the right to (a) initiate judicial proceedings for the collection of the Obligations, (b) initiate any judicial enforcement action for the repossession and sale of the collateral as set forth in the Loan Documents or (c) apply default interest to the Obligations in accordance with Section 2.5(e) of the Credit Agreement. Upon the expiration or termination of the Waiver Period, the Waiver shall automatically terminate and Administrative Agent and the Lenders shall be entitled to exercise any and all of their rights and remedies under this Agreement, the Credit Agreement and/or the Loan Documents without further notice, subject to the terms of the Loan Documents. Borrower agrees that neither Administrative Agent nor any Lender shall have any obligation to extend the Waiver Period. "Waiver Termination Date" shall mean the date that Parent exits any Insolvency Proceeding.

2. Amendments to Credit Agreement. To induce Administrative Agent and the Lenders to enter into this Agreement, and as separately bargained-for consideration, each of Borrower and the Guarantors agree to the following amendments to the Credit Agreement:

(a) Amendment to Definitions.

(i) The definitions of "Applicable Margin", "Change of Control", "Eligible Assignee", "Loan Documents," "Material Adverse Effect," "Pledge Agreement" and "Pledgors" contained in Section 1.1 of the Credit Agreement are hereby amended and restated to read in their entirety as follows:

"Applicable Margin" shall mean:

(i) prior to the Parent Exit, the percentage set forth below for the applicable type of Loan:

Applicable Margin for LIBOR Loans	Applicable Margin for Base Rate Loans	Applicable Margin for Peso Revolving Loans
6.0%	4.0%	5.8%

(ii) from and after the Parent Exit, the Applicable Margin for each of the LIBOR Loans and the Base Rate Loans shall be 0.375% higher than the highest applicable interest rate margin (in a pricing grid or otherwise) under the Replacement Loan Facility and the Applicable Margin for Peso Revolving Loans shall be 0.20% less than the Applicable Margin for LIBOR Loans hereunder.

"Change of Control" shall mean such time as:

(a) any merger or consolidation of Borrower with or into any other Person or the merger of another Person into the Borrower with the effect that immediately after such transaction the Person or Persons who held Voting Stock in Borrower immediately prior to such transaction shall hold less than 100% of the total voting power of the Voting Stock generally entitled to vote in the election of directors, managers or trustees of the Person surviving such merger or consolidation; or

(b) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) is consummated with respect to all or substantially all of the assets of the Borrower to any Person or group of Persons (other than in compliance with the provisions hereof); or

(c) Parent or its Subsidiaries shall cease to own, directly or indirectly, all of the Voting Stock of Borrower; or

(d) any liquidation or dissolution of Borrower; or

(e) after the Parent Exit, any "Change of Control" (as such term, or similar term, is defined in the Replacement Loan Facility) shall occur;

provided that, notwithstanding anything to the contrary contained herein, no Change of Control shall be deemed to have occurred as a result of any action permitted by Sections 6.10 (other than Section 6.10(d) and 6.10(e)) and 6.11, so long as, the Parent and/or a Subsidiary of the Parent shall own all of the Voting Stock of the Borrower.

"Eligible Assignee" shall mean, with respect to any assignments by the Lenders, (a) a Mexican Financial Institution, or (b) unless such registration with Hacienda no longer enables them to have a reduced withholding tax: (i) a financial institution registered with Hacienda for purposes of Section I of Article 195 or Section II of Article 196 of the Mexican Income Tax Law (or any successor or replacement thereof), or (ii) a Person so registered with Hacienda that is primarily engaged in the business of commercial banking and that is: (A) a Subsidiary of a Lender, (B) a Subsidiary of a Person of which a Lender is a Subsidiary or (C) a Person of which a Lender is a Subsidiary. In any event, an Eligible Assignee shall be headquartered in Mexico or a country that has a treaty with Mexico that limits withholding in Mexico for financial institutions registered with Hacienda to a rate no greater than 4.9%.

"Loan Documents" shall mean the collective reference to this Agreement, the Notes, the Collateral Documents, any Lender Hedging Agreements, and any other agreements, documents and instruments executed and delivered in connection with the transactions contemplated hereby and thereby.

"Material Adverse Effect" shall mean any of (a) a material adverse change in, or a material adverse effect upon the condition (financial or otherwise), business, properties, or results of operations of (i) the Borrower and its Subsidiaries who are Loan Parties, taken as a whole, or (ii) Parent and its Subsidiaries, taken as a whole, (b) a material adverse change in the ability of (i) the Borrower and the Loan Parties, taken as a whole or (ii) the Loan Parties, taken as a whole, to fulfill any of their obligations under this Agreement or any of the other Loan Documents or (c) a material adverse effect upon the legality, validity, binding effect or enforceability of any Loan Document (other than the Parent Guaranty) or the rights or remedies of the Administrative Agent or the Lenders thereunder; provided, however, that the existence of the Credit Events shall not be taken into account in determining whether there has been or will be, a Material Adverse Effect under clauses (a) or (b) of this definition."

"Pledge Agreement" shall mean, collectively, those certain Pledge Agreements by each of Parent, Borrower and Pledgors in favor of Administrative Agent, as the same may be amended, restated or otherwise modified from time to time, over the equity interests representing the equity capital of all Guarantors (other than Parent).

"Pledgors" shall mean each of (i) POPPSA 4, LLC, (ii) POPPSA 3, LLC, (iii) Pilgrim's Pride, S. de R.L. de C.V., (iv) Incubadora Hidalgo, S. de R.L. de C.V., (iv) Grupo Pilgrim´s Pride Funding Holdings, S de R.L. de C.V., (vi) Carnes y Productos Avícolas de México, S de R.L. de C.V., (vii) Borrower and (viii) any Successor Person to a Pledgor that becomes bound by a Pledge Agreement pursuant to Section 5.12.

(ii) The definition of "Permitted Liens" shall be amended by the addition of a new subsection (p) as follows:

"(p) any liens securing the Obligations."

(iii) The following definitions are added to Section 1.1 of the Credit Agreement in their proper alphabetical order to read as follows:

"Bankruptcy Filing" shall have the meaning set forth in the Second Amendment.

"Credit Events" shall have the meaning set forth in the Second Amendment.

"Collateral Document" shall mean, collectively, the Pledge Agreement, Security Agreement, Mortgage, and any other agreements, documents and instruments which secure the Obligations.

"DIP Loan Agreement" shall mean that certain Post-Petition Credit Agreement, dated on or about December 1, 2008, by and among Parent, various Subsidiaries of Parent, Bank of Montreal as Agent and various lenders, as such agreement may be amended, modified, supplemented or restated from time to time.

"Gallina" shall mean Gallina Pesada S.A. de C.V.

"Mortgage" shall mean, collectively, the Mortgage Agreements executed by Borrower or any Guarantor in favor of Administrative Agent, as the same may be amended, restated or otherwise modified from time to time.

"Parent Exit" shall mean when Parent is no longer in an Insolvency Proceeding as a result of the Bankruptcy Filing (including, without limitation, as a result of any dismissal of or emergence from such proceeding).

"Prepayment Event" shall mean (a) any Asset Sale described in Sections 6.10(c), 6.10(d)(iii) or 6.10(g), (b) any casualty or other insured damage to, or any taking under power of eminent domain or by condemnation or similar proceedings of, any property or asset of the Borrower or any Subsidiary, (c) the incurrence by the Borrower or any of its Subsidiaries of any Indebtedness not permitted under Section 6.8, or (d) receipt of cash equity by Borrower or any of its Subsidiaries from any Peron other than Borrower and its Subsidiaries who are Loan Parties.

"Replacement Loan Facility" shall mean any credit agreement pursuant to which any Indebtedness of the Parent is issued in exchange for, or the net proceeds of which are used to extend, refinance, renew, replace, defease or refund the Indebtedness owing under the DIP Loan Agreement.

"Reporting Date" means, with respect to any, month the date occurring the number of days after the last day of such month set forth below opposite such month:

MONTH	NUMBER OF DAYS AFTER THE LAST DAY OF THE MONTH
October	60
November	30
December	45
January	45
February	30
March	45
April	45
May	30
June	45
July	45
August	30
September	90

"Second Amendment" shall mean that certain Wavier Agreement and Second Amendment to Credit Agreement dated November 30, 2008 by and among Borrower, Parent, Administrative Agent and Majority Lenders.

"Security Agreement" shall mean, collectively, (i) those certain Pledge Agreements Without the Transfer of Possession executed and delivered by Borrower or any Guarantor (organized under the laws of Mexico) in favor of Administrative Agent, as the same may be amended, restated or otherwise modified from time to time and (ii) the Security Agreement executed and delivered by POPPSA 3, LLC, POPPSA 4, LLC, and Pilgrim's Pride, LLC, in favor of Administrative Agent, as the same may be amended, restated or otherwise modified from time to time.

"Waiver Period" shall have the meaning set forth in the Second Amendment.

(b) Amendment to Section 2.3. Section 2.3 of the Credit Agreement is hereby amended in its entirety to read as follows:

"Section 2.3 Repayment. The principal of the Revolving Loans of each Lender shall be payable in full on the Final Maturity Date."

(c) Amendment to Section 2.4(b). Section 2.4(b) of the Credit Agreement is hereby amended in its entirety to read as follows:

"(b) Mandatory Prepayments.

(i) If on any date the Borrower or any of the Subsidiary Loan Parties shall receive Net Cash Proceeds from any Prepayment Event described in clause (a) of the definition thereof, the Borrower shall make a prepayment of the Revolving Loans in an aggregate amount equal to 100% of such Net Cash Proceeds received by the Borrower and the Subsidiary Loan Parties in excess of US$2,500,000 ("$2,500,000 Threshold") during any fiscal year in accordance with this Section 2.4(b) within five (5) Business Days of receipt of such Net Cash Proceeds and the Revolving Loan Commitment shall be permanently reduced by an amount equal to such Net Cash Proceeds in excess of US$2,500,000; provided that, after the $2,500,000 Threshold has been reached, there shall be no prepayment or Revolving Loan Commitment reduction requirement for any Prepayment Event described in this Section 2.4(b)(i) if the Net Cash Proceeds resulting therefrom are less than $200,000; provided further that, the Borrower shall not be required to prepay the Revolving Loans as a result of an Asset Sale permitted under Section 6.10(c), if, with respect to any Net Cash Proceeds received by the Borrower and the Subsidiary Loan Parties from such Asset Sale, (x) the Borrower or one of the Subsidiary Loan Parties uses such Net Cash Proceeds to replace the affected property or asset, (y) the Borrower or a Subsidiary Loan Party enters into a contract for such replacement within 120 days of the Prepayment Event, and (z) such repair or replacement is effected within 360 days of the Prepayment Event.

(ii) If on any date the Borrower or any of the Subsidiary Loan Parties shall receive Net Cash Proceeds from any Prepayment Event described in clause (b) of the definition thereof, the Borrower shall make a prepayment of the Revolving Loans in an aggregate amount

equal to 100% of such Net Cash Proceeds received by Borrower in excess of US$500,000 during any fiscal year which shall be applied to prepay the Revolving Loans in accordance with this Section 2.4(b) within five (5) Business Days; provided that the Borrower shall not be required to prepay the Revolving Loans as a result of such Prepayment Event, if, with respect to any Net Cash Proceeds received by the Borrower and the Subsidiary Loan Parties from such Prepayment Events, (x) the Borrower or one of the Subsidiary Loan Parties uses such Net Cash Proceeds to repair or replace the affected property or asset, (y) the Borrower or a Subsidiary Loan Party enters into a contract for such repair or replacement within 120 days of the Prepayment Event, and (z) such repair or replacement is effected within 360 days of the Prepayment Event, and if such repair or replacement is not so contracted for or effected at the end of such 120 or 360 day period, as applicable, such Net Cash Proceeds shall be applied within five (5) Business Days of the end of such period to prepay the Revolving Loans in accordance with this Section 2.4(b) and the Revolving Loan Commitment shall be permanently reduced by an amount equal to such Net Cash Proceeds in excess of US$500,000.

(iii) If on any date the Borrower shall receive Net Cash Proceeds from any Prepayment Event described in clause (c) or (d) of the definition thereof, the Borrower shall make a prepayment of the Revolving Loans in an aggregate amount equal to 100% of such Net Cash Proceeds received by Borrower which shall be applied to prepay the Revolving Loans in accordance with this Section 2.4(b) within five (5) Business Days and permanently reduce the Revolving Loan Commitment.

(iv) Amounts to be applied in connection with prepayments made pursuant to clauses (i)-(iii) of this Section 2.4(b) shall be applied to prepay the Revolving Loans, on a pro rata basis.

(v) Pending the final application of any such Net Cash Proceeds in accordance with this Section 2.4, the Borrower and its Subsidiaries may temporarily invest such Net Cash Proceeds in any manner that is not prohibited by this Agreement."

(d) Amendment to Sections 2.12(e) and (g). Sections 2.12(e) and (g) of the Credit Agreement are hereby amended in their entirety to read as follows:

"(e) If the Borrower is required to pay any amount to any Person pursuant to either paragraph (b) or (c) in an amount greater than would otherwise be applicable if such Person is registered with the Hacienda, then such Person shall use reasonable efforts (consistent with legal and regulatory restrictions) to change the jurisdiction of its Lending Office or other relevant office so as to eliminate any such additional payment by the Borrower that may thereafter accrue, if such change (in the sole judgment of such Person) is not otherwise disadvantageous to such Person and shall cooperate with the Borrower to recover any contested amount.

(g) The Lender shall promptly reimburse to the Borrower an amount in Dollars equal to the amount, if any, of any Taxes, Other Taxes or Further Taxes deducted or withheld by the Borrower hereunder and actually used by the Lender to offset its tax liabilities in the United States of America or any other jurisdiction. On July 1 of each calendar year, each Lender will give notice to the Borrower regarding the amount, if any, of the tax credit obtained by the Lender for the prior calendar year pursuant to the above, and the Lender will advance the corresponding Dollar amount to the Borrower, if any, within ten Business Days following the date of such notice. The Borrower's indemnification and reimbursement rights and the Lender's reimbursement obligations under this Section 2.12 shall survive the termination of this Agreement until six months after all of the Lenders' tax returns for the years during which the Agreement was in existence are originally filed with the U.S. Internal Revenue Service or the applicable Governmental Authority in any other jurisdiction."

(e) Amendment to Section 4.20. During the Waiver Period, Section 4.20 of the Credit Agreement is hereby amended by deleting each reference to the words "Loan Party" and substituting in lieu therefor the words "Loan Party (other than the Parent)".

(f) Amendment to Section 4.23. Section 4.23 of the Credit Agreement is hereby amended by deleting the phrase "subject to Section 2.4(b)(viii)," therefrom.

(g) Amendment to Section 5.2(b). Section 5.2(b) of the Credit Agreement is hereby amended in its entirety to read as follows:

"(b) as soon as available but in no event later than the applicable Reporting Date for each calendar month, a copy of the consolidated balance sheet of Borrower and its Subsidiaries and of Parent and its Subsidiaries and the consolidated statements of income and cash flows of the Borrower and its Subsidiaries and of Parent and its Subsidiaries for the month and for the fiscal year-to-date period then ended, each in reasonable detail showing in comparative form the figures for the corresponding date and period in the previous fiscal year, prepared by the Borrower (but not necessarily in accordance with GAAP) and certified by their Responsible Officers;"

(h) Amendment to Section 6.2(b). Section 6.2(b) of the Credit Agreement is hereby amended in its entirety to read as follows:

"(b) so long as no Default or Event of Default shall have occurred and be continuing or would result therefrom, the Borrower may make non-cash dividends to the holders of its Equity Interests solely in Equity Interests of the Borrower or options, warrants and other rights to purchase Equity Interests of Borrower;"

(i) Amendment to Section 6.10. Section 6.10 of the Credit Agreement is hereby amended in its entirety to read as follows:

"Section 6.10 Limitation on Asset Sales. Consummate any Asset Sale, except:

(a) sales or other dispositions of inventory, receivables and other current assets, in the ordinary course of business;

(b) sales or other dispositions of Temporary Cash Investments if the Net Cash Proceeds thereof are delivered to Borrower or its Subsidiaries;

(c) sales, transfers, assignments or other disposition of any property or equipment that has become damaged, worn out, obsolete or otherwise unsuitable for use in connection with the business of the Borrower or its Subsidiaries if the Net Cash Proceeds thereof are delivered to Borrower or its Subsidiaries;

(d) sales, transfers or other dispositions: (i) from any Loan Party to a Loan Party that is party to a Security Agreement; (ii) from any Loan Party to a Loan Party in the ordinary course of business in accordance with past practice; and (iii) to any Person in an amount not to exceed $10,000,000 in the aggregate, in any fiscal year for all such sales, transfers or other dispositions (excluding sales, transfers or other dispositions permitted under (i) or (ii) above);

(e) an issuance of Equity Interests by the Borrower or any of the Borrower's Subsidiaries to one or more of the Loan Parties;

(f) the sale, lease or other disposition of any assets or rights to the extent constituting a Restricted Payment permitted by Section 6.2 or an Investment that is permitted by Section 6.3 hereof; and

(g) sales, transfers and other dispositions of assets (other than Equity Interests in a Subsidiary) that are not permitted by any other clause of this Section; provided that (i) the consideration received by the Borrower or such Subsidiary is at least equal to the fair market value of the assets sold or disposed of, (ii) at least 80% of the consideration received consists of cash or Temporary Cash Investments, and (iii) the Net Cash Proceeds of such Asset Sale are applied to the extent required by Section 2.4(b).

After giving effect to any merger, sales, transfers, or other dispositions permitted by Section 6.10(d)(i) or (ii) or 6.11(a) or (b), Comercializadora de Carnes de México, S. de R.L. de C.V., Pilgrim's Pride, S. de R.L. de C.V., Inmobliaria Avicola Pilgrim's Pride, S. de R.L. de C.V., and Incubadora Hidalgo, S. de R.L. de C.V. must continue to have a book value of "customer" accounts receivable, inventory and equipment (including autos and trucks) of at least P$1,467,244,992.05 as determined in accordance with Mexican GAAP (on an aggregate basis) (all without giving effect to any depreciation) (the "Initial Minimum Collateral Amount"); provided that the Initial Minimum Collateral Amount shall be reduced from time to time as a result of reductions in the amount of the Revolving Loan Commitment (as so reduced, the "Adjusted Minimum Collateral Amount"). The Adjusted Minimum Collateral Amount in effect from time to time shall be an amount equal to (i) the Initial Minimum Collateral Amount less (ii) an amount equal to 90% of the difference between (A) Initial Minimum Collateral Amount and (B) the product of (x) the Initial Minimum Collateral Amount times (y) the Peso amount of the then-current reduced Revolving Loan Commitment divided by P$557,415,000."

(j) Indenture. Section 6.15 of the Credit Agreement is hereby deleted.

(k) Defaults. Section 7.1(j) of the Credit Agreement is amended and restated as follows:

"(j) a Change of Control or Material Adverse Effect shall occur; or"

(l) Amendment to Guarantor List. Schedule 1.1(b) of the Credit Agreement shall be and hereby is amended and restated and replaced in its entirety with Schedule 1.1(b) attached hereto.

3. Covenants of Borrower. Borrower and Guarantors covenant and agree until such time as all of the Obligations have been paid in full in cash and all Commitments have been terminated:

(a) No Commencement of Proceeding. Borrower and Guarantors (other than Parent) will not (i) file any petition for an order for relief under the Bankruptcy Code, (ii) make an assignment for the benefit of creditors, (iii) make any offer or agreement of settlement, extension or compromise to or with Borrower's and Guarantors' (other than Parent's) unsecured creditors generally or (iv) suffer the appointment of a receiver, trustee, custodian or similar fiduciary.

(b) Compliance with Credit Agreement, Collateral Documents and Loan Documents. Each of Borrower and Guarantors will continue to comply with all covenants and other obligations under this Agreement, the Credit Agreement and the Loan Documents, subject to the applicable cure or grace periods, if any, provided therein.

(c) Fees. In consideration of the Administrative Agent and the Lenders agreement hereunder, Borrower shall pay to Administrative Agent, for the benefit of the Lenders, on a pro rata basis based upon their Revolving Loan Commitments, a waiver fee in the amount of 1% of the Revolving Loan Commitment, which shall be deemed fully earned and non-refundable on the date hereof.

(d) Grant of Additional Collateral. In consideration of Administrative Agent and Lenders agreements hereunder, on the date hereof, and at all times thereafter, (i) Borrower and each of its Subsidiaries agree to grant to Administrative Agent, for the benefit of Lenders, a Lien on all assets and other personal property (including, without limitation, accounts receivable, inventory and equipment) owned by Borrower and each Subsidiary of Borrower (other than Gallina) pursuant to a Security Agreement, (ii) each Subsidiary of Borrower whose Equity Interests are not pledged to Administrative Agent pursuant to a Pledge Agreement shall cause the owner of its Equity Interests to pledge such Equity Interests (as to Pilgrim's Pride, LLC, it shall not be required to pledge its interest in Borrower) to Administrative Agent, for the benefit of Lenders, in each case, pursuant to documentation, in form and substance satisfactory to Administrative Agent and the Lenders (collectively, together with the Real Property Collateral (as defined below) the "Additional Collateral", together with the collateral currently existing under the Pledge Agreements, the "Collateral") and (iii) Pilgrim's Pride, LLC, POPPSA 3, LLC and POPPSA 4, LLC agree to execute a Guarantor Accession Agreement. Within ten (10) Business Days after the date hereof, Borrower and each of its Subsidiaries agree to grant to Administrative Agent, for the benefit of Lenders, a Lien on certain real property owned by Borrower or its Subsidiaries identified by Administrative Agent to Borrower on or before December 1, 2008, and, at any time after the date hereof, subject to the Filing Fee Cap, within a reasonable period of time after written request from Administrative Agent, Borrower and its Subsidiaries agree to grant to Administrative Agent, for the benefit of Lenders, a Lien on any other real property owned by Borrower or its Subsidiaries (collectively, the "Real Property Collateral"). Notwithstanding anything in this Section 3(d) to the contrary, Borrower shall not be required to pay any Perfection Expenses in connection therewith on or after such time as the aggregate amount of the Perfection Expenses exceed an amount equal to US$1,000,000 ("Filing Fee Cap"). For the purposes of this Section 3(d), "Perfection Expenses" shall mean any filing costs, recording costs, notary costs or taxes incurred in recording or perfecting a Lien on any Additional Collateral in favor of Administrative Agent; provided, however, that Perfection Expenses shall not include attorneys fees. Notwithstanding anything to the contrary herein or in the Loan Documents, any Perfection Expenses in excess of the Filing Fee Cap shall be borne by Administrative Agent.

(e) Cash Flow Forecast. During the Waiver Period, Borrower hereby agrees to deliver to Administrative Agent on Friday of each week, a rolling 13 week cash flow forecast (the "Cash Flow Forecast") for Borrower and its Subsidiaries, which Cash Flow Forecast shall be in form and substance satisfactory to Administrative Agent.

(f) Trade Credit with Parent. During the Wavier Period, Borrower and Parent hereby covenant to maintain trade credit between Parent and Borrower consistent with past practices and in the ordinary course of business to the extent the same is permitted under the DIP Loan Agreement.

4. Conditions Precedent to Effectiveness of Agreement. This Agreement shall not be effective unless and until each of the following conditions shall have occurred:

(a) Administrative Agent shall have received evidence reasonably satisfactory to Administrative Agent that all corporate proceedings of the Borrower necessary to authorize the transactions contemplated by this Agreement have been taken and all documents, instruments and other legal matters incident thereto shall be satisfactory to Administrative Agent;

(b) Borrower shall have paid the Administrative Agent all of Administrative Agent's costs and expenses (including Administrative Agent's reasonable attorney's fees) incurred prior to or in connection with the preparation of this Agreement or related to Borrower or Parent;

(c) Administrative Agent shall have received a copy of all written agreements between Parent and Borrower (or its Subsidiaries) relating to any intercompany financing and/or purchasing of goods and services by Parent for Borrower or its Subsidiaries;

(d) Borrower and its Subsidiaries shall have each executed a Security Agreement in favor of Administrative Agent;

(e) Borrower and its Subsidiaries shall have executed a Pledge Agreement pledging the equity in their Subsidiaries in favor of Administrative Agent; and

(f) Pilgrim's Pride, LLC, POPPSA 3, LLC and POPPSA, 4, LLC shall have executed a Guarantor Accession Agreement.

5. Representations and Warranties. Borrower hereby represents and warrants to Administrative Agent, for the benefit of the Lenders, as follows:

(a) Recitals. The Recitals in this Agreement are true and correct with respect to the Loan Parties in all material respects.

(b) Incorporation of Representations. All representations and warranties of Borrower and the Guarantors in the Credit Agreement are incorporated herein in full by this reference and are true and correct, in all material respects, as of the date hereof, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they shall be true and correct as of such earlier date.

(c) Power; Authorization. Each of the Borrower and Guarantors has the corporate power, and has been duly authorized by all requisite corporate action, to execute and deliver this Agreement and to perform its obligations hereunder. This Agreement has been duly executed and delivered by Borrower and Guarantors.

(d) Enforceability. This Agreement is the legal, valid and binding obligation of Borrower and each Guarantor, enforceable against Borrower and each Guarantor in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer or other similar laws relating to or affecting the enforcement of creditors' rights generally and general principles of equity.

(e) No Violation. Borrower's and each Guarantors' execution, delivery and performance of this Agreement does not and will not (i) violate any law, rule, regulation or court order to which Borrower or such Guarantor is subject; (ii) conflict with or result in a breach of Borrower's or such Guarantors' organizational documents or any agreement or instrument to which Borrower or any Guarantor is party or by which it or its properties are bound, or (iii) result in the creation or imposition of any lien, security interest or encumbrance on any property of Borrower or such Guarantor, whether now owned or hereafter acquired, other than liens in favor of Administrative Agent, for the benefit of the Lenders, or as permitted by the Credit Agreement.

(f) Obligations Absolute. The obligation of Borrower to repay the Loans and the other Obligations, together with all interest accrued thereon, is absolute and unconditional, and there exists no right of set off or recoupment, counterclaim or defense of any nature whatsoever to payment of the Obligations.

(g) Full Opportunity for Review; No Undue Influence. This Agreement was reviewed by each of Borrower and Guarantors which acknowledges and agrees that each of Borrower and Guarantors (i) understands fully the terms of this Agreement and the consequences of the issuance hereof; (ii) has been afforded an opportunity to have this Agreement reviewed by, and to discuss this Agreement with, such attorneys and other persons as Borrower may wish; and (iii) has entered into this Agreement of its own free will and accord and without threat or duress. This Agreement and all information furnished to Administrative Agent and the Lenders is made and furnished in good faith, for value and valuable consideration. This Agreement has not been made or induced by any fraud, duress or undue influence exercised by Lenders or Administrative Agent or any other person.

(h) No Other Defaults. As of the date hereof, no Event of Default (other than the Credit Events) exists under the Credit Agreement, or any of the Loan Documents and each of Borrower and the Guarantors is in full compliance with all covenants and agreements contained therein, as amended hereby.

6. Default. Each of the following shall constitute a "Waiver Default" hereunder:

(a) Borrower shall suffer the appointment of a receiver, trustee, custodian or similar fiduciary, or shall make an assignment for the benefit of creditors, or any petition for an order for relief shall be filed by or against Borrower or any Guarantor (other than the Parent) under any Bankruptcy Law, or Borrower or any Guarantor (other than the Parent) shall make any offer or agreement of settlement, extension or compromise to or with such person's unsecured creditors generally; or

(b) any representation or warranty of Borrower or any Guarantor contained in this Agreement proves to have been false or misleading in any material respect when made or furnished (or reaffirmed in connection with any Loan); or

(c) Borrower or any Guarantor shall fail to keep or perform any of the covenants or agreements contained herein (including, without limitation, the terms and conditions of Section 3(d)); or

(d) Borrower or any Guarantor shall fail to keep or perform any of the covenants or agreements contained in the Credit Agreement, or the Loan Documents (other than the Credit Events), subject to the applicable cure or grace periods, if any, provided therein; or

(e) the existence of any Event of Default (other than the Credit Events) under the Credit Agreement; or

(f) the occurrence of an event of default under the DIP Loan Agreement or the Replacement Loan Facility that has not been cured after the delivery of all required notices and the expiration of any applicable period of grace.

7. Conditional Permanent Waiver; Effect and Construction of Agreement. Upon the Waiver Termination Date, if a Bankruptcy Filing has occurred but no Waiver Default has occurred, Administrative Agent and the Lenders hereby permanently waive any Events of Default that occurred as a result of the Credit Events as long as Parent's obligations, for claims before, during and after the Bankruptcy Filing, under the Parent Guaranty are not discharged in any Bankruptcy Filing. Except as expressly provided herein, the Credit Agreement and the Loan Documents are hereby ratified and confirmed and shall be and shall remain in full force and effect in accordance with their respective terms, and this Agreement shall not be construed to: (i) impair the validity, perfection or priority of any lien or security interest securing the Obligations; (ii) waive or impair any rights, powers or remedies of Administrative Agent or the Lender under the Credit Agreement or the Loan Documents upon termination of the Waiver Period; (iii) constitute an agreement by Administrative Agent or the Lenders or require Administrative Agent or the Lenders to extend the Waiver Period, or grant additional waiver periods, or extend the term of the Credit Agreement or the time for payment of any of the Obligations; or (iv) make any Loans or other extensions of credit to Borrower. In the event of any inconsistency between the terms of this Agreement and the Credit Agreement or the Loan Documents, this Agreement shall govern. Borrower and Guarantors acknowledge that they have consulted with counsel and with such other experts and advisors as it has deemed necessary in connection with the negotiation, execution and delivery of this Agreement. This Agreement shall be construed without regard to any presumption or rule requiring that it be construed against the party causing this Agreement or any part hereof to be drafted.

8. Expenses. Borrower and Guarantors agree to pay all reasonable out-of-pocket costs, fees and expenses of Administrative Agent, Lenders and Administrative Agent's and Lenders' attorneys incurred in connection with the negotiation, preparation, administration and enforcement of, and the preservation of any rights under, this Agreement and/or the Loan Documents, and the transactions and other matters contemplated hereby and thereby, including, but not limited to, Perfection Expenses and the out-of-pocket fees, costs and expenses incurred by Administrative Agent and Lenders in the employment of auditors and/or consultants to perform work on Lenders' behalf to audit, appraise, monitor and otherwise review any and all portions of the assets of Borrower of its Subsidiaries (subject to the Filing Fee Cap, as applicable).

9. Miscellaneous.

(a) Further Assurances. Borrower and Guarantors agree to execute such other and further documents and instruments as Administrative Agent may request to implement the provisions of this Agreement and to perfect and protect the liens and security interests created by the Credit Agreement and the Loan Documents.

(b) Benefit of Agreement. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto, their respective successors and assigns. No other person or entity shall be entitled to claim any right or benefit hereunder, including, without limitation, the status of a third-party beneficiary of this Agreement.

(c) Integration. This Agreement, together with the Credit Agreement and the Loan Documents, constitutes the entire agreement and understanding among the parties relating to the subject matter hereof, and supersedes all prior proposals, negotiations, agreements and understandings relating to such subject matter. In entering into this Agreement, each of Borrower and Guarantor acknowledges that it is relying on no statement, representation, warranty, covenant or agreement of any kind made by the Administrative Agent or any Lender or any employee or agent of the Administrative Agent or any Lender, except for the agreements of Administrative Agent or any Lender set forth herein.

(d) Severability. The provisions of this Agreement are intended to be severable. If any provisions of this Agreement shall be held invalid or unenforceable in whole or in part in any jurisdiction, such provision shall, as to such jurisdiction, be ineffective to the extent of such invalidity or enforceability without in any manner affecting the validity or enforceability of such provision in any other jurisdiction or the remaining provisions of this Agreement in any jurisdiction.

(e) Governing Law. This Agreement shall be governed by and construed in accordance with the internal substantive laws of the State of New York, without regard to the choice of law principles of such state.

(f) Counterparts; Telecopied Signatures. This Agreement may be executed in any number of counterparts and by different parties to this Agreement on separate counterparts, each of which, when so executed, shall be deemed an original, but all such counterparts shall constitute one and the same agreement. Any signature delivered by a party by facsimile transmission shall be deemed to be an original signature hereto.

(g) Notices. Any notices with respect to this Agreement shall be given in the manner provided for in Section 10.06 of the Credit Agreement.

(h) Survival. All representations, warranties, covenants, agreements, undertakings, waivers and releases of Borrower and Guarantors contained herein shall survive the termination of the Waiver Period and payment in full of the Obligations.

(i) Amendment. No amendment, modification, rescission, waiver or release of any provision of this Agreement shall be effective unless the same shall be in writing and signed by the parties hereto.

(j) No Limitation on Administrative Agent. Nothing in this Agreement shall be deemed in any way to limit or restrict any of Administrative Agent's and Lenders' rights to seek in a bankruptcy court or any other court of competent jurisdiction, any relief Administrative Agent may deem appropriate in the event that a voluntary or involuntary petition under any Bankruptcy Law is filed by or against Borrower

10. Ratification of Liens and Security Interest. Borrower and each Guarantor hereby acknowledge and agree that the liens and security interests of the Credit Agreement and the Loan Documents are valid, subsisting, perfected and enforceable liens and security interests and are superior to all liens and security interests other than Liens permitted under Section 6.7 of the Credit Agreement.

11. No Commitment. Borrower and Guarantors agree that Administrative Agent and Lenders have made no commitment or other agreement regarding the Credit Agreement or the Loan Documents, except as expressly set forth in this Agreement. Borrower and Guarantors warrant and represent that Borrower and Guarantors will not rely on any commitment, further agreement to waive or other agreement on the part of Administrative Agent or Lenders unless such commitment or agreement is in writing and signed by Administrative Agent and Lenders.

12. RELEASE. FOR VALUE RECEIVED, INCLUDING WITHOUT LIMITATION, THE AGREEMENTS OF THE AGENT AND MAJORITY LENDERS IN THIS AGREEMENT, THE BORROWER AND GUARANTORS HEREBY RELEASE THE ADMINISTRATIVE AGENT AND EACH LENDER, THEIR RESPECTIVE CURRENT AND FORMER SHAREHOLDERS, DIRECTORS, OFFICERS, AGENTS, EMPLOYEES, ATTORNEYS, CONSULTANTS, AND PROFESSIONAL ADVISORS (COLLECTIVELY, THE "RELEASED PARTIES") OF AND FROM ANY AND ALL DEMANDS, ACTIONS, CAUSES OF ACTION, SUITS, CONTROVERSIES, ACTS AND OMISSIONS, LIABILITIES, AND OTHER CLAIMS OF EVERY KIND OR NATURE WHATSOEVER, BOTH IN LAW AND IN EQUITY, KNOWN OR UNKNOWN, WHICH SUCH BORROWER OR GUARANTOR HAS OR EVER HAD AGAINST THE RELEASED PARTIES FROM THE BEGINNING OF THE WORLD TO THIS DATE ARISING IN ANY WAY OUT OF THE EXISTING FINANCING ARRANGEMENTS AMONG THE BORROWER, THE GUARANTORS, THE ADMINISTRATIVE AGENT AND/OR THE LENDERS IRRESPECTIVE OF WHETHER ANY SUCH CLAIMS ARISE OUT OF CONTRACT, TORT, VIOLATION OF LAW OR REGULATIONS OR OTHERWISE, INCLUDING BUT NOT LIMITED TO, ANY CONTRACTING FOR, CHARGING, TAKING, RESERVING, COLLECTING OR RECEIVING INTEREST IN EXCESS OF THE HIGHEST LAWFUL RATE APPLICABLE, THE EXERCISE OF ANY RIGHTS AND REMEDIES UNDER THE LOAN DOCUMENTS, OR THE NEGOTIATION FOR AND EXECUTION OF THIS AGREEMENT. THE BORROWER AND GUARANTORS FURTHER ACKNOWLEDGE THAT, AS OF THE DATE HEREOF, THEY, JOINTLY OR SEVERALLY, DO NOT HAVE ANY COUNTERCLAIM, SET-OFF, OR DEFENSE AGAINST THE RELEASED PARTIES, EACH OF WHICH SUCH BORROWER OR GUARANTOR HEREBY EXPRESSLY WAIVES.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

AVÍCOLA PILGRIM'S PRIDE DE MÉXICO, S. de R.L. de C.V.

a *Sociedad de Responsabilidad Limitada de Capital Variable*

By: /s/ Richard A. Cogdill
Name: Richard A. Cogdill
Title: Attorney-in-Fact

PILGRIM'S PRIDE CORPORATION, a Delaware corporation

By: /s/ Richard A. Cogdill
Name: Richard A. Cogdill
Title: Attorney-in-Fact

INCUBADORA HIDALGO, S. de R.L. de C.V.

a *Sociedad de Responsabilidad Limitada de Capital Variable*

By: /s/ Richard A. Cogdill
Name: Richard A. Cogdill
Title: Attorney-in-Fact

PILGRIM'S PRIDE, S. de R.L. de C.V.

a *Sociedad de Responsabilidad Limitada de Capital Variable*

By: /s/ Richard A. Cogdill
Name: Richard A. Cogdill
Title: Attorney-in-Fact

INMOBLIARIA AVÍCOLA PILGRIM'S PRIDE, S. de R.L. de C.V.

a *Sociedad de Responsabilidad Limitada de Capital Variable*

By: /s/ Richard A. Cogdill
Name: Richard A. Cogdill
Title: Attorney-in-Fact

SERVICIOS ADMINISTRATIVOS PILGRIM'S PRIDE, S. de R.L. de C.V.

a *Sociedad de Responsabilidad Limitada de Capital Variable*

By: /s/ Richard A. Cogdill
Name: Richard A. Cogdill
Title: Attorney-in-Fact

GRUPO PILGRIM'S PRIDE FUNDING HOLDINGS, S. de R.L. de C.V.

a *Sociedad de Responsabilidad Limitada de Capital Variable*

By: /s/ Richard A. Cogdill
Name: Richard A. Cogdill
Title: Attorney-in-Fact

COMERCIALIZADORA DE CARNES DE MÉXICO, S. de R.L. de C.V.

a *Sociedad de Responsabilidad Limitada de Capital Variable*

By: /s/ Richard A. Cogdill
Name: Richard A. Cogdill
Title: Attorney-in-Fact

GRUPO PILGRIM'S PRIDE FUNDING, S. de R.L. de C.V.

a *Sociedad de Responsabilidad Limitada de Capital Variable*

By: /s/ Richard A. Cogdill
Name: Richard A. Cogdill
Title: Attorney-in-Fact

OPERADORA DE PRODUCTOS AVÍCOLAS, S. de R.L. de C.V.

a *Sociedad de Responsabilidad Limitada de Capital Variable*

By: /s/ Richard A. Cogdill
Name: Richard A. Cogdill
Title: Attorney-in-Fact

CARNES Y PRODUCTOS AVICOLAS de MEXICO, S. de R.L. de C.V.

a *Sociedad de Responsabilidad Limitada de Capital Variable*

By: /s/ Richard A. Cogdill
Name: Richard A. Cogdill
Title: Attorney-in-Fact

POPPSA 3, LLC

By: /s/ Richard A. Cogdill
Name: Richard A. Cogdill
Title: CFO, Secretary and Treasurer

POPPSA 4, LLC

By: /s/ Richard A. Cogdill
Name: Richard A. Cogdill
Title: CFO, Secretary and Treasurer

PILGRIM'S PRIDE, LLC

By: /s/ Richard A. Cogdill
Name: Richard A. Cogdill
Title: CFO, Secretary and Treasurer

ING CAPITAL LLC,

as Administrative Agent and Sole Lead Arranger

By: /s/ William B. Redmond
Name: William B. Redmond
Title: Managing Director

ING BANK N.V., acting through its Curaçao Branch

By: /s/ Maricella Bonafacio
Name: Maricella Bonafacio
Title: Head Transaction Processing

By: /s/ A. C. Maduro
Name: A. C. Maduro
Title: Risk Manager

Exhibit 10.52

Post-Petition Credit Agreement

Dated as of December 2, 2008

among

Pilgrim's Pride Corporation, as Debtor and Debtor-in-Possession,

the guarantors from time to time parties hereto,

the Lenders from time to time parties hereto,

and

Bank of Montreal,

AS DIP AGENT

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POST-PETITION CREDIT AGREEMENT

This Post-Petition Credit Agreement is entered into as of December 2, 2008, by and among Pilgrim's Pride Corporation, a Delaware corporation (the "*Borrower*"), as debtor and debtor-in-possession in a case pending under Chapter 11 of the Bankruptcy Code, the direct and indirect Domestic Subsidiaries of the Borrower from time to time party to this Agreement, as Guarantors, each as debtor and debtor-in-possession (the Borrower and the Guarantors, each a "*Debtor*" and collectively the "*Debtors*") in a case pending under Chapter 11 of the Bankruptcy Code (the cases of the Borrower and the Guarantors, each a "*Chapter 11 Case*" and, collectively, the "*Chapter 11 Cases*"), the several financial institutions from time to time party to this Agreement, as Lenders, and Bank of Montreal, a Canadian chartered bank acting through its Chicago branch, as DIP Agent as provided herein. All capitalized terms used herein without definition shall have the same meanings herein as such terms are defined in Section 5.1 hereof.

PRELIMINARY STATEMENT

On December 1, 2008 (the "*Petition Date*") the Debtors filed voluntary petitions with the United States Bankruptcy Court for the Northern District of Texas, Fort Worth Division, initiating the Chapter 11 Cases and have continued in possession of their assets and the management of their businesses pursuant to Sections 1107 and 1108 of the Bankruptcy Code;

The Borrower owns, directly or indirectly, all of the issued and outstanding capital stock or other equity interests of each of the Guarantors;

The Borrower and the Guarantors have requested that the Lenders enter into certain financing arrangements with the Borrower pursuant to which the Lenders may make loans and provide other financial accommodations to the Borrower;

Whereas, the Lenders are willing to make such loans and advances and provide such financial accommodations on the terms and conditions set forth herein.

Now, Therefore, in consideration of the mutual agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

SECTION 1. THE CREDIT FACILITIES.

Section 1.1 DIP Commitments. Subject to the terms and conditions hereof, each Lender, by its acceptance hereof, severally agrees to make a loan or loans (individually a "*DIP Loan*" and collectively for all the Lenders the "*DIP Loans*") in U.S. Dollars to the Borrower from time to time on a revolving basis up to the amount of such Lender's DIP Commitment, subject to any reductions thereof pursuant to the terms hereof, before the Termination Date. The sum of the aggregate principal amount of DIP Loans, Swing Loans, and L/C Obligations at any time outstanding shall not exceed the lesser of (i) the DIP Commitments in effect at such time and (ii) the Borrowing Base as determined based on the most recent Borrowing Base Certificate. Each Borrowing of DIP Loans shall be made ratably by the Lenders in proportion to their respective DIP Percentages. DIP Loans may be repaid and the principal amount thereof reborrowed before the Termination Date, subject to the terms and conditions hereof.

Section 1.2 Letters of Credit. (a) *General Terms*. Subject to the terms and conditions hereof, as part of the DIP Credit, the L/C Issuer shall issue standby and commercial letters of credit (each a "*Letter of Credit*") for the account of Borrower or for the account of the Guarantors in an aggregate undrawn face amount up to the L/C Sublimit and for purposes that are permitted under Section 8.19 hereof. Each Letter of Credit shall be issued by the L/C Issuer, but each Lender shall be obligated to reimburse the L/C Issuer for such Lender's DIP Percentage of the amount of each drawing thereunder and, accordingly, each Letter of Credit shall constitute usage of the DIP Commitment of each Lender pro rata in an amount equal to its DIP Percentage of the L/C Obligations then outstanding.

(b)*Applications*. At any time before the Termination Date, the L/C Issuer shall, at the request of the Borrower, issue one or more Letters of Credit in U.S. Dollars, in a form satisfactory to the L/C Issuer upon the receipt of an application duly executed by the Borrower for the relevant Letter of Credit in the form then customarily prescribed by the L/C Issuer for the Letter of Credit requested (each an "*Application*"). Each Letter of Credit shall have an expiration date that is 30 days from the date of its issuance and shall be automatically extended for an additional 30 days unless the L/C Issuer gives the beneficiary thereof at least 30 days prior written notice that the expiration date will not so extend beyond its then scheduled expiration date, provided that in no event may the expiration date of any Letter of Credit extend beyond the Maturity Date. Any Letters of Credit that expire after the Termination Date must be fully cash collateralized on the Termination Date by cash held in a Cash Collateral Account and otherwise under the exclusive control of the DIP Agent in an amount equal to 105% of the maximum amount available to be drawn thereunder, or be supported by a letter of credit issued by a bank acceptable to the Required Lenders and that is satisfactory in form and substance to the Required Lenders. The L/C Issuer may give notice of non-renewal to the beneficiary of any Letter of Credit issued hereunder at any time in its sole discretion. Notwithstanding anything contained in any Application to the contrary: (i) the Borrower shall pay fees in connection with each Letter of Credit as set forth in Section 2.1(b) hereof, (ii) except as otherwise provided in this Section and in Section 1.8 hereof, unless an Event of Default exists, the L/C Issuer will not call for the funding by the Borrower of any amount under a Letter of Credit before being presented with a drawing thereunder, and (iii) if the L/C Issuer is not timely reimbursed by the Borrower for the amount of any drawing under a Letter of Credit on the date such drawing is paid, the Borrower's obligation to reimburse the L/C Issuer for the amount of such drawing shall bear interest (which the Borrower hereby promises to pay) from and after the date such drawing is paid at the Default Rate. Unless the DIP Agent or the Required Lenders instruct the L/C Issuer otherwise, the L/C Issuer will give each beneficiary of a Letter of Credit notice of non-renewal before the time necessary to prevent the automatic extension thereof if before such required notice date: (i) the expiration date of such Letter of Credit if so extended would be after the Termination Date, (ii) the DIP Commitments have been terminated, or (iii) a Default or an Event of Default exists and either the DIP Agent or the Required Lenders (with notice to the DIP Agent) have given the L/C Issuer instructions not to so permit the extension of the expiration date of such Letter of Credit. The L/C Issuer shall also issue amendments to the Letter(s) of Credit increasing the amount thereof at the request of the Borrower, subject to the conditions of Section 7 hereof and the other terms of this Section 1.2. The Borrower shall provide to the DIP Agent cash collateral in an amount equal to 105% of the maximum amount available to be drawn under all Letters of Credit outstanding hereunder as part of a plan of reorganization of the Borrower.

(c) *The Reimbursement Obligations*. Subject to Section 1.2(b) hereof, the obligation of the Borrower to reimburse the L/C Issuer for all drawings under a Letter of Credit (a "*Reimbursement Obligation*") shall be governed by the Application related to such Letter of Credit, except that reimbursement shall be made by no later than 2:00 p.m. (Chicago time) on the date when each drawing is to be paid if the Borrower has been informed of such drawing by the L/C Issuer on or before 10:00 a.m. (Chicago time) on the date when such drawing is to be paid or, if notice of such drawing is given to the Borrower after 10:00 a.m. (Chicago time) on the date when such drawing is to be paid, by no later than 2:00 p.m. (Chicago time) on the following Business Day, in immediately available funds at the DIP Agent's principal office in Chicago, Illinois, or such other office as the DIP Agent may designate in writing to the Borrower (who shall thereafter cause to be distributed to the L/C Issuer such amount(s) in like funds). If the Borrower does not make any such reimbursement payment on the date due and the

Participating Lenders fund their participations therein in the manner set forth in Section 1.2(e) below, then all payments thereafter received by the DIP Agent in discharge of any of the relevant Reimbursement Obligations shall be distributed in accordance with Section 1.2(e) below.

(d) *Obligations Absolute*. The Borrower's obligation to reimburse L/C Obligations as provided in subsection (c) of this Section shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement and the relevant Application under any and all circumstances whatsoever and irrespective of (i) any lack of validity or enforceability of any Letter of Credit or this Agreement, or any term or provision therein, (ii) any draft or other document presented under a Letter of Credit proving to be forged, fraudulent or invalid in any respect or any statement therein being untrue or inaccurate in any respect, or (iii) any other event or circumstance whatsoever, whether or not similar to any of the foregoing, that might, but for the provisions of this Section, constitute a legal or equitable discharge of, or provide a right of setoff against, the Borrower's obligations hereunder. None of the DIP Agent, the Lenders, or the L/C Issuer shall have any liability or responsibility by reason of or in connection with the issuance or transfer of any Letter of Credit or any payment or failure to make any payment thereunder (irrespective of any of the circumstances referred to in the preceding sentence), or any error, omission, interruption, loss or delay in transmission or delivery of any draft, notice or other communication under or relating to any Letter of Credit (including any document required to make a drawing thereunder), any error in interpretation of technical terms or any consequence arising from causes beyond the control of the L/C Issuer; provided that the foregoing shall not be construed to excuse the L/C Issuer from liability to the Borrower to the extent of any direct damages (as opposed to consequential damages, claims in respect of which are hereby waived by the Borrower to the extent permitted by applicable law) suffered by the Borrower that are caused by the L/C Issuer's failure to exercise care when determining whether drafts and other documents presented under a Letter of Credit comply with the terms thereof. The parties hereto expressly agree that, in the absence of bad faith, gross negligence or willful misconduct on the part of the L/C Issuer (as finally determined by a court of competent jurisdiction), the L/C Issuer shall be deemed to have exercised care in each such determination. In furtherance of the foregoing and without limiting the generality thereof, the parties agree that, with respect to documents presented which appear on their face to be in substantial compliance with the terms of a Letter of Credit, the L/C Issuer may, in its sole discretion, either accept and make payment upon such documents without responsibility for further investigation, regardless of any notice or information to the contrary, or refuse to accept and make payment upon such documents if such documents are not in strict compliance with the terms of such Letter of Credit.

(e) *The Participating Interests*. Each Lender (other than the Lender acting as L/C Issuer in issuing the relevant Letter of Credit), by its acceptance hereof, severally agrees to purchase from the L/C Issuer, and the L/C Issuer hereby agrees to sell to each such Lender (a "*Participating Lender*"), an undivided percentage participating interest (a "*Participating Interest*"), to the extent of its DIP Percentage, in each Letter of Credit issued by, and each Reimbursement Obligation owed to, the L/C Issuer and any Cash Collateral therefor. Upon any failure by the Borrower to pay any Reimbursement Obligation at the time required on the date the related drawing is to be paid, as set forth in Section 1.2(c) above, or if the L/C Issuer is required at any time to return to the Borrower or to a trustee, receiver, liquidator, custodian or other Person any portion of any payment of any Reimbursement Obligation, each Participating Lender shall, not later than the Business Day it receives a certificate in the form of Exhibit A hereto from the L/C Issuer (with a copy to the DIP Agent) to such effect, if such certificate is received before 1:00 p.m. (Chicago time), or not later than 1:00 p.m. (Chicago time) the following Business Day, if such certificate is received after such time, pay to the DIP Agent for the account of the L/C Issuer an amount equal to such Participating Lender's DIP Percentage of such unpaid or recaptured Reimbursement Obligation together with interest on such amount accrued from the date the related payment was made by the L/C Issuer to the date of such payment by such Participating Lender at a rate per annum equal to: (i) from the date the related payment was made by the L/C Issuer to the date two (2) Business Days after payment by such Participating Lender is due hereunder, the Federal Funds Rate for each such day and (ii) from the date two (2) Business Days after the date such payment is due from such Participating Lender to the date such payment is made by such Participating Lender, the Base Rate in effect for each such day. Each such Participating Lender shall thereafter be entitled to receive its DIP Percentage of each payment received in respect of the relevant Reimbursement Obligation and of interest paid thereon and any Cash Collateral therefor, with the L/C Issuer retaining its DIP Percentage thereof as a Lender hereunder. The several obligations of the Participating Lenders to the L/C Issuer under this Section 1.2 shall be absolute, irrevocable, and unconditional under any and all circumstances whatsoever and shall not be subject to any set-off, counterclaim or defense to payment which any Participating Lender may have or have had against the Borrower, the L/C Issuer, the DIP Agent, any Lender or any other Person whatsoever. Without limiting the generality of the foregoing, such obligations shall not be affected by any Default or Event of Default or by any reduction or termination of any DIP Commitment of any Lender, and each payment by a Participating Lender under this Section 1.2 shall be made without any offset, abatement, withholding or reduction whatsoever.

(f) *Indemnification*. The Participating Lenders shall, to the extent of their respective DIP Percentages, indemnify the L/C Issuer (to the extent not reimbursed by the Borrower) against any cost, expense (including reasonable counsel fees and disbursements), claim, demand, action, loss or liability (except such as result from such L/C Issuer's gross negligence or willful misconduct) that the L/C Issuer may suffer or incur in connection with any Letter of Credit issued by it. The obligations of the Participating Lenders under this Section 1.2(f) and all other parts of this Section 1.2 shall survive termination of this Agreement and of all Applications, Letters of Credit, and all drafts and other documents presented in connection with drawings thereunder.

(g) *Manner of Requesting a Letter of Credit*. The Borrower shall provide at least five (5) Business Days' advance written notice to the DIP Agent of each request for the issuance of a Letter of Credit, such notice in each case to be accompanied by an Application for such Letter of Credit properly completed and executed by the Borrower and, in the case of an extension (other than an automatic extension) or amendment or an increase in the amount of a Letter of Credit, a written request therefor, in a form acceptable to the DIP Agent and the L/C Issuer, in each case, together with the fronting fee called for by this Agreement. The DIP Agent shall promptly notify the L/C Issuer of the DIP Agent's receipt of each such notice (and the L/C Issuer shall be entitled to assume that the conditions precedent to any such issuance, extension, amendment or increase have been satisfied unless notified to the contrary by the DIP Agent or the Required Lenders) and the L/C Issuer shall promptly notify the DIP Agent and the Lenders of the issuance of the Letter of Credit so requested.

(h) *Replacement of the L/C Issuer*. The L/C Issuer may be replaced at any time by written agreement among the Borrower, the DIP Agent, the replaced L/C Issuer and the successor L/C Issuer. The DIP Agent shall notify the Lenders of any such replacement of the L/C Issuer. At the time any such replacement shall become effective, the Borrower shall pay all unpaid fees accrued for the account of the replaced L/C Issuer. From and after the effective date of any such replacement (i) the successor L/C Issuer shall have all the rights and obligations of the L/C Issuer under this Agreement with respect to Letters of Credit to be issued thereafter and (ii) references herein to the term "*L/C Issuer*" shall be deemed to refer to such successor or to any previous L/C Issuer, or to such successor and all previous L/C Issuers, as the context shall require. After the replacement of a L/C Issuer hereunder, the replaced L/C Issuer shall remain a party hereto and shall continue to have all the rights and obligations of a L/C Issuer under this Agreement with respect to Letters of Credit issued by it prior to such replacement, but shall not be required to issue additional Letters of Credit.

Section 1.3 *Applicable Interest Rates*. (a) *DIP Loans*. Each DIP Loan made or maintained by a Lender shall bear interest (computed on the basis of a year of 365 or 366 days, as the case may be, and the actual days elapsed) on the unpaid principal amount thereof from the date such Loan is advanced until maturity (whether by acceleration or otherwise) at a rate per annum equal to the sum of eight percent (8.0%) plus the Base Rate from time to time in effect, payable by the Borrower monthly in arrears on the last day of each calendar month in each year (commencing on the first such date occurring after the date hereof) and at maturity (whether by acceleration or otherwise).

(b) *Rate Determinations*. The DIP Agent shall determine each interest rate applicable to the Loans and the Reimbursement Obligations hereunder, and its determination thereof shall be conclusive and binding except in the case of manifest error.

Section 1.4 *Minimum Borrowing Amounts*. Each Borrowing advanced shall be in an amount not less than $1,000,000 or any greater amount which is an integral multiple of $100,000.

Section 1.5 *Manner of Borrowing DIP Loans*. (a) Notice to the DIP Agent. The Borrower shall give notice to the DIP Agent by no later than 12:00 noon (Chicago time) on the date the Borrower requests the Lenders to advance a Borrowing of DIP Loans. The Borrower shall give all such notices to the DIP Agent by telephone, telecopy, or other telecommunication device acceptable to the DIP Agent (which notice shall be irrevocable once given and, if by telephone, shall be promptly confirmed in writing), substantially in the form attached hereto as Exhibit B (Notice of Borrowing) or in such other form acceptable to the DIP Agent. All such notices shall specify the date of the requested advance (which shall be a Business Day) and the amount of the requested Borrowing to be advanced. The Borrower agrees that the DIP Agent may rely on any such telephonic, telecopy or other telecommunication notice given by any person the DIP Agent in good faith believes is an Authorized Representative without the necessity of independent investigation, and in the event any such notice by telephone conflicts with any written confirmation such telephonic notice shall govern if the DIP Agent has acted in reliance thereon.

(b) *Notice to the Lenders*. The DIP Agent shall give prompt telephonic, telecopy or other telecommunication notice to each Lender of any notice from the Borrower received pursuant to Section 1.5(a) above.

(c) *Borrower's Failure to Notify*. In the event the Borrower fails to give notice pursuant to Section 1.5(a) above of a Borrowing equal to the amount of a Reimbursement Obligation and has not notified the DIP Agent by 12:00 noon (Chicago time) on the day such Reimbursement Obligation becomes due that it intends to repay such Reimbursement Obligation through funds not borrowed under this Agreement, the Borrower shall be deemed to have requested a Borrowing of DIP Loans under the DIP Credit on such day in the amount of the Reimbursement Obligation then due, which Borrowing shall be applied to pay the Reimbursement Obligation then due.

(d) *Disbursement of Loans*. Not later than 1:00 p.m. (Chicago time) on the date of any requested advance of a new Borrowing, subject to Section 7 hereof, each Lender shall make available its DIP Loan comprising part of such Borrowing in funds immediately available at the principal office of the DIP Agent in Chicago, Illinois (or at such other location as the DIP Agent shall designate). The DIP Agent shall make the proceeds of each new Borrowing available to the Borrower at the DIP Agent's principal office in Chicago, Illinois (or at such other location as the DIP Agent shall designate), by depositing or wire transferring such proceeds to the credit of the Borrower's Designated Disbursement Account or as the Borrower and the DIP Agent may otherwise agree.

(e) *DIP Agent Reliance on Lender Funding*. Unless the DIP Agent shall have been notified by a Lender prior to 1:00 p.m. (Chicago time) on the date on which such Lender is scheduled to make payment to the DIP Agent of the proceeds of a DIP Loan (which notice shall be effective upon receipt) that such Lender does not intend to make such payment, the DIP Agent may assume that such Lender has made such payment when due and the DIP Agent may in reliance upon such assumption (but shall not be required to) make available to the Borrower the proceeds of the DIP Loan to be made by such Lender and, if any Lender has not in fact made such payment to the DIP Agent, such Lender shall, on demand, pay to the DIP Agent the amount made available to the Borrower attributable to such Lender together with interest thereon in respect of each day during the period commencing on the date such amount was made available to the Borrower and ending on (but excluding) the date such Lender pays such amount to the DIP Agent at a rate per annum equal to: (i) from the date the related advance was made by the DIP Agent to the date two (2) Business Days after payment by such Lender is due hereunder, the Federal Funds Rate for each such day and (ii) from the date two (2) Business Days after the date such payment is due from such Lender to the date such payment is made by such Lender, the Base Rate in effect for each such day. If such amount is not received from such Lender by the DIP Agent immediately upon demand, the Borrower will, on demand, repay to the DIP Agent the proceeds of the Loan attributable to such Lender with interest thereon at a rate per annum equal to the interest rate applicable to the relevant DIP Loan.

Section 1.6 *Swing Loans*. (a) *Generally*. Subject to the terms and conditions hereof, as part of the DIP Credit, the Swing Line Lender will make loans in U.S. Dollars to the Borrower under the Swing Line (individually a "*Swing Loan*" and collectively the "*Swing Loans*") which shall not in the aggregate at any time outstanding exceed the Swing Line Sublimit. Swing Loans may be availed of from time to time and borrowings thereunder may be repaid and used again during the period ending on the Termination Date. Each Swing Loan shall be in a minimum amount of $500,000 or such greater amount which is an integral multiple of $100,000.

(b) *Interest on Swing Loans*. Each Swing Loan shall bear interest until maturity (whether by acceleration or otherwise) at a rate per annum equal to the sum of the Base Rate plus eight percent (8%) (computed on the basis of a year of 365 or 366 days, as the case may be, for the actual number of days elapsed). Interest on each Swing Loan shall be due and payable by the Borrower monthly in arrears on the last day of each calendar month in each year (commencing on the first such date occurring after the date hereof) and at maturity (whether by acceleration or otherwise).

(c) *Requests for Swing Loans*. The Borrower shall give the DIP Agent prior notice (which may be written or oral) no later than 3:00 p.m. (Chicago time) on the date upon which the Borrower requests that any Swing Loan be made, of the amount and date of such Swing Loan. Subject to the terms and conditions hereof, the proceeds of each Swing Loan extended to the Borrower shall be deposited or otherwise wire transferred to the Borrower's Designated Disbursement Account or as the Borrower, the DIP Agent, and the Swing Line Lender may otherwise agree. Anything contained in the foregoing to the contrary notwithstanding, the undertaking of the Swing Line Lender to make Swing Loans shall be subject to all of the terms and conditions of this Agreement (provided that the Swing Line Lender shall be entitled to assume that the conditions precedent to an advance of any Swing Loan have been satisfied unless notified to the contrary by the DIP Agent or the Required Lenders).

(d) *Refunding Loans*. In its sole and absolute discretion, the Swing Line Lender may at any time, on behalf of the Borrower (which hereby irrevocably authorizes the Swing Line Lender to act on its behalf for such purpose) and with notice to the Borrower and the DIP Agent, request each Lender to make a DIP Loan in an amount equal to such Lender's DIP Percentage of the amount of the Swing Loans outstanding on the date such notice is given. Regardless of the existence of any Event of Default, each Lender shall make the proceeds of its requested DIP Loan available to the DIP Agent for the account of the Swing Line Lender), in immediately available funds, at the DIP Agent's office in Chicago, Illinois (or such other location designated by the DIP Agent), before 12 Noon (Chicago time) on the Business Day following the day such notice is given. The DIP Agent shall promptly remit the proceeds of such Borrowing to the Swing Line Lender to repay the outstanding Swing Loans.

(e) *Participations*. If any Lender refuses or otherwise fails to make a DIP Loan when requested by the Swing Line Lender pursuant to Section 1.6(d) above for any reason, such Lender will, by the time and in the manner such DIP Loan was to have been funded to the Swing Line Lender, purchase from the Swing Line Lender an undivided participating interest in the outstanding Swing Loans in an amount equal to its DIP Percentage of the aggregate principal amount of Swing Loans that were to have been repaid with such DIP Loans. Each Lender that so purchases a participation in a Swing Loan shall thereafter be entitled to receive its DIP Percentage of each payment of principal received on the Swing Loan and of interest received thereon accruing from the date such Lender funded to the Swing Line Lender its participation in such Loan. The several obligations of the Lenders under this Section shall be absolute, irrevocable, and unconditional under any and all circumstances whatsoever and shall not be subject to any set-off, counterclaim or defense to payment which any Lender may have or have had against the Borrower, any other Lender, or any other Person whatsoever. Without limiting the generality of the foregoing, such obligations shall not be affected by any Default or Event of Default or by any reduction or termination of the DIP Commitments of any Lender, and each payment made by a Lender under this Section shall be made without any offset, abatement, withholding, or reduction whatsoever.

Section 1.7 *Maturity of Loans*. (a) *DIP Loans*. Each DIP Loan, both for principal and interest not sooner paid, shall mature and be due and payable by the Borrower on the Termination Date.

(b) *Swing Loans*. Each Swing Loan, both for principal and interest not sooner paid, shall mature and be due and payable by the Borrower on the Termination Date.

Section 1.8 *Prepayments*. (a) *Optional*. The Borrower may prepay in whole or in part (but, if in part, then in an amount not less than $1,000,000 and in any event in an amount such that the amount of such Borrowing that remains outstanding after such prepayment is not less than $1,000,000) any Borrowing of Loans upon notice delivered by the Borrower to the DIP Agent no later than 10:00 a.m. (Chicago time) on the date of prepayment (or, in any case, such shorter period of time then agreed to by the DIP Agent), such prepayment to be made by the payment of the principal amount to be prepaid.

(b) *Mandatory*. (i) If any Dispositions or Events of Loss with respect to any Property that includes any Pre-Petition BMO Primary Collateral, Pre-Petition CoBank Primary Collateral or Collateral (in an amount in excess of $1,000,000 in the aggregate) occur prior to the Termination Date and outside the ordinary course of business (no such Disposition to occur without Bankruptcy Court approval and with the Lenders reserving all rights, if any, to object to any such Disposition), 100% of the Net Proceeds thereof in excess of $1,000,000 (or any greater amount that is a whole multiple of $250,000) in the aggregate (the "*Prepayment Amount*") shall be applied as follows:

(A) First, to the costs, fees and expenses of the DIP Agent and the Lenders (including without limitation the reasonable fees and expenses of their counsel and other professionals, including those previously employed or retained by the DIP Agent and the Lenders);

(B) Second, to interest and fees then due and then to the prepayment of all outstanding Loans and unreimbursed Reimbursement Obligations hereunder until all such Loans and Reimbursement Obligations shall be fully paid (but without any reduction in the DIP Commitments resulting from such prepayments);

(C) Third, to be held by the DIP Agent in the Cash Collateral Account (including to prefund outstanding Letters of Credit in an amount equal to 105% of the amount of all such Letters of Credit) until released or applied pursuant to Section 4.4 hereof (but without any reduction in the DIP Commitments resulting from such prepayments); and

(D) Fourth, as the Financing Order shall provide if then in effect and otherwise as shall be determined by the Bankruptcy Court.

Any such proceeds of sale designated to pay such taxes and costs of sale which are not required to be disbursed at the closing of such sale shall be held in escrow by the DIP Agent and shall be subject to the Lien of the DIP Agent, the Lenders, the Pre-Petition BMO Agent, the Pre-Petition BMO Lenders, the Pre-Petition CoBank Agent and the Pre-Petition CoBank Lenders until applied to pay such taxes and costs of sale and the amount of all obligations secured by Permitted Liens that are senior to the DIP Agent's in the Collateral and the Replacement Liens.

(ii) Prior to the Termination Date, all Available Unrestricted Cash (including without limitation all Available Unrestricted Cash consisting of proceeds of the inventory and proceeds of the accounts receivable of the Borrower and the Guarantors and all Cash Collateral generated in the ordinary course of the Borrower's and the Guarantors' businesses) determined as of 12:00 noon, Chicago time, on any Business Day (other than amounts subject to Section 1.8(b)(i) hereof) in excess of $15,000,000 shall be deposited in the Collection Accounts referred to in Section 4.3 hereof and applied daily as follows:

(A)First, to the costs, fees and expenses of the DIP Agent and the Lenders (including without limitation the reasonable fees and expenses of their counsel and other professionals, including those previously employed or retained by the DIP Agent and the Lenders) that are then due and payable;

(B)Second, to interest and fees then due and payable and then to the prepayment of all outstanding Loans and unreimbursed Reimbursement Obligations hereunder until all such Loans and Reimbursement Obligations shall be fully paid (but without any reduction in the DIP Commitments resulting from such prepayments); and

(C)Third, to be held by the DIP Agent in the Cash Collateral Account (including to prefund outstanding Letters of Credit in an amount equal to 105% of the amount of all such Letters of Credit) until released or applied pursuant to Section 4.4 hereof.

(iii) The Borrower shall, on each date the DIP Commitments are reduced pursuant to Section 1.11 hereof, prepay the DIP Loans, Swing Loans, and, if necessary, prefund the L/C Obligations by the amount, if any, necessary to reduce the sum of the aggregate principal amount of DIP Loans, Swing Loans, and L/C Obligations then outstanding to the amount to which the DIP Commitments have been so reduced.

(iv) If at any time the sum of the unpaid principal balance of the DIP Loans, Swing Loans, and the L/C Obligations then outstanding shall be in excess of the lesser of the DIP Commitments then in effect and the Borrowing Base as determined on the basis of the most recent Borrowing Base Certificate, the Borrower shall immediately and without notice or demand pay over the amount of the excess to the DIP Agent for the account of the Lenders as and for a mandatory prepayment on such Post-Petition Obligations, with each such prepayment first to be applied to the DIP Loans and Swing Loans until paid in full with any remaining balance to be held by the DIP Agent in the Cash Collateral Account as security for the Post-Petition Obligations owing with respect to outstanding Letters of Credit.

(v) Each prepayment of Loans under this Section 1.8(b) shall be made by the payment of the principal amount to be prepaid. Each prefunding of L/C Obligations shall be made in accordance with Section 4.4 hereof.

(b) Any amount of DIP Loans and Swing Loans paid or prepaid before the Termination Date may, subject to the terms and conditions of this Agreement, be borrowed, repaid and borrowed again.

Section 1.9 *Default Rate*. Notwithstanding anything to the contrary contained herein, while any Event of Default exists and is continuing or after acceleration, the Borrower shall pay interest (after as well as before entry of judgment thereon to the extent permitted by law) on the principal amount of all Loans and Reimbursement Obligations, and letter of credit fees at a rate per annum (the "*Default Rate*"), equal to:

(a) for any Loan, the sum of 10.0% plus the Base Rate from time to time in effect;

(b) for any Reimbursement Obligation, the sum of 2.0% plus the amounts due under Section 1.2 with respect to such Reimbursement Obligation; and

(c) for any Letter of Credit, the sum of 2.0% plus the letter of credit fee due under Section 2.1 with respect to such Letter of Credit.

Interest at the Default Rate shall be paid on demand of the DIP Agent at the request or with the consent of the Required Lenders. Any applicable stay shall be deemed to be lifted to the extent necessary to permit the DIP Agent and the Lenders to exercise their rights under this Section.

Section 1.10 *Evidence of Indebtedness*. (a) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Lender resulting from each Loan made by such Lender from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

(b) The DIP Agent shall also maintain accounts in which it will record (i) the amount of each Loan made hereunder, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iii) the amount of any sum received by the DIP Agent hereunder from the Borrower and each Lender's share thereof.

(c) The entries maintained in the accounts maintained pursuant to paragraphs (a) and (b) above shall be prima facie evidence, absent manifest error, of the existence and amounts of the Post-Petition Obligations therein recorded; provided, however, that the failure of the DIP Agent or any Lender to maintain such accounts or any error therein shall not in any manner affect the obligation of the Borrower to repay the Post-Petition Obligations in accordance with their terms.

(d) Any Lender may request that its Loans be evidenced by a promissory note or notes in the forms of Exhibit D-1 (in the case of its DIP Loans and referred to herein as a "*Revolving Note*"), or D-2 (in the case of its Swing Loans and referred to herein as a "*Swing Note*"), as applicable (the Revolving Notes and Swing Note being hereinafter referred to collectively as the "*Notes*" and individually as a "*Note*"). In such event, the Borrower shall prepare, execute and deliver to such Lender a Note payable to such Lender or its registered assigns in the amount of the relevant DIP Commitment, or Swing Line Sublimit, as applicable. Thereafter, the Loans evidenced by such Note or Notes and interest thereon shall at all times (including after any assignment pursuant to Section 12.12) be represented by one or more Notes payable to the order of the payee named therein or any assignee pursuant to Section 12.12, except to the extent that any such Lender or assignee subsequently returns any such Note for cancellation and requests that such Loans once again be evidenced as described in subsections (a) and (b) above.

Section 1.11 *Commitment Terminations*. (a) Optional DIP Credit Terminations. The Borrower shall have the right at any time and from time to time, upon five (5) Business Days' prior written notice to the DIP Agent (or such shorter period of time agreed to by the DIP Agent), to terminate the DIP Commitments without premium or penalty and in whole or in part, any partial termination to be (i) in an amount not less than $5,000,000 and (ii) allocated ratably among the Lenders in proportion to their respective DIP Percentages, provided that the DIP Commitments may not be reduced to an amount less than the sum of the aggregate principal amount of DIP Loans, Swing Loans, and L/C Obligations then outstanding (after giving effect to any concurrent prepayments). Any termination of the DIP Commitments below the L/C Sublimit or the Swing Line Sublimit then in effect shall reduce the L/C Sublimit and Swing Line Sublimit, as applicable, by a like amount. The DIP Agent shall give prompt notice to each Lender of any such termination of the DIP Commitments.

(b) Any termination of the DIP Commitments pursuant to this Section 1.11 may not be reinstated.

Section 1.12 *Guaranties*. The payment and performance of the Post-Petition Obligations, shall at all times be guaranteed by each direct and indirect Domestic Subsidiary of the Borrower that is a Debtor in a Chapter 11 Case pursuant to Section 10 hereof or pursuant to one or more guaranty agreements in form and substance acceptable to the DIP Agent, as the same may be amended, modified or supplemented from time to time (individually a "*Guaranty*" and, collectively, the "*Guaranties*," and each such Subsidiary executing and delivering this Agreement as a Guarantor (including any Subsidiary hereafter executing and delivering an Additional Guarantor Supplement substantially in the form of Exhibit G hereto) or a separate Guaranty, a "*Guarantor*" and, collectively, the "*Guarantors*").

Section 1.13 *Substitution of Lenders*. Notwithstanding anything to the contrary contained in Section 12.13, in the event that the Borrower requests that this Agreement be modified or amended in a manner which would require the unanimous consent of all of the Lenders and such modification or amendment is agreed to by the Super-majority Lenders, then with the consent of the Borrower and the Super-majority Lenders, the Borrower, the DIP Agent and the Super-majority Lenders shall be permitted to amend this Agreement without the consent of the Lender or Lenders which did not agree to the modification or amendment requested by the Borrower (such Lender or Lenders, collectively the "*Minority Lenders*") to provide for (w) the termination of the DIP Commitment of each of the Minority Lenders, (x) the addition to this Agreement of one or more other financial institutions (each of which shall be an Eligible Assignee), or an increase in the DIP Commitment of one or more of the Super-majority Lenders, so that the DIP Commitments after giving effect to such amendment shall be in the same amount as the DIP Commitments immediately before giving effect to such amendment, (y) if any Loans are outstanding at the time of such amendment, the making of such additional Loans by such new financial institutions or Super-majority Lender or Lenders, as the case may be, as may be necessary to repay in full the outstanding Loans of, and all other amounts owed under the Loan Documents to, the Minority Lenders immediately before giving effect to such amendment and (z) such other modifications to this Agreement as may be appropriate.

SECTION 2. FEES.

Section 2.1 *Fees*. (a) *DIP Commitment Fee*. The Borrower shall pay to the DIP Agent for the ratable account of the Lenders in accordance with their DIP Percentages a commitment fee at the rate per annum equal to one-half of one percent (0.50%) (computed on the basis of a year of 360 days and the actual number of days elapsed) on the average daily Unused DIP Commitments. Such commitment fee shall be payable monthly in arrears on the last day of each calendar month in each year (commencing on the first such date occurring after the date hereof) and on the Termination Date, unless the DIP Commitments are terminated in whole on an earlier date, in which event the commitment fee for the period to the date of such termination in whole shall be paid on the date of such termination.

(b) *Letter of Credit Fees*. On the date of issuance, renewal or extension, or increase in the amount, of any Letter of Credit pursuant to Section 1.2 hereof, the Borrower shall pay to the L/C Issuer for its own account a fronting fee equal to 0.25% of the face amount of (or of the increase in the face amount of) such Letter of Credit. Monthly in arrears, on the last day of each calendar month, commencing on the first such date occurring after the date hereof, the Borrower shall pay to the DIP Agent, for the ratable benefit of the Lenders in accordance with their DIP Percentages, a letter of credit fee at a rate per annum equal to 3.00% (computed on the basis of a year of 360 days and the actual number of days elapsed) in effect during each day of such month applied to the daily average face amount of Letters of Credit outstanding during such month. In addition, the Borrower shall pay to the L/C Issuer for its own account the L/C Issuer's standard issuance, drawing, negotiation, amendment, assignment, and other administrative fees for each Letter of Credit as established by the L/C Issuer from time to time.

(c) *Closing Fee*. The Borrower shall pay to the DIP Agent for the ratable account of the Lenders a non-refundable closing fee in an amount equal to 2.5% (inclusive of any portion of such closing fee paid in connection with the execution and delivery by the Lenders of their commitment letters relating to the DIP Credit Facility) of the aggregate amount of the DIP Commitments on the Closing Date. Such fee shall be payable in full no later than the Closing Date.

(d) *DIP Agent Fees*. The Borrower shall pay to the DIP Agent, for its own use and benefit, a non-refundable fee in the amount of $125,000 payable in full upon the entry of the Interim Financing Order.

(e) *Audit Fees*. The Borrower shall pay to the DIP Agent for its own use and benefit reasonable out-of-pocket costs and expenses for audits of the Collateral performed by the DIP Agent or its agents or representatives in such amounts as the DIP Agent may from time to time request (the DIP Agent acknowledging and agreeing that such charges shall be computed in the same manner as it at the time customarily uses for the assessment of charges for similar collateral audits).

SECTION 3. PLACE AND APPLICATION OF PAYMENTS.

Section 3.1 *Place and Application of Payments*. All payments of principal of and interest on the Loans and the Reimbursement Obligations, and of all other Post-Petition Obligations payable by the Borrower under this Agreement and the other Loan Documents, shall be made by the Borrower to the DIP Agent by no later than 1:00 p.m. (Chicago time) on the due date thereof at the office of the DIP Agent in Chicago, Illinois (or such other location as the DIP Agent may designate in writing to the Borrower), for the benefit of the Lender(s) or L/C Issuer entitled thereto. Any payments received after such time shall be deemed to have been received by the DIP Agent on the next Business Day. All such payments shall be made in U.S. Dollars, in immediately available funds at the place of payment, in each case without set-off or counterclaim. The DIP Agent will promptly thereafter cause to be distributed like funds relating to the payment of principal or interest on Loans and on Reimbursement Obligations in which the Lenders have purchased Participating Interests ratably to the Lenders and like funds relating to the payment of any other amount payable to any Lender to such Lender, in each case to be applied in accordance with the terms of this Agreement. If the DIP Agent causes amounts to be distributed to the Lenders in reliance upon the assumption that the Borrower will make a scheduled payment and such scheduled payment is not so made, each Lender shall, on demand, repay to the DIP Agent the amount distributed to such Lender together with interest thereon in respect of each day during the period commencing on the date such amount was distributed to such Lender and ending on (but excluding) the date such Lender repays such amount to the DIP Agent, at a rate per annum equal to: (i) from the date the distribution was made to the date two (2) Business Days after payment by such Lender is due hereunder, the Federal Funds Rate for each such day and (ii) from the date two (2) Business Days after the date such payment is due from such Lender to the date such payment is made by such Lender, the Base Rate in effect for each such day.

On or after the occurrence of the Termination Date, all payments and collections from Collateral (including Dispositions) shall be applied: first, to pay the Administrative Expense Carve-Out, second to the costs, fees and expenses of the DIP Agent and the Lenders; third, to interest and fees and then to repay the Loans and other Post-Petition Obligations outstanding under this Agreement; fourth, to provide cash collateral for Letters of Credit outstanding under this Agreement in an amount equal to 105% of the maximum amount available to be drawn under all such Letters of Credit; fifth, to reduce the Pre-Petition BMO Obligations under the Pre-Petition BMO Credit Agreement and the Pre-Petition CoBank Obligations under the Pre-Petition CoBank Credit Agreement according to the priorities of their respective Replacement Liens therein and otherwise on the basis set forth in the Pre-Petition BMO Credit Agreement and the Pre-Petition CoBank Credit Agreement; and then, to the Borrower (or relevant Debtor) or as otherwise required by applicable law pursuant to an order of the Bankruptcy Court.

Section 3.2 *Account Debit*. The Borrower hereby irrevocably authorizes the DIP Agent to charge any of the Borrower's deposit accounts maintained with the DIP Agent for the amounts from time to time necessary to pay any then due Post-Petition Obligations; *provided* that the Borrower acknowledges and agrees that the DIP Agent shall not be under an obligation to do so and the DIP Agent shall not incur any liability to the Borrower or any other Person for the DIP Agent's failure to do so.

SECTION 4. THE COLLATERAL.

Section 4.1 *Security*. As collateral security for the prompt and complete payment and performance when due (whether at stated maturity, by acceleration or otherwise) of the Post-Petition Obligations and to induce the Lenders to make the DIP Credit available to the Borrower in accordance with the terms hereof, the Borrower and each of the Guarantors hereby assigns, creates, grants, conveys, mortgages, pledges, hypothecates and transfers to the DIP Agent for the ratable benefit of the Lenders, first priority Liens (subject to the Administrative Expense Carve-Out and Permitted Liens permitted by, and with the priority established by, the Interim Financing Order), in accordance with Sections 364(c) and (d) of the Bankruptcy Code in all right, title and interest of the Borrower and each of the Guarantors in and to (a) any and all Property, assets and things of value of every kind or type, tangible, intangible, real, personal and fixed, whether now owned or hereafter acquired and wherever located, including, without limitation, real property (including without limitation all leasehold interests, mineral leases, and mineral and water rights), the Cash Collateral Account and all other deposit accounts, accounts, chattel paper (including electronic chattel paper), instruments, documents (including electronic documents of title), all of the Debtors' rights and claims relating to all deposits and reserves held by utilities and trade creditors, inventory, farm products, rights against contract growers, equipment, rolling stock (including titled and non-titled vehicles), general intangibles (including, without limitation, payment intangibles, intellectual property, interests in partnerships and joint ventures (to the extent not prohibited, in which case the DIP Agent for the benefit of the Lenders shall have a Lien on the proceeds of such interests)), tax refunds, letter of credit rights, supporting obligations, commercial tort claims, and investment property (other than any equity interests of Avicola that is part of the Avicola Pre-Petition Collateral, but including in the Collateral any proceeds of any sale or other Disposition of such equity interests to which any Debtor may be entitled after the payment in full of the Avicola Pre-Petition Obligations), all pursuant to Section 364(c) and (d) of the Bankruptcy Code and, to the extent not otherwise included, (a) all proceeds of each of the foregoing, (b) all accessions to, substitutions and replacements (including any Property repaired, rebuilt or replaced with casualty insurance proceeds and condemnation awards) for, and insurance and condemnation proceeds, rents, profits and products of each of the foregoing, (c) the Pre-Petition BMO Collateral and the Pre-Petition CoBank Collateral, and (d) all Property of the Borrower and each of the Guarantors held by the DIP Agent or any Lender, including without limitation, the funds from time to time on deposit in the Collection Accounts referred to in Section 4.3 hereof, any funds held in escrow by the DIP Agent pursuant to the last sentence of Section 1.8(b)(i) hereof and all other Property of every description, now or hereafter in the possession or custody of or in transit to the DIP Agent or any Lender for any purpose, including safekeeping, collection or pledge, for the account of the Borrower or any Guarantor or as to which the Borrower or any Guarantor may have any right or power (all of the foregoing, the "*Collateral*"), provided that the Collateral shall not include any of (i) the stock of first-tier Foreign Subsidiaries of the Borrower in excess of 65% of the total combined voting power of such Foreign Subsidiaries, or any stock in any Subsidiary of any first-tier Foreign Subsidiaries of the Borrower, (ii) Property of any Debtor with respect to which the consent of a third party is required for the pledge thereof, except to the extent permitted by the Uniform Commercial Code, or (iii) the Avicola Pre-Petition Collateral.

Section 4.2 *Perfection of Security Interests*. (a) At the request of the DIP Agent or the Required Lenders and at the Borrower's expense, the Borrower and each of the Guarantors shall (i) execute and deliver to the DIP Agent documentation satisfactory to the DIP Agent or the Required Lenders evidencing the Liens granted hereby, providing for the perfection of such Liens and evidencing that the automatic stay provisions of Section 362 of the Bankruptcy Code have been modified to permit the execution, delivery and filing of such documentation, and (ii) perform or take any and all steps at any time necessary to perfect, maintain, protect and enforce the DIP Agent's Lien on the Collateral; provided, however, that no such documentation shall be required as a condition to the validity, priority or perfection of any of the Liens created pursuant to this Agreement which security interests and liens shall be deemed valid and

properly perfected upon approval by the Bankruptcy Court of the Financing Order; provided further that no such documentation shall be filed in any jurisdiction with a mortgage, stamp, intangibles or similar tax.

(b) Until all Post-Petition Obligations and Adequate Protection Obligations have been satisfied and paid in full in cash by the Debtors and the DIP Commitments shall have terminated, the DIP Agent's security interest in the Collateral as security for such obligations shall continue in full force and effect.

(c) Notwithstanding the provisions of Section 4.2(a) hereof, or failure on the part of the Borrower, any Guarantor, the DIP Agent or any Lender to perfect, maintain, protect or enforce the DIP Agent's Lien on the Collateral, the Financing Order shall automatically, and without further action by any Person, perfect the DIP Agent's Lien against the Collateral.

Section 4.3 *Receivables and Inventory Collections*. The Borrower and the Guarantors agree to continue, or if appropriate, forthwith make, such arrangements as shall be necessary or appropriate to assure that all proceeds of the inventory and accounts receivable of the Borrower and the Guarantors and any other Cash Collateral generated after the Closing Date but prior to the Termination Date not required for the payment of normal operating expenses of the Borrower and the Guarantors consistent, in amount and type of expenditure, with the Budget are deposited (in the same form as received) in an account maintained with the DIP Agent or accounts under the control of the DIP Agent (including local petty cash accounts and local payroll accounts approved by the DIP Agent (the *"Petty Cash and Payroll Accounts"*)), which provide for collections therein to be transmitted, upon the DIP Agent's request, to an account maintained with or otherwise under the exclusive dominion and control of the DIP Agent, all such accounts maintained with or under the control of the DIP Agent to constitute special restricted accounts (each a *"Collection Account"* and collectively the *"Collection Accounts"*). The Borrower acknowledges on behalf of itself and the Guarantors that the DIP Agent has (and is hereby granted to the extent that it does not already have) a Lien for the ratable benefit of the Lenders on each of the Collection Accounts and all funds contained therein to secure the Post-Petition Obligations and Adequate Protection Obligations, subject to the provisions of the Financing Order and the Bankruptcy Code. Cash held in the Collection Accounts shall constitute Cash Collateral subject to the Financing Order (if in effect) and otherwise as the Bankruptcy Court shall determine. Any applicable stay shall be deemed to be lifted to the extent necessary to permit the DIP Agent and the Lenders to exercise their rights under this Section 4.3.

Section 4.4 *Cash Collateral Account*. (a) All Cash Collateral and other amounts referred to in Section 1.8(b)(ii) shall be deposited by the Debtors in one or more accounts subject to the DIP Agent's first priority perfected Lien and, if at any time required by the DIP Agent, under its exclusive dominion and control (collectively, the "*Cash Collateral Account*"). Such funds shall be held in the Cash Collateral Account until such time as the amounts held therein are applied by the relevant Debtor to pay normal operating expenses consistent with the Budget and the Interim Financing Order and any Final Financing Order or as the DIP Agent shall otherwise require, except that the Net Proceeds of Dispositions shall be applied as set forth in Section 1.8(b)(i) hereof. So long as no Event of Default shall have occurred and be continuing, amounts held in the Cash Collateral Account shall be made available to the relevant Debtor to pay normal operating expenses consistent, in amount and type of expenditure, with the Budget. During the existence of an Event of Default all amounts held in the Cash Collateral Account shall be applied as required by the second paragraph of Section 3.1.

(b) If the prepayment of the amount available for drawing under any or all outstanding Letters of Credit is required by this Agreement (including under Sections 1.8(b), 1.2(b) or 9.2), the Borrower shall forthwith pay the amount required to be so prepaid, to be held by the DIP Agent in a separate Cash Collateral Account as security for, and for application by the DIP Agent (to the extent available) to, the reimbursement of any payment under any Letter of Credit then or thereafter made by the L/C Issuer until all Reimbursement Obligations have been paid in full and no Letters of Credit remain outstanding, and thereafter to be applied as provided in Section 4.4(a). Notwithstanding the foregoing, so long as no Default or Event of Default shall have occurred and be continuing, amounts held in the Cash Collateral Account pursuant to this Section 4.4(b) shall be made available to the relevant Debtor to pay normal operating expenses consistent, in amount and type of expenditure, with the Budget. During the existence of a Default or Event of Default all amounts held in such Cash Collateral Account shall be applied as required by the second paragraph of Section 3.1.

Section 4.5 *Rights of DIP Agent*. The DIP Agent may, or upon the direction of the Required Lenders, shall, in each case at any time on or after the Termination Date, after three (3) Business Days' prior written notice to the Borrower of its intention to do so, notify Account Debtors, parties to contracts with the Borrower or any Guarantor, obligors on instruments of the Borrower or any Guarantor and obligors in respect of chattel paper of the Borrower or any Guarantor that the right, title and interest of the Borrower and the Guarantors in and under such accounts, such contracts, such instruments and such chattel paper have been assigned to the DIP Agent and that payments shall be made directly to the DIP Agent. Upon the request of the DIP Agent or the Required Lenders on or after the Termination Date, the Borrower and the Guarantors will so notify such Account Debtors, such parties to contracts, obligors on such instruments and obligors in respect of such chattel paper. Upon the occurrence and during the continuation of a Default or an Event of Default, the DIP Agent may in its own name or in the name of others communicate with such parties to such accounts, such contracts, such instruments and such chattel paper to verify with such Persons to the DIP Agent's satisfaction the existence, amount and terms of any such accounts, contracts, instruments or chattel paper.

Section 4.6 *Performance by DIP Agent of Debtors' Post-Petition Obligations*. If the Borrower or any Guarantor fails to perform or comply with any of its agreements contained in this Agreement, the other Loan Documents or the Financing Order and the DIP Agent, as provided for by the terms of this Agreement, shall itself perform or comply, or otherwise cause performance or compliance, with such agreement, the reasonable expenses of the DIP Agent incurred in connection with such performance or compliance, together with interest thereon at the rate per annum determined by adding 10% to the Base Rate as from time to time in effect, shall be payable by the Debtors to the DIP Agent on demand and shall constitute Post-Petition Obligations secured by the Collateral. Moreover, neither the DIP Agent nor any Lender shall in any way be responsible for the payment of any costs incurred in connection with preserving or disposing of Collateral pursuant to Section 506(c) of the Bankruptcy Code, and the Collateral may not be charged for the incurrence of any such cost.

Section 4.7 *DIP Agent's Appointment as Attorney-in-Fact*. (a) The Borrower and each of the Guarantors hereby irrevocably constitutes and appoints the DIP Agent and any officer of DIP Agent, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of the Borrower and each of the Guarantors and in the name of the Borrower or such Guarantor or in the DIP Agent's own name, from time to time in the DIP Agent's discretion, for the purpose of collecting the Post-Petition Obligations when due in accordance with the provisions of this Agreement, to take any and all appropriate action and to execute and deliver any and all documents and instruments which may be necessary and desirable to accomplish such purpose, and, without limiting the generality of the foregoing, hereby gives the DIP Agent the power and right, on behalf of the Borrower and the Guarantors, without notice to or assent from them, to do the following:

(i) to ask, demand, collect, receive and give acquittances and receipts for any and all monies due and to become due under any Collateral and, in the name of the Borrower or any Guarantor or the DIP Agent's own name or otherwise, to take possession of and endorse and collect any checks, drafts, notes, acceptances or other instruments for the payment of monies due under any Collateral and to file any claim or to take any other action or proceeding in any court of law or equity or otherwise deemed appropriate by the DIP Agent for the purpose of collecting any and all monies due under any Collateral whenever payable and to file any claims or to take any other action or proceeding in any court of law or equity or otherwise deemed appropriate by the DIP Agent for the purpose of collecting any and all such monies due under any Collateral whenever payable;

(ii) to pay or discharge taxes, liens, security interests or other encumbrances levied or placed on or threatened against the Collateral, to effect any repairs or procure any insurance called for by the terms of this Agreement and to pay all or any part of the premiums therefor and the costs

thereof, in each case which are not stayed pursuant to the Chapter 11 Cases or which are not being contested in accordance with this Agreement; and

(iii) (A) to direct any party liable for any payment under any of the Collateral to make payment of any and all monies due, and to become due, and to become due thereunder, directly to the DIP Agent or as the DIP Agent shall direct; (B) to receive payment of and receipt for any and all monies, claims and other amounts due and to become due at any time in respect of or arising out of any Collateral; (C) to sign and endorse any invoices, freight or express bills, bills of lading, storage or warehouse receipts, drafts against the Borrower or any Guarantor, assignments, verifications and notices in connection with accounts and other documents constituting or relating to the Collateral; (D) to commence and prosecute any suits, actions or proceedings at law or equity in any court of competent jurisdiction to collect the Collateral or any part thereof and to enforce any other right in respect of any Collateral; (E) to defend any suit, action or proceeding brought against the Borrower or any Guarantor with respect to any Collateral; (F) to settle, compromise or adjust any suit, action or proceeding described above and, in connection therewith, to give such discharges or releases as the DIP Agent or the Required Lenders may deem appropriate; (G) to license or, to the extent permitted by an applicable license, sublicense, whether general, special or otherwise, and whether on an exclusive or non-exclusive basis, any trademark, throughout the world for such term or terms, on such conditions, and in such manner, as the DIP Agent or the Required Lenders shall in its or their sole discretion determine is appropriate to liquidate the Collateral; and (H) generally to sell, transfer, pledge, make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though the DIP Agent were the absolute owner thereof for all purposes, and to do, at the option of the DIP Agent and at the Borrower's expense, at any time, or from time to time, all acts and things which the DIP Agent reasonably deems necessary to protect, preserve or realize upon the Collateral and the DIP Agent's lien therein, in order to effect the intent of this Agreement, all as fully and effectively as the Borrower and the Guarantors might do.

(b) The DIP Agent agrees that it will forbear from exercising the power of attorney or any rights granted to it pursuant to this Section until after the Termination Date or upon the occurrence and during the continuation of a Default or Event of Default. The Borrower and the Guarantors hereby ratify, to the extent permitted by law, all that said attorneys shall lawfully do or cause to be done by virtue hereof. The power of attorney granted pursuant to this Section is a power coupled with an interest and shall be irrevocable until the Post-Petition Obligations and the Adequate Protection Obligations are paid in full in cash and the DIP Commitments have terminated.

(c) The powers conferred on the DIP Agent hereunder are solely to protect the DIP Agent's and the Lenders' interests in the Collateral and shall not impose any duty upon any of them to exercise any such powers. The DIP Agent shall be accountable only for amounts that it actually receives as a result of the exercise of such powers and neither it nor any of its officers, directors, employees or agents shall be responsible to the Borrower and the Guarantors for any act or failure to act, except for its or their own gross negligence or willful misconduct.

(d) The Borrower and each Guarantor also authorize the DIP Agent, at any time and from time to time on and after the Termination Date or upon the occurrence and during the continuation of a Default or Event of Default, (i) to communicate, in the name of the Borrower or such Guarantor or in the DIP Agent's own name (at the DIP Agent's option), with any party to any contract with regard to the assignment of the right, title and interest of the Borrower or such Guarantor in and under the contracts hereunder and other matters relating thereto and (ii) to execute any endorsements, assignments or other instruments or conveyance or transfer with respect to the Collateral.

SECTION 5. DEFINITIONS; INTERPRETATION.

Section 5.1 *Definitions*. The following terms when used herein shall have the following meanings:

"*Account Debtor*" means any Person obligated to make payment on any Receivable.

"*Act*" shall have the meaning set forth in Section 12.24 hereof.

"*Administrative Questionnaire*" means an Administrative Questionnaire in a form supplied by the DIP Agent.

"*Adequate Protection Obligations*" means all present and future obligations of the Debtors under any order or orders of the Bankruptcy Court to pay interest, fees, costs, expenses and charges on or with respect to the Pre-Petition BMO Obligations and the Pre-Petition CoBank Obligations under Sections 361 and 506(b) of the Bankruptcy Code, to compensate the Pre-Petition BMO Lenders and the Pre-Petition BMO Agent for the post-petition use for and to the extent of the post-petition use of Pre-Petition BMO Collateral and proceeds thereof and for any post-petition diminution in value of Pre-Petition BMO Collateral, to compensate the Pre-Petition CoBank Lenders and the Pre-Petition CoBank Agent for the post-petition use for and to the extent of the post-petition use of Pre-Petition CoBank Collateral and proceeds thereof and for any post-petition diminution in value of Pre-Petition CoBank Collateral and to provide the Replacement Liens as contemplated by this Agreement and the Financing Orders.

"*Administrative Expense Carve-Out*" means (a) $5,000,000 for the payment of costs of winding up the Chapter 11 Cases and professional fees and disbursements of the Debtors' professionals and the professionals of any official committee appointed in the Chapter 11 Cases incurred after the Termination Date (to the extent allowed by the Bankruptcy Court) plus (b) professional fees and disbursements incurred or accrued and pending applications for professional fees and disbursements of the Debtors' professionals and the professionals of any official committee appointed in the Chapter 11 Cases (to the extent allowed at any time by the Bankruptcy Court, whether or not included in the Budget) prior to the Termination Date and U.S. Trustee fees pursuant to 28 U.S.C. Section 1930 (collectively, the "*Carve-Out Amount*"), provided that no part of the Administrative Expense Carve-Out shall be used to object to or contest any post-petition lien or Post-Petition Obligations or to challenge (as opposed to investigate) any pre-petition lien of the Pre-Petition BMO Agent or the Pre-Petition BMO Lenders or to otherwise seek affirmative relief against the DIP Agent, the Lenders, the Pre-Petition BMO Agent or the Pre-Petition BMO Lenders.

"*Affiliate*" means any Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, another Person. A Person shall be deemed to control another Person for purposes of this definition if such Person possesses, directly or indirectly, the power to direct, or cause the direction of, the management and policies of the other Person, whether through the ownership of voting securities, common directors, trustees or officers, by contract or otherwise; *provided that*, (a) in any event for purposes of this definition, any Person that owns, directly or indirectly, 10% or more of the voting power of the Voting Stock of a corporation or 10% or more of the voting power of the partnership or other ownership interest of any other Person (other than as a limited partner of such other Person) will be deemed to control such corporation or other Person, and (b) in no event shall the Pre-Petition BMO Agent, any Pre-Petition BMO Lender, the Pre-Petition CoBank Agent or any Pre-Petition CoBank Lender be an Affiliate solely as a result of any interest in any capital stock of the Borrower it may have or acquire as a result of any action taken against Pilgrim Interests, including without limitation any action to enforce the Pre-Petition BMO Guaranty.

"*Agreed Upon Values*" means (a) $1.50 per head for breeder hens and cockerels, (b) $1.00 per head for breeder pullets, (c) $0.70 per head for commercial hens, (d) $1.25 per dozen hatching eggs; and (e) $0.40 per head for commercial pullets, provided that such values shall be adjusted by the Required Lenders on a quarterly basis to reflect market conditions.

"*Agreement*" means this Post-Petition Credit Agreement, as the same may be amended, modified, restated or supplemented from time to time pursuant to the terms hereof.

"*Application*" shall have the meaning set forth in Section 1.2(b) hereof.

"*Approved Fund*" means any Fund that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

"*Assignment and Acceptance*" means an assignment and acceptance entered into by a Lender and an Eligible Assignee (with the consent of any party whose consent is required by Section 12.12 hereof), and accepted by the DIP Agent, in substantially the form of Exhibit H or any other form approved by the DIP Agent.

"*Authorized Representative*" means those persons shown on the list of officers provided by the Borrower pursuant to Section 7.2 hereof or on any update of any such list provided by the Borrower to the DIP Agent, or any further or different officers of the Borrower so named by any Authorized Representative of the Borrower in a written notice to the DIP Agent.

"*Available Unrestricted Cash*" means cash in any form, including without limitation amounts on deposit in deposit accounts, securities accounts, commodity accounts, that is collected funds and is not subject to any escrow, security deposit or other arrangement that is otherwise permitted by this Agreement.

"*Avicola*" means Avicola Pilgrim's Pride de Mexico, S. de. R.L. de C.V.

"*Avicola Agent*" means ING Capital LLC as agent under the Avicola Pre-Petition Credit Agreement.

"*Avicola Pre-Petition Collateral*" means all collateral security for the Avicola Pre-Petition Obligations in existence as of the Petition Date or agreed to be granted thereafter (but only to the extent such future collateral consists of Property of Avicola and its Subsidiaries) and all proceeds thereof.

"*Avicola Pre-Petition Obligations*" means all the indebtedness, obligations and liabilities, fixed or contingent, of the Borrower, Avicola and Avicola's Subsidiaries to the lenders or the Avicola Agent arising or in connection with the Avicola Pre-Petition Credit Agreement or evidenced by the promissory notes issued by Avicola thereunder.

"*Avicola Pre-Petition Credit Agreement*" means the Credit Agreement, dated as of September 25, 2006 (as amended, restated, amended and restated, or otherwise modified from time to time), among Avicola, the Borrower and certain subsidiaries of Avicola, as guarantors, the lenders from time to time party thereto and Avicola Agent.

"*Bankruptcy Code*" means The Bankruptcy Reform Act of 1978, as heretofore and hereafter amended, and codified as 11 U.S.C. Section 101 et seq.

"*Bankruptcy Court*" means the United States Bankruptcy Court for the Northern District of Texas, Fort Worth Division, or any other court having jurisdiction over the Chapter 11 Cases from time to time.

"*Base Rate*" means for any day the greatest of: (i) the rate of interest announced or otherwise established by the DIP Agent from time to time as its prime commercial rate, or its equivalent, for U.S. Dollar loans to borrowers located in the United States as in effect on such day, with any change in the Base Rate resulting from a change in said prime commercial rate to be effective as of the date of the relevant change in said prime commercial rate (it being acknowledged and agreed that such rate may not be the DIP Agent's best or lowest rate), and (ii) the sum of (x) the rate determined by the DIP Agent to be the average (rounded upward, if necessary, to the next higher 1/100 of 1%) of the rates per annum quoted to the DIP Agent at approximately 10:00 a.m. (Chicago time) (or as soon thereafter as is practicable) on such day (or, if such day is not a Business Day, on the immediately preceding Business Day) by two or more Federal funds brokers selected by the DIP Agent for sale to the DIP Agent at face value of Federal funds in the secondary market in an amount equal or comparable to the principal amount for which such rate is being determined, plus (y) 1/2 of 1%, and (iii) the LIBOR Quoted Rate for such day plus 1.00%.

"*Borrower*" shall have the meaning set forth in the preamble hereof.

"*Borrowing*" means the total of Loans of a single type advanced by the Lenders on a single date. Borrowings of Loans are made and maintained ratably from each of the Lenders according to their DIP Percentages. A Borrowing is "advanced" on the day Lenders advance funds comprising such Borrowing to the Borrower. Borrowings of Swing Loans are made by the Swing Line Lender in accordance with the procedures set forth in Section 1.6 hereof.

"*Borrowing Base*" means, as of any time it is to be determined on the basis of the information contained in the most recent Borrowing Base Certificate, the sum of:

(a)80% of the then outstanding unpaid amount of Eligible Receivables; plus

(b)65% of the value (computed at the lower of market or cost using the first-in/first-out method of inventory valuation determined in accordance with GAAP, consistently applied) of Eligible Inventory consisting of feed grains, feed and ingredients located at the Borrower's or a Guarantor's feed mills or is prepaid in full and is in transit from the seller thereof to the Borrower or Guarantor; plus

(c)65% of the lower of cost or fair wholesale market value (computed on a first-in/first-out method of inventory valuation in accordance with GAAP, consistently applied) of Eligible Inventory consisting of dressed broiler chickens and commercial eggs; plus

(d)65% of the Value of Eligible Inventory consisting of live broiler chickens; plus

(e)65% of the standard cost value of Eligible Inventory consisting of prepared food products; plus

(f)100% of the Agreed Upon Values of Eligible Inventory consisting of breeder hens, breeder pullets, commercial hens, commercial pullets and hatching eggs; plus

(g)40% of the actual costs of Eligible Inventory consisting of packaging materials, vaccines, general supplies, and maintenance supplies; minus

(h)the aggregate principal amount of all loans, letters of credit (including the bond letter of credit) and unreimbursed drawings under letters of credit outstanding under the Pre-Petition BMO Credit Facilities; minus

(i)the outstanding amount of Secured Grower Payables that are more than 15 days past due; minus

(j)a good-faith estimate of the Carve-Out Amount acceptable to the Required Lenders; minus

(l)a good faith estimate of all claims under 11 U.S.C. § 503(b)(9);

provided that (i) the Borrowing Base as determined on any date shall not exceed 222% of the amount included therein under clause (a) above as of such date, (ii) the DIP Agent shall have the right, and at the request of the Required Lenders shall, upon five (5) Business Days' notice to the Borrower to reduce the advance rates against Eligible Receivables and Eligible Inventory in its reasonable credit discretion based on results from any field audit or appraisal of the Collateral, and (iii) the Borrowing Base shall be computed only as against and on so much of such Collateral as is included on the Borrowing Base Certificates furnished from time to time by the Borrower pursuant to this Agreement and, if required by the DIP Agent pursuant to any of the terms hereof or any Collateral Document, as verified by such other evidence reasonably required to be furnished to the DIP Agent pursuant hereto or pursuant to any such Collateral Document.

"*Borrowing Base Certificate*" means the certificate in the form of Exhibit E hereto, or in such other form acceptable to the DIP Agent, to be delivered to the DIP Agent and the Lenders pursuant to Sections 7.2 and 8.5 hereof.

"*Budget*" means the budget projecting the Debtors' budgeted cash receipts and disbursements (including Costs of Reorganization) on a weekly basis for 13 weeks. The initial Budget is the budget attached to the Interim Financing Order, as such budget may from time to time be updated or otherwise modified as provided in this Agreement. Any use of the phrases "consistent with", "to the extent provided for", "included in", "pursuant to", "shown in", "covered by", "set forth in", "contemplated in" or any similar reference when used with respect to the Budget shall mean and refer to the Budget and any permitted variances thereto or therein.

"*Budget Report*" shall have the meaning set forth in Section 8.5(m) hereof.

"*Business Day*" means any day (other than a Saturday or Sunday) on which banks are not authorized or required to close in Chicago, Illinois.

"*Capital Expenditures*" means, for any period as applied to the Restricted Group, the aggregate of, without duplication, all expenditures of the Restricted Group during such period that, in conformity with GAAP, are or should be included in "purchase of property and equipment" or similar items reflected in the statement of cash flows of the Restricted Group; *provided* that the term "Capital Expenditures" shall not include such expenditures which constitute (a) purchases using casualty or condemnation proceeds not included in Net Proceeds for events arising after the Petition Date, (b) purchases using Net Proceeds reinvested by the Debtors as permitted by this Agreement in assets useful to their businesses, (c) interest attributable to such expenditures that is capitalized during such period, and (d) expenditures that are accounted for as capital expenditures of the Restricted Group and that actually are paid for by a third party and for which none of the members of the Restricted Group has provided or is required to provide or incur, directly or indirectly, any consideration or obligation to such third party or any other Person (whether before, during or after such period).

"*Capital Lease*" means any lease of Property which in accordance with GAAP is required to be capitalized on the balance sheet of the lessee.

"*Capitalized Lease Obligation*" means, for any Person, the amount of the liability shown on the balance sheet of such Person in respect of a Capital Lease determined in accordance with GAAP.

"*Carve-Out Amount*" shall have the meaning set forth in the definition of the term "Administrative Expense Carve-Out."

"*Cash Collateral*" means the cash collateral (within the meaning of Section 363 of the Bankruptcy Code) subject to the Liens securing the Post-Petition Obligations or any portion thereof.

"*Cash Collateral Account*" shall have the meaning set forth in Section 4.4 hereof.

"*CERCLA*" means the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986, 42 U.S.C. §§ 9601 et seq., and any future amendments.

"*Change of Control*" means any of (a) the acquisition by any "person" or "group" (as such terms are used in sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended) at any time of beneficial ownership of more than 25% of the voting power of the Voting Stock or other equity interests of the Borrower on a fully-diluted basis, other than acquisitions of such interests by (x) Lonnie A. "Bo" Pilgrim, his spouse, his issue, his estate and any trust, partnership or other entity primarily for the benefit of him, his spouse and/or issue, including any direct or indirect trustee, managing partner or such other Person serving a similar function or Pilgrim Interests, (y) the Pre-Petition BMO Lenders, the Pre-Petition BMO Agent, the Pre-Petition CoBank Lenders and the Pre-Petition CoBank Agent, (b) the failure of individuals who are members of the board of directors (or similar governing body) of the Borrower on the Closing Date (together with any new or replacement directors whose initial nomination for election was approved by a majority of the directors who were either directors on the Closing Date or previously so approved) to constitute a majority of the board of directors (or similar governing body) of the Borrower, or (c) any "Change of Control" (or words of like import), as defined in any agreement or indenture relating to any issue of Indebtedness for Borrowed Money in an outstanding principal amount in excess of $1,000,000 of the Borrower or any Subsidiary that is incurred after the Petition Date shall occur.

"*Chapter 11 Case*" shall have the meaning set forth in the preamble hereof.

"*Closing Date*" means the date of this Agreement or such later Business Day upon which each condition described in Section 7.2 shall be satisfied or waived in a manner acceptable to the DIP Agent in its discretion, but in any event no later than December 10, 2008, or any later date that may be agreed to by the Required Lenders.

"*Code*" means the Internal Revenue Code of 1986, as amended, and any successor statute thereto.

"*Collateral*" shall have the meaning set forth in Section 4.1 hereof.

"*Collection Account*" shall have the meaning set forth in Section 4.3 hereof.

"*Collateral Documents*" means any and all mortgages, deeds of trust, security agreements, pledge agreements, assignments, financing statements and other documents as shall from time to time secure or relate to the Post-Petition Obligations or any part thereof.

"*Controlled Group*" means all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with the Borrower, are treated as a single employer under Section 414 of the Code.

"*Costs of Reorganization*" shall mean all legal, professional and advisory fees paid by the Debtors (whether or not incurred by the Debtors) in connection with the Chapter 11 Cases as set forth in the Budget and approved in the Financing Order or as may be otherwise approved from time to time by the Bankruptcy Court, subject to the Lenders' and the DIP Agent's right to object thereto.

"*Credit Event*" means the advancing of any Loan, or the issuance of, or extension (other than an automatic extension) of the expiration date or increase in the amount of, any Letter of Credit.

"*Debtor*" shall have the meaning set forth in the preamble hereof.

"*Default*" means any event or condition the occurrence of which would, with the passage of time or the giving of notice, or both, constitute an Event of Default.

"*Default Rate*" shall have the meaning set forth in Section 1.9 hereof.

"*Designated Disbursement Account*" means the account of the Borrower maintained with the DIP Agent or its Affiliate and designated in writing to the DIP Agent as the Borrower's Designated Disbursement Account (or such other account as the Borrower and the DIP Agent may otherwise agree).

"*Designated Officer*" means the Borrower's directors, chief executive officer, president, chief financial officer, chief restructuring officer and all officers responsible for supervising compliance with the United States securities laws.

"*DIP Agent*" means Bank of Montreal, in is capacity as DIP Agent hereunder, and any successor in such capacity pursuant to Section 11.7 hereof.

"*DIP Approval*" means approval by the Required Lenders or, in urgent circumstances in which there is insufficient time for the DIP Agent to consult the Lenders, the DIP Agent. The DIP Agent shall thereafter promptly notify the Lenders of any approvals given by it.

"*DIP Commitment*" means, as to any Lender, the obligation of such Lender to make DIP Loans and to participate in Swing Loans and Letters of Credit issued for the account of the Borrower hereunder in an aggregate principal or face amount at any one time outstanding not to exceed the amount set forth opposite such Lender's name on Schedule 1 attached hereto and made a part hereof, as the same may be reduced or modified at any time or from time to time pursuant to the terms hereof. The Borrower and the Lenders acknowledge and agree that the DIP Commitments of the Lenders aggregate $450,000,000 on the date hereof.

"*DIP Credit Facility*" or "*DIP Credit*" or "*Facility*" means the debtor-in-possession facility extended to the Borrower by the Lenders hereunder.

"*DIP Loan*" shall have the meaning set forth in Section 1.1 hereof.

"*DIP Percentage*" means, for each Lender, the percentage of the DIP Commitments represented by such Lender's DIP Commitment or, if the DIP Commitments have been terminated, the percentage held by such Lender (including through participation interests in Reimbursement Obligations) of the aggregate principal amount of all DIP Loans and L/C Obligations then outstanding.

"*Disposition*" means the sale, lease, conveyance or other disposition of Property, other than sales or other dispositions expressly permitted under Sections 8.10(a), (b), (e), (f), (g) or (h) hereof.

"*Domestic Subsidiary*" means a Subsidiary that is not a Foreign Subsidiary.

"*Eligible Assignee*" means (a) a Lender, (b) an Affiliate of a Lender, (c) an Approved Fund, and (d) any other Person (other than a natural person) approved by (i) the DIP Agent, and (ii) in the case of any assignment of a DIP Commitment, the L/C Issuer (each such approval not to be unreasonably withheld or delayed); *provided* that notwithstanding the foregoing, "Eligible Assignee" shall not include the Borrower or any Guarantor or any of the Borrower's or such Guarantor's Affiliates or Subsidiaries.

"*Eligible Inventory*" means any inventory of the Borrower or any Guarantor which:

(a)consists solely of feed grains, feed, ingredients, live and dressed broiler chickens, commercial eggs, breeder hens, breeder pullets, hatching eggs, commercial hens, commercial pullets, prepared food products, packaging materials, vaccines, general supplies, and maintenance supplies, but excluding in any event feed ingredients that are subject to any Liens granted to the sellers of such feed ingredients to secure the unpaid purchase price thereof;

(b)is an asset of such Person to which it has good and marketable title, is freely assignable, and is subject to a perfected, first priority lien in favor of the DIP Agent free and clear of any other liens (other than Permitted Liens or Liens arising by operation of law in each case which are subordinate to the Liens in favor of the DIP Agent);

(c)is located in the United States of America at a permitted collateral location as set forth in the security agreement and, in the case of any location not owned by such Person, if requested by the DIP Agent, which is at all times subject to a lien waiver agreement from such landlord or other third party to the extent required by, and in form and substance reasonably satisfactory to, the DIP Agent;

(d)is not so identified to a contract to sell that it constitutes a Receivable;

(e)is not obsolete, and is readily usable or salable by the Borrower or Guarantor in the ordinary course of business;

(f)is not covered by a warehouse receipt or similar document unless, if requested by the DIP Agent, such warehouse receipt or similar document has been delivered to the DIP Agent or an agent or bailee of the DIP Agent;

(g)is not proprietary inventory of any customer of the Borrower or a Guarantor; and

(h)is deemed by the Required Lenders in their sole judgment to be acceptable for inclusion in the Borrowing Base.

"Eligible Receivables" means any Receivable of the Borrower or any Guarantor which:

(a)arises out of the sale of finished goods inventory delivered to and accepted by, or out of the rendition of services fully performed and accepted by, the Account Debtor on such Receivable, such Receivable does not represent a pre-billed Receivable or a progress billing, and such Receivable is net of any deposits made by or for the account of the relevant Account Debtor;

(b)is payable in U.S. Dollars and the Account Debtor on such Receivable is located within the United States of America or, if such right has arisen out of the sale of such goods shipped to, or out of the rendition of services to, an Account Debtor located in any other country, such right is either (i) secured by a valid and irrevocable transferable letter of credit issued by a lender reasonably acceptable to the DIP Agent for the full amount thereof or (ii) secured by an insurance policy on terms, and issued by EXIM Bank or another insurer, satisfactory to the DIP Agent (which in any event shall insure not less than ninety percent (90%) of the face amount of such Receivable and shall be subject to such deductions as are acceptable to the DIP Agent), and in each case which has been assigned or transferred to the DIP Agent in a manner acceptable to the DIP Agent;

(c)is the valid, binding and legally enforceable obligation of the Account Debtor obligated thereon and such Account Debtor is not (i) a Subsidiary or an affiliate of the Borrower, (ii) a shareholder, director, officer or employee of the Borrower or any Guarantor, (iii) the United States of America, or any state or political subdivision thereof, or any department, agency or instrumentality of any of the foregoing, unless the Assignment of Claims Act or any similar state or local statute, as the case may be, is complied with to the satisfaction of the DIP Agent, (iv) a debtor under any proceeding under the United States Bankruptcy Code, as amended, or any other comparable bankruptcy or insolvency law, or (v) an assignor for the benefit of creditors;

(d)is not evidenced by an instrument or chattel paper unless the same has been endorsed and delivered to the DIP Agent;

(e)is an asset of such Person to which it has good and marketable title, is freely assignable, and is subject to a perfected, first priority Lien in favor of the DIP Agent free and clear of any other Liens (other than Permitted Liens or Liens arising by operation of law in each case that are subordinate to the Liens in favor of the DIP Agent);

(f)is not subject to any offset, counterclaim or other defense with respect thereto (but solely to the extent of such offset, counterclaim or other defense);

(g)no surety bond was required or given in connection with said Receivable or the contract or purchase order out of which the same arose;

(h)it is evidenced by an invoice to the Account Debtor dated not more than 5 Business Days subsequent to the shipment date of the relevant inventory or completion of performance of the relevant services and is issued on ordinary trade terms;

(i)is not unpaid more than 45 days after the original invoice date;

(j)is not owed by an Account Debtor who is obligated on Receivables more than 10% of the aggregate unpaid balance of which have been past due for longer than the relevant period specified in subsection (i) above unless the DIP Agent has approved the continued eligibility thereof;

(k)would not cause the total Receivables owing from any one Account Debtor and its Affiliates to exceed 15% of all Eligible Receivables;

(l)does not arise from a sale on a bill-and-hold, guaranteed sale, sale-or-return, sale-on-approval, consignment or any other repurchase or return basis; and

(m)is deemed by the Required Lenders in their sole judgment to be acceptable for inclusion in the Borrowing Base.

"Environmental Claim" means any investigation, notice, violation, demand, allegation, action, suit, injunction, judgment, order, consent decree, penalty, fine, lien, proceeding or claim (whether administrative, judicial or private in nature) arising (a) pursuant to, or in connection with an actual or alleged violation of, any Environmental Law, (b) in connection with any Hazardous Material, (c) from any abatement, removal, remedial, corrective or response action in connection with a Hazardous Material, Environmental Law or order of a governmental authority or (d) from any actual or alleged damage, injury, threat or harm to health and safety of humans, natural resources or the environment.

"Environmental Law" means any applicable current or future Legal Requirement pertaining to (a) the protection of health and safety of humans and the indoor or outdoor environment, (b) the conservation, management or use of natural resources and wildlife, (c) the protection or use of surface water or groundwater, (d) the management, manufacture, possession, presence, use, generation, transportation, treatment, storage, disposal, Release, threatened Release, abatement, removal, remediation or handling of, or exposure to, any Hazardous Material or (e) pollution (including any Release to air, land, surface water or groundwater), and any amendment, rule, regulation, order or directive issued thereunder.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, or any successor statute thereto.

"Essential Creditor" means (a) essential trade creditors who agree to provide goods and services to the Debtors on terms consistent with a Normalized Trade Creditor, and (b) the holders of tax claims and employee-related claims to the extent provided for in the Budget or, if not provided for in the Budget, subject to DIP Approval.

"Essential Trade Creditor" means any Essential Creditor who is a trade creditor.

"Eurodollar Reserve Percentage" means, for any Borrowing of Loans, the daily average for the applicable interest period of the maximum rate, expressed as a decimal, at which reserves (including, without limitation, any supplemental, marginal, and emergency reserves) are imposed during such Interest

Period by the Board of Governors of the Federal Reserve System (or any successor) on "eurocurrency liabilities," as defined in such Board's Regulation D (or in respect of any other category of liabilities that includes deposits by reference to which the interest rate on the Loans is determined or any category of extensions of credit or other assets that include loans by non-United States offices of any Lender to United States residents), subject to any amendments of such reserve requirement by such Board or its successor, taking into account any transitional adjustments thereto. For purposes of this definition, the Loans shall be deemed to be "eurocurrency liabilities" as defined in Regulation D without benefit or credit for any prorations, exemptions or offsets under Regulation D.

"*Event of Default*" means any event or condition identified as such in Section 9.1 hereof.

"*Event of Loss*" means, with respect to any Property, any of the following: (a) any loss, destruction or damage of such Property or (b) any condemnation, seizure, or taking, by exercise of the power of eminent domain or otherwise, of such Property, or confiscation of such Property or the requisition of the use of such Property.

"*Excess Interest*" is defined in Section 12.20 hereof.

"*Fairway Receivables Securitization Program*" means the accounts receivable securitization program provided to the Borrower under the Receivables Purchase Agreement.

"*Federal Funds Rate*" means the fluctuating interest rate per annum described in part (x) of clause (ii) of the definition of Base Rate.

"*Final Financing Order*" shall mean a final order of the Bankruptcy Court authorizing and approving the DIP Credit Facility, in substantially the form of the Interim Financing Order and otherwise acceptable to the DIP Agent and the Required Lenders as to form and substance.

"*Financing Order*" shall mean the Interim Financing Order prior to entry of the Final Financing Order and shall mean the Final Financing Order at all times thereafter.

"*Foreign Subsidiary*" means each Subsidiary which (a) is organized under the laws of a jurisdiction other than the United States of America or any state thereof or the District of Columbia, (b) conducts substantially all of its business outside of the United States of America, and (c) has substantially all of its assets outside of the United States of America. For this purpose the term "*United States of America*" shall exclude the Territories and Possessions of the United States. For the avoidance of doubt, in no event shall Puerto Rico be considered part of the "*United States of America*".

"*Fund*" means any Person (other than a natural person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business.

"*GAAP*" means generally accepted accounting principles set forth from time to time in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board (or agencies with similar functions of comparable stature and authority within the U.S. accounting profession), which are applicable to the circumstances as of the date of determination.

"*Gold Kist Insurance*" means GK Insurance Company.

"*Guarantor*" and "*Guarantors*" shall have the meaning set forth in Section 1.12 hereof.

"*Guaranty*" and "*Guaranties*" shall have the meaning set forth in Section 1.12 hereof.

"*Hazardous Material*" means any substance, chemical, compound, product, solid, gas, liquid, waste, byproduct, pollutant, contaminant or material which is hazardous or toxic, and includes, without limitation, (a) asbestos, polychlorinated biphenyls and petroleum (including crude oil or any fraction thereof) and (b) any material classified or regulated as "hazardous" or "toxic" or words of like import pursuant to an Environmental Law.

"*Hazardous Material Activity*" means any activity, event or occurrence involving a Hazardous Material, including, without limitation, the manufacture, possession, presence, use, generation, transportation, treatment, storage, disposal, Release, threatened Release, abatement, removal, remediation, handling of or corrective or response action to any Hazardous Material.

"*Incur*" shall have the meaning set forth in Section 8.23 hereof.

"*Indebtedness for Borrowed Money*" means for any Person (without duplication) (a) all indebtedness created, assumed or incurred in any manner by such Person representing money borrowed (including by the issuance of debt securities), (b) all indebtedness for the deferred purchase price of property or services (other than trade accounts payable arising in the ordinary course of business), (c) all indebtedness secured by any Lien upon Property of such Person, whether or not such Person has assumed or become liable for the payment of such indebtedness, (d) all Capitalized Lease Obligations of such Person, and (e) all obligations of such Person on or with respect to letters of credit and bankers' acceptances whether or not representing obligations for borrowed money.

"*Information*" shall have the meaning set forth in Section 12.29 hereof.

"*Insurance Subsidiaries*" means Gold Kist Insurance and Mayflower.

"*Intercompany Bonds*" means (a) industrial revenue bonds and similar financing arrangements in an aggregate principal amount of approximately $57,500,000 assigned to the Borrower in connection with and as part of the acquisition by the Borrower of the stock of certain Subsidiaries of ConAgra Foods, Inc., a Delaware corporation, and (b) any industrial revenue bonds, notes, debentures or similar instruments issued by a governmental entity on behalf of the Borrower or a Subsidiary and concurrently with or following its issuance purchased by the Borrower or a Subsidiary.

"*Interim Financing Order*" shall mean an order entered by the Bankruptcy Court on an interim basis after notice given in a hearing conducted in accordance with Bankruptcy Rule 4001(c) and in substantially the form attached hereto as Exhibit C.

"*Interim Financing Order Amount*" means the amount of the DIP Commitments approved by the Bankruptcy Court in the Interim Financing Order that will be available to the Borrower during the period from the Closing Date through the date the Final Financing Order is entered.

"*Joint Venture*" means any corporation, partnership or other entity or arrangement in which the Borrower or any Subsidiary owns or controls any, but not more than 70%, of the Voting Stock.

"*L/C Issuer*" means Bank of Montreal, in its capacity as the issuer of Letters of Credit hereunder, and its successors in such capacity as provided in Section 1.2(h) hereof.

"*L/C Obligations*" means the aggregate undrawn face amounts of all outstanding Letters of Credit and all unpaid Reimbursement Obligations.

"*L/C Sublimit*" means $20,000,000, as reduced pursuant to the terms hereof.

"*Legal Requirement*" means any applicable treaty, convention, statute, law, regulation, ordinance, license, permit, governmental approval, injunction, judgment, order, consent decree or other requirement of any governmental authority, whether federal, state, or local.

"*Lenders*" means and includes Bank of Montreal and the other financial institutions from time to time party to this Agreement, including each assignee Lender pursuant to Section 12.12 hereof and, unless the context otherwise requires, the Swing Line Lender.

"*Letter of Credit*" shall have the meaning set forth in Section 1.2(a) hereof.

"*LIBOR01 Page*" means the display designated as "Reuters Screen LIBOR01 Page" (or such other page as may replace the LIBOR01 Page on that service or such other service as may be nominated by the British Bankers' Association as the information vendor for the purpose of displaying British Bankers' Association Interest Settlement Rates for U.S. Dollar deposits).

"*LIBOR Quoted Rate*" means, for any date, the rate per annum determined by a fraction, the numerator of which is the rate per annum (rounded upwards, if necessary, to the next higher one hundred-thousandth of a percentage point) for deposits in U.S. Dollars for an interest period equal to one month, which appears on the LIBOR01 Page as of 11:00 a.m. (London, England time) on such date and the denominator of which is 1 minus the Eurodollar Reserve Percentage.

"*Lien*" means any mortgage, lien, security interest, pledge, charge or encumbrance of any kind in respect of any Property, including the interests of a vendor or lessor under any conditional sale, Capital Lease or other title retention arrangement.

"*Lien Finding*" means an order of the Bankruptcy Court in form and substance satisfactory to the DIP Agent finding that the Pre-Petition BMO Lenders are fully secured by the Pre-Petition BMO Collateral by means of a valid, first priority (subject to Liens permitted under the Pre-Petition BMO Credit Agreement), senior, fully perfected and non-avoidable security interest and lien on the Pre-Petition BMO Primary Collateral.

"*Loan*" means any DIP Loan or Swing Loan.

"*Loan Documents*" means this Agreement, the Notes (if any), the Applications, the Collateral Documents, the Guaranties, and each other instrument or document to be delivered hereunder or thereunder or otherwise in connection therewith.

"*Material Adverse Effect*" means (a) a material adverse change in the condition or prospects (financial or otherwise), of the Borrower and its Subsidiaries taken as a whole after the Petition Date, (b) a material impairment of the ability of the Borrower or of the Debtors, taken as a whole, to perform their respective obligations under any Loan Document or (c) a material adverse effect upon (i) the legality, validity, binding effect or enforceability against the Borrower or of the Debtors, taken as a whole, of any Loan Document or the rights and remedies of the DIP Agent and the Lenders thereunder or (ii) the perfection or priority of any Lien granted under this Agreement or any Financing Order.

"*Material Non-debtor Subsidiaries*" means, as of any date, any one or more Non-debtor Subsidiaries of the Borrower having assets that in the aggregate constitute more than 5% of the total assets of the Borrower and its Subsidiaries at such time, but in any event shall include the Insurance Subsidiaries and Avicola and its Subsidiaries.

"*Material Plan*" shall have the meaning set forth in Section 9.1(i) hereof.

"*Maturity Date*" means December 1, 2009, provided that the Maturity Date may be extended for an additional 6 months at the request of the Borrower received no later than 45 days prior to the Maturity Date with the prior written consent of all of the Lenders. In the event any Lender does not respond in writing prior to the Maturity Date to any request for an extension of the Maturity Date such Lender shall be deemed to have refused to agree to the requested extension.

"*Maximum Rate*" shall have the meaning set forth in Section 12.20 hereof.

"*Mayflower*" means Mayflower Insurance Company, Ltd.

"*Minority Lenders*" shall have the meaning set forth in Section 1.13 hereof.

"*Net Proceeds*" shall mean the gross sale price less actual taxes payable and the reasonable out-of-pocket costs of such sale (including without limitation broker's fees and closing costs) and the amount of all obligations secured by Permitted Liens that are senior to the DIP Agent's Liens in the Collateral and the Replacement Liens, provided that Net Proceeds shall not include any casualty or condemnation proceeds to the extent the Borrower or the relevant Guarantor has elected to use such proceeds to repair, rebuild, or replace the assets subject to such casualty or condemnation, no Event of Default exists and is continuing and, solely to the extent of proceeds in excess of $10,000,000 or such higher amount as the Required Lenders may approve with respect to any single casualty or condemnation event, the Required Lenders have approved such repair, rebuilding or replacement. Any Property so repaired, rebuilt or replaced shall constitute part of the Collateral and shall be subject to the Replacement Liens.

"*Non-debtor Subsidiary*" means a Subsidiary of the Borrower that is not a debtor or debtor-in-possession in a proceeding under the Bankruptcy Code.

"*Normalized Trade Creditor*" shall mean an Essential Trade Creditor that has agreed with the relevant Debtor to continue to extend credit and supply goods and/or services to the relevant Debtor on terms consistent with those in effect on September 15, 2008, or subject to DIP Approval and consistent with the assumptions used in the projections of the Borrower that support feasibility of the Borrower.

"*Note*" and "*Notes*" shall have the meaning set forth in Section 1.10 hereof.

"*Participating Interest*" shall have the meaning set forth in Section 1.2(e) hereof.

"*Participating Lender*" shall have the meaning set forth in Section 1.2(e) hereof.

"*PBGC*" means the Pension Benefit Guaranty Corporation or any Person succeeding to any or all of its functions under ERISA.

"*Permitted Liens*" shall mean Liens permitted by Section 8.8 hereof.

"*Person*" means an individual, partnership, corporation, limited liability company, association, trust, unincorporated organization or any other entity or organization, including a government or agency or political subdivision thereof.

"*Petty Cash and Payroll Accounts*" is defined in Section 4.3 hereof.

"*Petition Date*" shall have the meaning set forth in the Preliminary Statement hereto.

"*Pilgrim Interests*" means Pilgrim Interests, Ltd., a Texas limited partnership.

"*Plan*" means any employee pension benefit plan covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code that either (a) is maintained by a member of the Controlled Group for employees of a member of the Controlled Group or (b) is maintained pursuant to a collective bargaining agreement or any other arrangement under which more than one employer makes contributions and to which a member of the Controlled Group is then making or accruing an obligation to make contributions or has within the preceding five plan years made contributions.

"*Post-Petition Obligations*" shall mean any and all present and future indebtedness, obligations and liabilities, fixed or contingent, of the Borrower and the Guarantors to the Lenders or the DIP Agent arising on and after the date hereof under or in connection with this Agreement, the Financing Orders or the other Loan Documents or evidenced by the Notes or in connection with the Letters of Credit, including without limitation the payment of the principal of and interest on the Loans and the Reimbursement Obligations.

"*Premises*" means the real property owned or leased by the Borrower or any Subsidiary.

"*Pre-Petition BMO Agent*" shall mean Bank of Montreal, Chicago Branch, in its capacity as administrative agent under the Pre-Petition BMO Credit Agreement.

"*Pre-Petition BMO Applications*" means the various letter of credit applications and reimbursement agreements executed and delivered by the Borrower to various Pre-Petition BMO Lenders acting as issuers of letters of credit under the Pre-Petition BMO Credit Agreement, as the same may be supplemented, amended, restated or otherwise modified from time to time and any agreement entered into in substitution therefor or replacement thereof.

"*Pre-Petition BMO Collateral*" means all collateral security for the Pre-Petition BMO Obligations which was in existence as of the Petition Date and all proceeds thereof.

"*Pre-Petition BMO Credit Agreement*" shall mean that certain Fourth Amended and Restated Credit Agreement dated as of February 8, 2007, by and between the Borrower, the Pre-Petition Foreign Borrowers, the several lenders and letter of credit issuers from time to time parties thereto, and Bank of Montreal, Chicago Branch, as administrative agent, as the same has from time to time been modified or amended.

"*Pre-Petition BMO Credit Facilities*" means the credit facilities provided under the Pre-Petition BMO Credit Agreement.

"*Pre-Petition BMO Guaranty*" means the Second Amended and Restated Guaranty Agreement dated as of February 8, 2007, from Pilgrim Interests to the Pre-Petition BMO Agent and the Pre-Petition BMO Lenders, as the same may be supplemented, amended, restated or otherwise modified from time to time and any agreement entered into in substitution therefor or replacement thereof.

"*Pre-Petition BMO Lenders*" means the several lenders and letter of credit issuers from time to time parties to the Pre-Petition BMO Credit Agreement.

"*Pre-Petition BMO Loan Documents*" shall mean the Pre-Petition BMO Credit Agreement, the Pre-Petition BMO Security Documents, the Pre-Petition BMO Guaranty, the Pre-Petition BMO Reimbursement Agreement, the Pre-Petition BMO Applications, and any other security agreement, pledge agreement, deed of trust, mortgage, collateral assignment, financing statement or other instrument or agreement executed and delivered in connection therewith.

"*Pre-Petition BMO Loans*" shall mean the loans provided for by the Pre-Petition BMO Credit Agreement.

"*Pre-Petition BMO Obligations*" shall mean all the indebtedness, obligations and liabilities, fixed or contingent, of the Borrower and its Subsidiaries to the Pre-Petition BMO Lenders or the Pre-Petition BMO Agent arising under or in connection with the Pre-Petition BMO Credit Agreement or evidenced by the promissory notes issued by the Borrower thereunder or in connection with the letters of credit issued by the Pre-Petition BMO Lenders thereunder, including without limitation the payment of the principal of and interest on the Pre-Petition BMO Loans made thereunder and the Pre-Petition BMO Reimbursement Obligations and all amounts relating to interest rate protection agreements relating to any of the foregoing.

"*Pre-Petition BMO Primary Collateral*" means all collateral security for the Pre-Petition BMO Obligations provided under the Pre-Petition BMO Working Capital Security Agreement which was in existence as of the Petition Date and all proceeds thereof.

"*Pre-Petition BMO Reimbursement Agreement*" means the Reimbursement Agreement dated as of June 15, 1999, between the Borrower and Harris N.A., successor by merger to Harris Trust and Savings Bank, as the same may be supplemented, amended, restated or otherwise modified from time to time and any agreement entered into in substitution therefor or replacement thereof.

"*Pre-Petition BMO Reimbursement Obligations*" shall mean the obligation of the Borrower to reimburse the issuers of letters of credit under the Pre-Petition BMO Credit Agreement, the Pre-Petition BMO Applications and the Pre-Petition BMO Reimbursement Agreement for amounts drawn under such letters of credit.

"*Pre-Petition BMO Security Documents*" shall mean the Pre-Petition BMO Working Capital Security Agreement, and all other security documents delivered to the Pre-Petition BMO Agent granting a Lien on Property of any Person to secure the obligations and liabilities of any Debtor or any Pre-Petition Foreign Borrower under the Pre-Petition BMO Loan Documents.

"*Pre-Petition BMO Working Capital Security Agreement*" means the Third Amended and Restated Security Agreement Re: Inventory and Farm Products dated as of October 13, 2008, from the Borrower to the Pre-Petition BMO Agent, as the same may be supplemented, amended, restated or otherwise modified from time to time and any agreement entered into in substitution therefor or replacement thereof.

"*Pre-Petition CoBank Agent*" is defined in the definition of the term "Pre-Petition CoBank Credit Agreement."

"*Pre-Petition CoBank Collateral*" means all collateral security for the Pre-Petition CoBank Obligations which was in existence as of the Petition Date and all proceeds thereof.

"*Pre-Petition CoBank Credit Agreement*" means the Amended and Restated Credit Agreement dated as of September 21, 2006, among the Borrower, CoBank, ACB, as administrative, documentation and collateral agent for the benefit of the present and future syndication parties (in its capacity as administrative agent, the "*Pre-Petition CoBank Agent*"), lead arranger and book manager thereunder and as a syndication party, Farm Credit Services of America, FLCA, as co-arranger and as a syndication party, and the other syndication parties party thereto, as amended, supplemented, restated and otherwise modified from time to time (as so amended, supplemented, restated and otherwise modified from time to time).

"*Pre-Petition CoBank Credit Facilities*" means the credit facilities provided under the Pre-Petition CoBank Credit Agreement.

"*Pre-Petition CoBank Lenders*" means the several lenders from time to time parties to the Pre-Petition CoBank Credit Agreement.

"*Pre-Petition CoBank Loan Documents*" shall mean the Pre-Petition CoBank Credit Agreement, the Pre-Petition CoBank Security Documents and any other security agreement, pledge agreement, deed of trust, mortgage, collateral assignment, financing statement or other instrument or agreement executed and delivered in connection therewith.

"*Pre-Petition CoBank Mortgages*" shall mean any and all mortgages, deeds of trust, deeds to secured debt and other instruments or documents granting or creating a Lien on real property (or any interest therein) at any time delivered to the Pre-Petition CoBank Agent or any Pre-Petition CoBank Lenders to provide collateral security for any indebtedness, obligations and liabilities of the Borrower under the Pre-Petition CoBank Loan Documents.

"*Pre-Petition CoBank Obligations*" shall mean all the indebtedness, obligations and liabilities, fixed or contingent, of the Borrower and its Subsidiaries to the Pre-Petition CoBank Lenders or the Pre-Petition CoBank Agent arising under or in connection with the Pre-Petition CoBank Credit Agreement or evidenced by the promissory notes issued by the Borrower thereunder, including without limitation the payment of the principal of and interest on the loans and other extensions of credit made thereunder and all amounts relating to interest rate protection agreements relating to any of the foregoing.

"*Pre-Petition CoBank Primary Collateral*" means all collateral security for the Pre-Petition CoBank Obligations provided under the Pre-Petition CoBank Mortgages and the Pre-Petition CoBank Security Agreement which was in existence as of the Petition Date and all proceeds thereof.

"*Pre-Petition CoBank Security Agreement*" shall mean the Amended and Restated Security and Pledge Agreement dated as of September 21, 2006, from the Borrower to the Pre-Petition CoBank Agent, as the same may be supplemented, amended, restated or otherwise modified from time to time and any agreement entered into in substitution therefor or replacement thereof.

"*Pre-Petition CoBank Security Documents*" shall mean the Pre-Petition CoBank Security Agreement, the Pre-Petition CoBank Mortgages and all other security documents delivered to the Pre-Petition CoBank Agent granting a Lien on Property of any Person to secure the obligations and liabilities of any Debtor under the Pre-Petition CoBank Loan Documents.

"*Pre-Petition Foreign Borrower*" means each of To-Ricos, Ltd., a Bermuda company, and To-Ricos Distribution, Ltd., a Bermuda company.

"*Property*" means, as to any Person, all types of real, personal, tangible, intangible or mixed property owned by such Person whether or not included in the most recent balance sheet of such Person and its subsidiaries under GAAP.

"*RCRA*" means the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act of 1976 and Hazardous and Solid Waste Amendments of 1984, 42 U.S.C. §§ 6901 et seq., and any future amendments.

"*Receivables*" means all rights to the payment of a monetary obligation, now or hereafter owing to the Borrower or any Guarantor, evidenced by accounts, instruments, chattel paper, payment intangibles or general intangibles.

"*Receivables Purchase Agreement*" means the Amended and Restated Receivables Purchase Agreement dated as of September 26, 2008, among Pilgrim's Pride Funding Corporation, as Seller, the Borrower, as Servicer, the various purchasers and purchaser agents from time to time parties thereto and BMO Capital Markets Corp., as Administrator, as supplemented, amended, restated and otherwise modified from time to time.

"*Register*" shall have the meaning set forth in Section 12.12(b) hereof.

"*Reimbursement Obligation*" shall have the meaning set forth in Section 1.2(c) hereof.

"*Release*" means any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, migration, dumping, or disposing into the indoor or outdoor environment, including, without limitation, the abandonment or discarding of barrels, drums, containers, tanks or other receptacles containing or previously containing any Hazardous Material.

"*Replacement Liens*" means (a) with respect to the Pre-Petition BMO Credit Facilities, the replacement Liens granted to the Pre-Petition BMO Agent on all Collateral for and to the extent of the post-petition use of Pre-Petition BMO Collateral and proceeds thereof and for any post-petition diminution in value of Pre-Petition BMO Collateral, and (b) with respect to the Pre-Petition CoBank Credit Facilities, the replacement Liens granted to the Pre-Petition CoBank Agent

on all Collateral for and to the extent of the post-petition use of Pre-Petition CoBank Collateral and proceeds thereof and for any post-petition diminution in value of Pre-Petition CoBank Collateral

"*Reporting Date*" means, with respect to any month, the date occurring the number of days after the last day of such month set forth below opposite such month:

Month	Number of days after the last day of the month
October	60
November	30
December	45
January	45
February	30
March	45
April	45
May	30
June	45
July	45
August	30
September	90

"*Required Lenders*" means, as of the date of determination thereof, Lenders holding more than 50% of the DIP Commitments then in effect or, if the DIP Commitments have been terminated or expired, Lenders whose outstanding Loans and interests in Letters of Credit constitute more than 50% of the sum of the total outstanding Loans and interests in Letters of Credit.

"*Restricted Group*" means the Borrower and its Subsidiaires other than Avicola and its Subsidiaries.

"*Restricted Payment*" shall have the meaning set forth in Section 8.12 hereof.

"*Revolving Note*" shall have the meaning set forth in Section 1.10(d) hereof.

"*Secured Grower Payables*" shall mean all amounts owed from time to time by the Borrower or any Guarantor to any Person on account of the purchase price of agricultural products or services (including poultry and livestock) if the DIP Agent reasonably determines that such Person is entitled to the benefits of any grower's or producer's lien, statutory trust or similar security arrangements to secure the payment of any amounts owed to such Person.

"*Subsidiary*" means, as to any particular parent corporation or organization, any other corporation or organization, more than 50% of the voting power of the outstanding Voting Stock of which is at the time directly or indirectly owned by such parent corporation or organization or by any one or more other entities which are themselves Subsidiaries of such parent corporation or organization. Unless otherwise expressly noted herein, the term "Subsidiary" means a direct or indirect Subsidiary of the Borrower.

"*Super-majority Lenders*" means, as of the date of determination thereof, Lenders holding more than 66-2/3% of the DIP Commitments then in effect or, if the DIP Commitments have been terminated or expired, Lenders whose outstanding Loans and interests in Letters of Credit constitute more than 66-2/3% of the sum of the total outstanding Loans and interests in Letters of Credit.

"*Superpriority Claim*" shall mean a claim against the Borrower or any of the Guarantors which is an administrative expense claim with the priority authorized under Section 364(c)(1) of the Bankruptcy Code, with priority over any or all administrative expenses of the kind specified in Sections 503(b) or 507 of the Bankruptcy Code and over any or all other costs and expenses of the kind specified in, or ordered pursuant to, Sections 105, 326, 330, 331, 506(c) or 726 of the Bankruptcy Code, whether arising or incurred in any of the Chapter 11 Cases or in any superseding case or cases under Chapter 7 of the Bankruptcy Code.

"*Swing Line*" means the credit facility for making one or more Swing Loans described in Section 1.6 hereof.

"*Swing Line Lender*" means Bank of Montreal, acting in its capacity as the Lender of Swing Loans hereunder, or any successor Lender acting in such capacity appointed pursuant to Section 12.12 hereof.

"*Swing Line Sublimit*" means $25,000,000, as reduced pursuant to the terms hereof.

"*Swing Loan*" and "*Swing Loans*" shall have the meaning set forth in Section 1.6 hereof.

"*Swing Note*" shall have the meaning set forth in Section 1.10 hereof.

"*Termination Date*" means the earliest to occur of the following: (a) the Maturity Date; (b) the date that a plan of reorganization of any Debtor confirmed by an order of the Bankruptcy Court entered pursuant to Sections 1129 and 1141 of the Bankruptcy Code becomes effective pursuant to its terms, other than a plan of reorganization that contemplates the sale of the stock or assets of a Guarantor to which the Required Lenders have given their prior written consent or any other plan of reorganization of a Guarantor to which the Required Lenders have given their prior written consent; or (c) the date on which the Lenders terminate the DIP Commitments after the occurrence of an Event of Default and giving of three days written notice by the DIP Agent to the Borrower of such Event of Default and of the Lenders' intention to terminate the DIP Commitments as a result thereof.

"*Unfunded Vested Liabilities*" means, for any Plan at any time, the amount (if any) by which the present value of all vested nonforfeitable accrued benefits under such Plan exceeds the fair market value of all Plan assets allocable to such benefits, all determined as of the then most recent valuation date for such Plan, but only to the extent that such excess represents a potential liability of a member of the Controlled Group to the PBGC or the Plan under Title IV of ERISA.

"*Unused DIP Commitments*" means, at any time, the difference between the DIP Commitments then in effect and the aggregate outstanding principal amount of Loans and L/C Obligations.

"*U.S. Dollars*" and "*$*" each means the lawful currency of the United States of America.

"Value" means, with respect to Eligible Inventory consisting of live broiler chickens, a price per pound equal to 75% of (i) the price quoted on the Los Angeles Majority Market on the date of calculation minus (ii) $0.085, rounded up to the nearest 1/4 cent.

"Voting Stock" of any Person means capital stock or other equity interests of any class or classes (however designated) having ordinary power for the election of directors or other similar governing body of such Person, other than stock or other equity interests having such power only by reason of the happening of a contingency.

"Welfare Plan" means a "welfare plan" as defined in Section 3(1) of ERISA.

Section 5.2 Interpretation. The foregoing definitions are equally applicable to both the singular and plural forms of the terms defined. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, restated, amended and restated, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) any reference herein to any Person shall be construed to include such Person's permitted successors and permitted assigns, and (c) the words "asset" and "property" shall mean and be construed to refer to Property. The words "hereof," "herein," and "hereunder" and words of like import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. All references to time of day herein are references to Chicago, Illinois time unless otherwise specifically provided. Where the character or amount of any asset or liability or item of income or expense is required to be determined, any consolidation or other accounting computation is required to be made or any accounting term is required to be interpreted, in each case for the purposes of this Agreement, it shall be done in accordance with GAAP except where such principles are inconsistent with the specific provisions of this Agreement.

Section 5.3 Change in Accounting Principles. If, after the date of this Agreement, there shall occur any change in GAAP or the application thereof from those used in the preparation of the financial statements referred to in Section 6.5 hereof and such change shall result in a change in the method of calculation of any financial covenant, standard or term found in this Agreement or the application thereof, either the Borrower or the Required Lenders may by notice to the Lenders and the Borrower, respectively, require that the Lenders and the Borrower negotiate in good faith to amend such covenants, standards, and terms so as equitably to reflect such change in accounting principles or the application thereof, with the desired result being that the criteria for evaluating the financial condition of the Borrower and its Subsidiaries shall be the same as if such change had not been made. No delay by the Borrower or the Required Lenders in requiring such negotiation shall limit their right to so require such a negotiation at any time after such a change in accounting principles or the application thereof. Until any such covenant, standard, or term is amended in accordance with this Section 5.3, financial covenants shall be computed and determined in accordance with GAAP in effect prior to such change in accounting principles or the application thereof. Without limiting the generality of the foregoing, the Borrower shall neither be deemed to be in compliance with any financial covenant hereunder nor out of compliance with any financial covenant hereunder if such state of compliance or noncompliance, as the case may be, would not exist but for the occurrence of a change in accounting principles or the application thereof after the date hereof.

Section 5.4 Timing of Payment or Performance. When the payment of any obligation or the performance of any covenant, duty or obligation is stated to be due or performance required on a day which is not a Business Day, the date of such payment or performance shall extend to the immediately succeeding Business Day and such extension of time shall be reflected in computing interest or fees, as the case may be.

SECTION 6. REPRESENTATIONS AND WARRANTIES.

The Borrower represents and warrants to the DIP Agent, the Lenders, and the L/C Issuer as follows:

Section 6.1 Organization and Qualification. The Borrower is duly organized, validly existing, and in good standing as a corporation under the laws of the State of Delaware, has full and adequate power to own its Property and conduct its business as now conducted, and is duly licensed or qualified and in good standing in each jurisdiction in which the nature of the business conducted by it or the nature of the Property owned or leased by it requires such licensing or qualifying, except where the failure to do so would not have a Material Adverse Effect.

Section 6.2 Subsidiaries. Each Subsidiary is duly organized, validly existing, and in good standing under the laws of the jurisdiction in which it is organized, has full and adequate power to own its Property and conduct its business as now conducted, and is duly licensed or qualified and in good standing in each jurisdiction in which the nature of the business conducted by it or the nature of the Property owned or leased by it requires such licensing or qualifying, except where the failure to do so would not have a Material Adverse Effect. Schedule 6.2 hereto (as supplemented in accordance with this Agreement) identifies each Subsidiary, the jurisdiction of its organization, the percentage of issued and outstanding shares of each class of its capital stock or other equity interests owned by the Borrower and the other Subsidiaries and, if such percentage owned by the Borrower and the Subsidiaries is not 100% (excluding directors' qualifying shares as required by law), a description of each class of its authorized capital stock and other equity interests and the number of shares of each class issued and outstanding. Except as disclosed in Schedule 6.2 (as supplemented in accordance with this Agreement), all of the outstanding shares of capital stock and other equity interests of each Subsidiary are validly issued and outstanding and fully paid and nonassessable and all such shares and other equity interests indicated on Schedule 6.2 (as supplemented in accordance with this Agreement) as owned by the Borrower or another Subsidiary are owned, beneficially and of record, by the Borrower or such Subsidiary free and clear of all Liens other than the Liens granted in favor of the DIP Agent pursuant to this Agreement and the Financing Orders. There are no outstanding commitments or other obligations of any Subsidiary to issue, and no options, warrants or other rights of any Person to acquire, any shares of any class of capital stock or other equity interests of any Subsidiary other than pursuant to buy/sell or similar arrangements set forth in the partnership agreements or limited liability company operating agreements, as applicable, of certain non-wholly-owned Subsidiaries. Promptly upon the occurrence of any change in any information contained in Schedule 6.2 the Borrower shall submit to the DIP Agent a proposed revised form of Schedule 6.2, and upon acceptance by the DIP Agent of such proposed revised form it shall be Schedule 6.2 of this Agreement.

Section 6.3 Authority and Validity of Obligations. The Borrower has full right and authority to enter into this Agreement and the other Loan Documents executed by it, to make the borrowings herein provided for, to grant to the DIP Agent the Liens described in the Collateral Documents executed by the Borrower, and to perform all of its obligations hereunder and under the other Loan Documents executed by it. Each Guarantor has full right and authority to enter into the Loan Documents executed by it, to guarantee the Post-Petition Obligations, to grant to the DIP Agent the Liens described in this Agreement and the Financing Orders, and to perform all of its obligations under the Loan Documents executed by it. The Loan Documents delivered by the Debtors have been duly authorized, executed, and delivered by such Persons and constitute valid and binding obligations of the Debtors enforceable against them in accordance with their terms; and this Agreement and the other Loan Documents do not, nor does the performance or observance by any Debtor of any of the matters and things herein or therein provided for, (a) contravene or constitute a default under any provision of law or any judgment, injunction, order or decree binding upon such Debtor or any provision of the organizational documents (e.g., charter, certificate or articles of incorporation and by-laws, certificate or articles of association and operating agreement, partnership agreement, or other similar organizational documents) of such Debtor, (b) contravene or constitute a default under any covenant, indenture or agreement of or affecting the Borrower or any Subsidiary or any of their Property, in each case where such contravention or default, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect (it being understood that any covenant, indenture or

agreement subject to the automatic stay could not be expected to have a Material Adverse Effect), or (c) result in the creation or imposition of any Lien on any Property of the Borrower or any Subsidiary other than the Liens granted in favor of the DIP Agent pursuant to the Collateral Documents.

Section 6.4 *Use of Proceeds; Margin Stock*. The Borrower shall use the credit extended under this Agreement solely for the purposes set forth in, or otherwise permitted by, Section 8.19 hereof. Neither the Borrower nor any Subsidiary is engaged in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulation U of the Board of Governors of the Federal Reserve System), and no part of the proceeds of any Loan or any other extension of credit made hereunder will be used to purchase or carry any such margin stock or to extend credit to others for the purpose of purchasing or carrying any such margin stock. Margin stock constitutes less than 25% of the assets of the Borrower and its Subsidiaries which are subject to any limitation on sale, pledge or other restriction hereunder.

Section 6.5 *Financial Reports*. The consolidated balance sheet of the Borrower and its Subsidiaries as at September 30, 2007, and the related consolidated statements of income, retained earnings and cash flows of the Borrower and its Subsidiaries for the fiscal year then ended, and accompanying notes thereto, which financial statements are accompanied by the audit report of Ernst & Young LLP, independent public accountants, and the unaudited interim consolidated balance sheet of the Borrower and its Subsidiaries as at June 30, 2008, and the related consolidated statements of income, retained earnings and cash flows of the Borrower and its Subsidiaries for the 9 months then ended, heretofore furnished to the DIP Agent and the Lenders, fairly present the consolidated financial condition of the Borrower and its Subsidiaries as at said dates and the consolidated results of their operations and cash flows for the periods then ended in conformity with GAAP. Neither the Borrower nor any Subsidiary has contingent liabilities required to be disclosed in accordance with GAAP which are material to it other than as indicated on such financial statements or, with respect to future periods, on the financial statements furnished pursuant to Section 8.5 hereof.

Section 6.6 *No Material Adverse Change*. Since the Petition Date there has been no change in the condition (financial or otherwise) or business prospects of the Borrower and its Subsidiaries taken as a whole except those occurring in the ordinary course of business, none of which individually or in the aggregate could reasonably be expected to have a Material Adverse Effect.

Section 6.7 *Full Disclosure*. The written statements and information furnished to the DIP Agent and the Lenders in connection with the negotiation of this Agreement and the other Loan Documents and the commitments by the Lenders to provide all or part of the financing contemplated hereby taken as a whole did not as of the date furnished contain any untrue statements of a material fact or omit a material fact necessary to make the material statements contained herein or therein not materially misleading. The projections or other forward looking information furnished to the DIP Agent and the Lenders were, at the time of submission, based on reasonable estimates and assumptions stated therein, and reflected the reasonable estimate of Borrower of the results of operations and other information projected therein. Nothing in this Section shall be deemed to constitute an assurance by Borrower or its Subsidiaries that it will meet the results contained in such projections.

Section 6.8 *Trademarks, Franchises, and Licenses*. The Borrower and its Subsidiaries own, possess, or have the right to use all necessary patents, licenses, franchises, trademarks, trade names, trade styles, copyrights, trade secrets, know how, and confidential commercial and proprietary information to conduct their businesses as now conducted, without known conflict with any patent, license, franchise, trademark, trade name, trade style, copyright or other proprietary right of any other Person which conflict could reasonably be expected to have a material adverse effect on the ability of the Borrower and its Subsidiaries to conduct their businesses as now conducted.

Section 6.9 *Governmental Authority and Licensing*. The Borrower and its Subsidiaries have received all licenses, permits, and approvals of all federal, state, and local governmental authorities, if any, necessary to conduct their businesses, in each case where the failure to obtain or maintain the same could reasonably be expected to have a Material Adverse Effect. No investigation or proceeding which could reasonably be expected to result in revocation or denial of any material license, permit or approval is pending or, to the knowledge of the Borrower, threatened, that could reasonably be expected to have a material adverse effect on the ability of the Borrower and its Subsidiaries to conduct their businesses as now conducted.

Section 6.10 *Good Title*. The Borrower and its Subsidiaries have good and defensible title (or valid leasehold interests) to their material assets as reflected on the most recent consolidated balance sheet of the Borrower and its Subsidiaries furnished to the DIP Agent and the Lenders (except for sales of assets in the ordinary course of business or otherwise permitted hereunder), subject to no Liens other than such thereof as are permitted by Section 8.8 hereof.

Section 6.11 *Litigation and Other Controversies*. There is no litigation or governmental or arbitration proceeding or labor controversy pending, nor to the knowledge of the Borrower threatened, against the Borrower or any Subsidiary or any of their Property which, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

Section 6.12 *Taxes*. All federal and other material tax returns required to be filed by the Borrower or any Subsidiary in any jurisdiction have, in fact, been filed, and all taxes, assessments, fees, and other governmental charges upon the Borrower or any Subsidiary or upon any of their Property, income or franchises after the Petition Date, which are shown to be due and payable in such returns, have been paid, except (i) in the case of the Debtors, taxes, assessments, fees and other governmental charges for periods prior to the Petition Date and (ii) such taxes, assessments, fees and governmental charges, if any, as are being contested in good faith and by appropriate proceedings which prevent enforcement of the matter under contest and as to which adequate reserves established in accordance with GAAP have been provided. The Borrower does not know of any proposed additional tax assessment against it or its Subsidiaries for which adequate provisions in accordance with GAAP have not been made on their accounts. Adequate provisions in accordance with GAAP for taxes on the books of the Borrower and each Subsidiary have been made for all open years, and for its current fiscal period.

Section 6.13 *Approvals*. No authorization, consent, license or exemption from, or filing or registration with, any court or governmental department, agency or instrumentality, nor any approval or consent of any other Person, is or will be necessary to the valid execution, delivery or performance by the Borrower or any Subsidiary of any Loan Document, except for such approvals which have been obtained prior to the date of this Agreement and remain in full force and effect and the entry by the Bankruptcy Court of the relevant Financing Order.

Section 6.14.Affiliate Transactions. Neither the Borrower nor any Subsidiary is a party to any transaction, including without limitation, the purchase, sale, lease or exchange of any Property, or the rendering of any service, with any Affiliate of the Borrower or such Subsidiary except (a) pursuant to the reasonable requirements of the Borrower's or such Subsidiary's business and, in the case of any Affiliate that is not a Debtor, upon fair and reasonable terms not materially less favorable to the Borrower or such Subsidiary than would be obtained in a comparable arm's-length transaction with a Person not an Affiliate of the Borrower or such Subsidiary, (b) on-going transactions with Affiliates of the type disclosed in the Borrower's proxy statement for its fiscal year ended September 30, 2006, (c) the sale of all or substantially all of the Borrower's or a Subsidiary's Receivables pursuant to the Fairway Receivables Securitization Program and prior to the Petition Date, (d) any transaction entered into between any of the Subsidiaries, (e) certain guaranties entered into prior to the Petition Date, (f) the payment of guaranty fees to Pilgrim Interests prior to the Petition Date, and (g) after the Petition Date, as permitted by Section 8.15.

Section 6.15 *Investment Company*. Neither the Borrower nor any Subsidiary is an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

Section 6.16 *ERISA*. Except as disclosed on Schedule 6.16, the Borrower and each other member of its Controlled Group has fulfilled its obligations under the minimum funding standards of ERISA and the Code to the extent applicable to it and has not incurred any material liability to the PBGC or a Plan under Title IV of ERISA other than a liability to the PBGC for premiums under Section 4007 of ERISA. Except as set forth on Schedule 6.16, neither the Borrower nor any Subsidiary has any material contingent liabilities with respect to any post-retirement benefits under a Welfare Plan, other than liability for continuation coverage described in article 6 of Title I of ERISA.

Section 6.17 *Compliance with Laws*. (a) The Borrower and its Subsidiaries are in compliance with the requirements of all federal, state and local laws, rules and regulations applicable to or pertaining to their Property or business operations (including, without limitation, the Occupational Safety and Health Act of 1970, ERISA and the Code, the Americans with Disabilities Act of 1990, and laws and regulations establishing quality criteria and standards for air, water, land and toxic or hazardous wastes and substances), where any such non-compliance, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect. Neither the Borrower nor any Subsidiary has received notice to the effect that its operations are not in compliance with any of the requirements of applicable federal, state or local environmental, health, and safety statutes and regulations or is the subject of any governmental investigation evaluating whether any remedial action is needed to respond to a release of any toxic or hazardous waste or substance into the environment, where any such non-compliance or remedial action, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

(b) Without limiting the representations and warranties set forth in Section 6.17(a) above, except for such matters, individually or in the aggregate, which could not reasonably be expected to result in a Material Adverse Effect, the Borrower represents and warrants that: (i) the Borrower and its Subsidiaries, and each of the Premises, comply in all material respects with all applicable Environmental Laws; (ii) the Borrower and its Subsidiaries have obtained all governmental approvals required for their operations and each of the Premises by any applicable Environmental Law; (iii) the Borrower and its Subsidiaries have not, and the Borrower has no knowledge of any other Person who has, caused any Release, threatened Release or disposal of any Hazardous Material at, on or about any of the Premises in any material quantity and, to the knowledge of the Borrower, none of the Premises are adversely affected by any Release, threatened Release or disposal of a Hazardous Material originating or emanating from any other property; (iv) none of the Premises contain and have contained any: (1) underground storage tank, (2) material amounts of asbestos containing building material, (3) landfills or dumps, (4) hazardous waste management facility as defined pursuant to RCRA or any comparable state law, or (5) site on or nominated for the National Priority List promulgated pursuant to CERCLA or any state remedial priority list promulgated or published pursuant to any comparable state law; (v) the Borrower and its Subsidiaries have not used a material quantity of any Hazardous Material and have conducted no Hazardous Material Activity at any of the Premises; (vi) the Borrower and its Subsidiaries have no material liability for response or corrective action, natural resource damage or other harm pursuant to CERCLA, RCRA or any comparable state law; (vii) the Borrower and its Subsidiaries are not subject to, have no notice or knowledge of and are not required to give any notice of any Environmental Claim involving the Borrower or any Subsidiary or any of the Premises, and to the actual knowledge of Borrower there are no conditions or occurrences at any of the Premises which could reasonably be anticipated to form the basis for an Environmental Claim against the Borrower or any Subsidiary or such Premises; (viii) none of the Premises are subject to any, and the Borrower has no knowledge of any imminent restriction on the ownership, occupancy, use or transferability of the Premises in connection with any (1) Environmental Law or (2) Release, threatened Release or disposal of a Hazardous Material; and (ix) to the actual knowledge of Borrower there are no conditions or circumstances at any of the Premises which pose an unreasonable risk to the environment or the health or safety of Persons.

Section 6.18 *Other Agreements*. Neither the Borrower nor any Subsidiary is in default under the terms of any covenant, indenture or agreement of or affecting such Person or any of its Property (other than defaults occasioned by the filing of the Chapter 11 Cases), which default could reasonably be expected to have a Material Adverse Effect.

Section 6.19 *No Default*. No Default or Event of Default has occurred and is continuing.

Section 6.20 *Financing Orders*. The applicable Financing Order has been duly entered, is valid, subsisting and continuing and has not been vacated, modified, or reversed on appeal by any court and is not subject to any pending stay, in the case of a modification in a manner which materially and adversely affects the rights of the Lenders or the DIP Agent and which modification is not acceptable to the Required Lenders.

Section 6.21 *Super-Priority Administrative Expense and Liens*. From and after the entry of the Interim Financing Order, (a) the Post-Petition Obligations shall constitute Superpriority Claims, and (b) pursuant to Sections 364(c)(2) and 364(d)(1) of the Bankruptcy Code, the Post-Petition Obligations shall be secured by a first priority Lien on the Collateral, subject only to the Permitted Liens (with respect to clause (b) herein) and the fees and expenses subject to the Administrative Expense Carve-Out (with respect to both clause (a) and clause (b) herein).

SECTION 7. CONDITIONS PRECEDENT.

Section 7.1 *All Credit Events*. At the time of each Credit Event hereunder:

(a) each of the representations and warranties set forth herein and in the other Loan Documents shall be and remain true and correct in all material respects as of said time, except to the extent the same expressly relate to an earlier date in which case they shall remain true and correct in all material respects as of such earlier date;

(b) no Default or Event of Default shall have occurred and be continuing or would occur as a result of such Credit Event;

(c) in the case of a Borrowing, the DIP Agent shall have received the notice required by Section 1.5 hereof, in the case of the issuance of any Letter of Credit, the L/C Issuer shall have received a duly completed Application for such Letter of Credit together with any fees called for by Section 2.1 hereof, and, in the case of an extension or increase in the amount of a Letter of Credit, a written request therefor in a form acceptable to the L/C Issuer together with fees called for by Section 2.1 hereof;

(d) at the time of and immediately after giving effect to such Borrowing or the issuance, amendment, renewal or extension of such Letter of Credit, as applicable, the aggregate principal amount of all Loans and L/C Obligations then outstanding shall not exceed the lesser of (i) the DIP Commitments then in effect and (ii) the Borrowing Base as then determined;

(e) the applicable Financing Order shall be in full force and effect and the Debtors shall be in compliance with the terms thereof and the applicable Financing Order shall be entered, not subject to a motion to reconsider and not subject to any stay;

(f)prior to making any Loans or issuing any Letters of Credit in an aggregate amount in excess of the Interim Financing Order Amount, (i) the Lenders shall have received no later than the date that is two weeks prior to the date of the hearing on the Final Financing Order such information as the Lenders may request to determine the appropriate terms of the Final Financing Order and any adjustments to the financial covenants contained in Section 8.22 of this Agreement, (ii) this Agreement shall have been amended to include financial covenants that are acceptable in form and substance to the Required Lenders and (iii) the Final Financing Order, after notice given and a hearing conducted in accordance with Bankruptcy Rule 4001(c) shall have been entered by the Bankruptcy Court; and

(g)such Credit Event shall not violate any order, judgment or decree of any court or other authority or any provision of law or regulation applicable to the DIP Agent, the L/C Issuer, or any Lender (including, without limitation, Regulation U of the Board of Governors of the Federal Reserve System) as then in effect (it being understood that the inability of any Lender to make its pro rata share of any Credit Event shall not excuse any other Lender from its obligations to fund and/or participate in its pro rata share of such Credit Event).

Each request for a Borrowing hereunder and each request for the issuance of, increase in the amount of, or extension of the expiration date of, a Letter of Credit shall be deemed to be a representation and warranty by the Borrower on the date of such Credit Event as to the facts specified in subsections (a) through (e), both inclusive, of this Section; provided, however, that the Lenders may continue to make advances under the DIP Credit, in the sole discretion of the Lenders with DIP Commitments, notwithstanding the failure of the Borrower to satisfy one or more of the conditions set forth above and any such advances so made shall not be deemed a waiver of any Default or Event of Default or other condition set forth above that may then exist.

Section 7.2 *Initial Credit Event*. Before or concurrently with the initial Credit Event:

(a) the DIP Agent shall have received this Agreement duly executed by the Borrower, the Guarantors and the Lenders;

(b) if requested by any Lender, the DIP Agent shall have received for such Lender such Lender's duly executed Notes of the Borrower dated the date hereof and otherwise in compliance with the provisions of Section 1.10 hereof;

(c) the DIP Agent shall have received (i) original stock certificates or other similar instruments or securities representing all of the issued and outstanding shares of capital stock or other equity interests in each Subsidiary of the Debtors (65% of such capital stock in the case of any Foreign Subsidiary as provided in Section 4.1 hereof) as of the Closing Date, and (ii) patent, trademark, and copyright collateral agreements to the extent requested by the DIP Agent or the Lenders, which are reasonably satisfactory in form and substance to the DIP Agent and the Lenders;

(d) the DIP Agent and the Lenders shall have received evidence of insurance coverage (which shall be satisfactory to the DIP Agent and the Lenders), showing the DIP Agent as mortgagee's and lender's loss payee thereunder with respect to its interests as to casualty and business interruption insurance and reflecting all affirmative coverage requested by the DIP Agent and the Lenders for the protection of their interests;

(e) the DIP Agent shall have received copies of the Borrower's and each Guarantor's articles of incorporation and bylaws (or comparable organizational documents) and any amendments thereto, certified in each instance by its Secretary or Assistant Secretary;

(f) the DIP Agent shall have received copies of resolutions of the Borrower's and each Guarantor's Board of Directors (or similar governing body) authorizing the execution, delivery and performance of this Agreement and the other Loan Documents to which it is a party and the consummation of the transactions contemplated hereby and thereby, together with specimen signatures of the persons authorized to execute such documents on the Borrower's and each Guarantor's behalf, all certified in each instance by its Secretary or Assistant Secretary;

(g) the DIP Agent shall have received copies of the certificates of good standing for the Borrower and each Guarantor (dated no earlier than 30 days prior to the date hereof) from the office of the secretary of the state of its incorporation or organization and, to the extent available on the Closing Date, of each state in which it is qualified to do business as a foreign corporation or organization;

(h) the DIP Agent shall have received a list of the Borrower's Authorized Representatives;

(i) the DIP Agent shall have received the initial fees called for by Section 2.1 hereof;

(j) the capital and organizational structure of the Borrower and its Subsidiaries shall be satisfactory to the DIP Agent, the Lenders, and the L/C Issuer;

(k) each Lender and the L/C Issuer shall have received such evaluations and certifications as it may reasonably require (including a Borrowing Base Certificate containing calculations of the Borrowing Base after giving effect to the repurchase and termination of the Fairway Receivables Securitization Program) in order to satisfy itself as to the value of the Collateral, the financial condition of the Borrower and its Subsidiaries, and the lack of material contingent liabilities of the Borrower and its Subsidiaries;

(l) (i) execution and delivery by the Borrower and the Pilgrim's Pride Funding Corporation of a receivables purchase and reassignment agreement with BMO Capital Markets Corp. which shall provide for the payment of all non-contingent amounts owing under the Fairway Receivables Securitization Program, and (ii) repurchase and termination of the outstanding Fairway Receivables Securitization Program, evidenced by such receivables purchase and reassignment agreement, which shall be in form and substance reasonably acceptable to the DIP Agent and BMO Capital Markets Corp., with the proceeds of the initial advance under the DIP Credit being advanced by the Borrower to or for the account of the Pilgrim's Pride Funding Corporation, with all Transferred Receivables (as such term is defined in the Receivables Purchase Agreement), and related receivable assets being simultaneously re-conveyed by the "Purchasers" party to the Receivables Purchase Agreement to Pilgrim's Pride Funding Corporation and by Pilgrim's Pride Funding Corporation to the originating sellers so long as such party is a Debtor (all such receivables and related assets to constitute Collateral hereunder) as contemplated by such receivables purchase and reassignment agreement;

(m) the Interim Financing Order in the form of Exhibit C hereto after notice given and a hearing conducted in accordance with Bankruptcy Rule 4001(c) shall have been entered by the Bankruptcy Court and shall not have been amended, reversed, stayed, vacated, reversed or modified (in the case of an amendment or modification in a manner which materially and adversely affects the rights of the Lenders or the DIP Agent and which amendment or modification is not acceptable to the Required Lenders);

(n) a cash management order in the form of Exhibit I hereto, including procedures requiring all proceeds of Collateral and all revenues, income and cash flow of the Borrower and the Guarantors to be deposited in a Collection Account or such other arrangement as is acceptable to the DIP Agent such that the DIP Agent attains exclusive dominion and control of such accounts and proceeds of collection deposited therein, shall have been entered by the Bankruptcy Court and shall not have been amended, stayed, vacated, reversed or modified (in the case of an amendment or modification in a manner which materially and adversely affects the rights of the Lenders or the DIP Agent and which amendment or modification is not acceptable to the Required Lenders);

(o) receipt by the DIP Agent and the Lenders of the Budget, in form and substance satisfactory to the DIP Agent and the Lenders, including itemization on a weekly basis of all material expenditures proposed to be made during the first 13 weeks;

(p) no trustee, or other disinterested Person with expanded powers pursuant to Section 1104(c) of the Bankruptcy Code, shall have been appointed or designated with respect to any Debtor or its respective business, assets or Properties, including, without limitation the Collateral, no order shall be entered appointing such a trustee or other disinterested Person and no motion by or supported by the Debtors shall be pending seeking such relief;

(q) simultaneously with the initial Credit Event, the Borrower shall reimburse the Pre-Petition BMO Agent and the Pre-Petition BMO Lenders for all fees and expenses incurred by them, including the reasonable fees and expenses of Chapman and Cutler LLP, Chapman and Cutler LLP's local counsel, Morgan, Lewis & Bockius LLP and FTI Consulting, Inc., in connection with the Pre-Petition BMO Credit Agreement and the transactions contemplated hereby for which the Borrower has received an invoice;

(r) simultaneously with the initial Credit Event, the Borrower shall pay the reasonable out-of-pocket costs and expenses (including the reasonable fees and expenses of Chapman and Cutler LLP, Chapman and Cutler LLP's local counsel, Morgan, Lewis & Bockius LLP and FTI Consulting, Inc.) incurred by the Lenders and the DIP Agent in connection with this Agreement and the transaction contemplated hereby for which the Borrower has received an invoice;

(s) the DIP Agent's Liens in the Collateral shall be perfected first priority Liens and the Collateral shall be free and clear of all other Liens except Permitted Liens;

(t) the DIP Agent shall have received the favorable written opinion of counsel to the Debtors in form and substance reasonably satisfactory to the DIP Agent and the Lenders;

(u) the DIP Agent shall have received a fully executed Internal Revenue Service Form W-9 for the Borrower;

(v) the Borrower shall have engaged William Snyder, or another chief restructuring officer acceptable to the Required Lenders, and the scope of the chief restructuring officer's engagement and the authority granted to such chief restructuring officer must be reasonably satisfactory to the Required

Lenders (it being understood that the scope of the engagement of and authority granted to William Snyder is acceptable); and

(w) the DIP Agent and the Lenders shall have received such other agreements, instruments, documents, certificates, and opinions as the DIP Agent and Lenders may reasonably request and which are reasonably satisfactory in form and substance to the Lenders.

SECTION 8. COVENANTS.

The Borrower agrees that, so long as any credit is available to or in use by the Borrower hereunder, except to the extent compliance in any case or cases is waived in writing pursuant to the terms of Section 12.13 hereof:

Section 8.1 Maintenance of Business. The Borrower shall, and shall cause each Subsidiary to, preserve and maintain its existence. The Borrower shall, and shall cause each Subsidiary to, preserve and keep in force and effect all licenses, permits, franchises, approvals, patents, trademarks, trade names, trade styles, copyrights, and other proprietary rights necessary to the proper conduct of its business where the failure to do so could reasonably be expected to have a Material Adverse Effect.

Section 8.2 Maintenance of Properties. The Borrower shall, and shall cause each Subsidiary to, maintain, preserve, and keep its material property, plant, and equipment in good repair, working order and condition (ordinary wear and tear and casualty or condemnation excepted), and shall from time to time make all needful and proper repairs, renewals, replacements, additions, and betterments thereto so that at all times the efficiency thereof shall be fully preserved and maintained, except to the extent that, (i) in the reasonable business judgment of such Person, any such Property is no longer necessary for the proper conduct of the business of such Person or (ii) such repair, renewal, replacement, addition or betterment is not permitted by the Budget.

Section 8.3 Taxes and Assessments. The Borrower shall duly pay and discharge, and shall cause each Subsidiary to duly pay and discharge, all federal and other material taxes, assessments, fees, and other governmental charges upon or against it or its Property, in the case of the Debtors, for periods after the Petition Date, in each case before the same become delinquent and before penalties accrue thereon, unless and to the extent that (i) the same are being contested in good faith and by appropriate proceedings which prevent enforcement of the matter under contest and adequate reserves are provided therefor, or (ii) in the case of the Debtors, such taxes, assessments, fees or other governmental charges relate to periods prior to the Petition Date.

Section 8.4 Insurance. The Borrower shall insure and keep insured, and shall cause each Subsidiary to insure and keep insured, with good and responsible insurance companies, all insurable Property owned by it which is of a character usually insured by Persons similarly situated and operating like Properties against loss or damage from such hazards and risks, and in such amounts, as are insured by Persons similarly situated and operating like Properties; and the Borrower shall insure, and shall cause each Subsidiary to insure, such other hazards and risks (including, without limitation, business interruption, employers' and public liability risks) with good and responsible insurance companies as and to the extent usually insured by Persons similarly situated and conducting similar businesses; provided, that the Borrower and its Subsidiaries may self-insure for workmen's compensation, group health risks and their live chicken inventory in accordance with their past practices. The Borrower shall, upon the request of the DIP Agent, furnish to the DIP Agent and the Lenders a certificate setting forth in summary form the nature and extent of the insurance maintained pursuant to this Section.

Section 8.5 Financial Reports. The Borrower shall, and shall cause each Subsidiary to, maintain a standard system of accounting allowing the preparation of the financial statements in accordance with GAAP and shall furnish to the DIP Agent, each Lender, the L/C Issuer and each of their duly authorized representatives such information respecting the business and financial condition of the Borrower and each Subsidiary (including without limitation projections, budgets, business plans and cash flows) as the DIP Agent or such Lender may reasonably request; and without any request, shall furnish to the DIP Agent:

(a) on Thursday of each week and promptly after the completion of any Disposition outside the ordinary course of business that results in Net Proceeds in excess of $1,000,000 in the aggregate, a Borrowing Base Certificate showing the computation of the Borrowing Base in reasonable detail as of the close of business on the last day of the preceding week or after giving effect to such Disposition, as the case may be, together with an accounts receivable and accounts payable aging, prepared by the Borrower and certified to by its chief financial officer, chief restructuring officer, controller, vice president and assistant to the treasurer and chief financial officer or another officer of the Borrower reasonably acceptable to the DIP Agent;

(b) as soon as available, and in any event no later than 20 days after the last day of each calendar month, a copy of the monthly operating report filed with the Bankruptcy Court;

(c)as soon as available, and in any event no later than the applicable Reporting Date for each calendar month, a copy of the consolidated balance sheet of the Borrower and its Subsidiaries as of the last day of such month and the consolidated statements of income and cash flows of the Borrower and its Subsidiaries for the month and for the fiscal year-to-date period then ended, each in reasonable detail showing in comparative form the figures for the corresponding date and period in the previous fiscal year, prepared by the Borrower (but not necessarily in accordance with GAAP) and certified to by its chief financial officer, chief restructuring officer or another officer of the Borrower acceptable to the DIP Agent;

(d)as soon as available, and in any event no later than 45 days after the last day of each fiscal quarter of each fiscal year of the Borrower, a copy of the consolidated balance sheet of the Borrower and its Subsidiaries as of the last day of such fiscal quarter and the consolidated statements of income, retained earnings, and cash flows of the Borrower and its Subsidiaries for the fiscal quarter and for the fiscal year-to-date period then ended, each in reasonable detail showing in comparative form the figures for the corresponding date and period in the previous fiscal year, prepared by the Borrower in accordance with GAAP (subject to the absence of footnote disclosures and year-end audit adjustments) and certified to by its chief financial officer, chief restructuring officer or another officer of the Borrower reasonably acceptable to the DIP Agent;

(e)as soon as available, and in any event no later than 90 days after the last day of each fiscal year of the Borrower, a copy of the consolidated balance sheet of the Borrower and its Subsidiaries as of the last day of the fiscal year then ended and the consolidated statements of income, retained earnings, and cash flows of the Borrower and its Subsidiaries for the fiscal year then ended, and accompanying notes thereto, each in reasonable detail showing in comparative form the figures for the previous fiscal year, accompanied by an opinion of Ernst & Young LLP or another firm of independent public accountants of recognized national standing, selected by the Borrower and reasonably satisfactory to the DIP Agent and the Required Lenders, to the effect that the consolidated financial statements have been prepared in accordance with GAAP and present fairly in accordance with GAAP the consolidated financial condition of the Borrower and its Subsidiaries as of the close of such fiscal year and the results of their operations and cash flows for the fiscal year then ended and that an examination of such accounts in connection with such financial statements has been made in accordance with generally accepted auditing standards and, accordingly, such examination included such tests of the accounting records and such other auditing procedures as were considered necessary in the circumstances;

(f)promptly after receipt thereof, any additional final written report or, final management letters contained in writing concerning significant aspects of the Borrower's or any Subsidiary's operations and financial affairs given to it by its independent public accountants;

(g)promptly after the sending or filing thereof, copies of each financial statement, report, notice or proxy statement sent by the Borrower or any Subsidiary to its stockholders or other equity holders generally, and copies of each regular, periodic or special report, registration statement or prospectus (including all Form 10-K, Form 10-Q and Form 8-K reports) filed by the Borrower or any Subsidiary with any securities exchange or the Securities and Exchange Commission or any successor agency; *provided*, that information required to be delivered pursuant to this Section 8.5(f) shall be deemed to have been delivered if such information shall be available on the website of the Securities and Exchange Commission at http://www.sec.gov or on the website of the Borrower.

(h)promptly after receipt thereof, a copy of each material audit made by any regulatory agency of the books and records of the Borrower or any Subsidiary or of final notice of any material noncompliance with any applicable law, regulation or guideline relating to the Borrower or any Subsidiary, or its business (in each case subject to any confidentiality restrictions imposed on the Borrower or such Subsidiary);

(i)notice of any Change of Control;

(j)promptly after knowledge thereof shall have come to the attention of any Designated Officer of the Borrower, written notice of (i) any threatened (in writing) or pending litigation or governmental or arbitration proceeding or labor controversy against the Borrower or any Subsidiary or any of their Property which could reasonably be expected to have a Material Adverse Effect, (ii) the occurrence of any Default or Event of Default hereunder, or (iii) the existence of any material contingent liability not disclosed on the Borrower's most recent financial statements;

(k)with each of the financial statements delivered pursuant to subsections (c), (d) and (e) above, a written certificate in the form attached hereto as Exhibit F signed by the chief financial officer, chief restructuring officer of the Borrower or another officer of the Borrower acceptable to the DIP Agent to the effect that, to such officer's knowledge and belief, no Default or Event of Default has occurred during the period covered by such statements or, if any such Default or Event of Default has occurred during such period, setting forth a description of such Default or Event of Default and specifying the action, if any, taken by the Borrower or any Subsidiary to remedy the same. Such certificate shall also set forth the calculations supporting such statements in respect of Section 8.22 hereof;

(l)on Friday of each week, commencing December 12, 2008, a projected updated budget for the 13-week period commencing with such week in the same form as the Budget then in effect and otherwise in form and substance reasonably satisfactory to the DIP Agent and the Required Lenders and certified by the chief restructuring officer of the Borrower;

(m)on Friday of each week, commencing December 12, 2008, a report (the "*Budget Report*") in such form (i) showing the actual receipts and disbursements of the Borrower and its Subsidiaries during the immediately preceding week, and (ii) comparing the actual receipts and disbursements for the Borrower and its Subsidiaries to the receipts and disbursements shown in the Budget both for the week covered by such Budget Report and on a cumulative basis for the period from the Petition Date through the last day of the immediately preceding week in each of the categories set forth in the Budget, each Budget Report to be in form and substance reasonably satisfactory to the DIP Agent and the Required Lenders and certified by the chief restructuring officer of the Borrower;

(n)promptly upon receiving the same, copies of all written offers which the Borrower or any Guarantor should reasonably expect to be of interest to the Lenders and agreements regarding the sale or recapitalization of the Borrower or any Subsidiary;

(o)promptly after the same is available, copies of all pleadings, motions, applications, judicial information, financial information and other documents filed by or on behalf of the Borrower or any of the Guarantors with the Bankruptcy Court in the Chapter 11 Cases, or distributed by or on behalf of the Borrower or any of the Guarantors to any official committee appointed in the Chapter 11 Cases; and

(p)as soon as available, and in any event no later than the applicable Reporting Date for each calendar month, a copy of divisional operating reports in a form to be mutually agreed upon by the Borrower and the DIP Agent and certified to by its chief financial officer, chief restructuring officer or another officer of the Borrower acceptable to the DIP Agent.

Section 8.6 *Inspection*. The Borrower shall, and shall cause each Subsidiary to, permit the DIP Agent, each Lender, the L/C Issuer, their counsel and financial advisors, and each of their duly authorized representatives and agents to visit and inspect any of its Property, corporate books, and financial records, to examine and make copies of its books of accounts and other financial records, and to discuss its affairs, finances, and accounts with, and to be advised as to the same by, its officers, employees and independent public accountants (and by this provision the Borrower hereby authorizes such accountants to discuss with the DIP Agent, such Lenders, the L/C Issuer and their counsel and financial advisors, the finances and affairs of the Borrower and its Subsidiaries, provided that the Borrower and its advisors shall have the opportunity to be present at any such meeting) at such times and intervals as the DIP Agent or any such Lender or L/C Issuer may designate provided that the Borrower shall be afforded reasonable notice of and opportunity to attend any discussions with its accountants.

Section 8.7 *Borrowings and Guaranties*. The Borrower shall not, nor shall it permit any Subsidiary to, issue, incur, assume, create or have outstanding any Indebtedness for Borrowed Money, or be or become liable as endorser, guarantor, surety or otherwise for any debt, obligation or undertaking of any other Person, or otherwise agree to provide funds for payment of the obligations of another, or supply funds thereto or invest therein or otherwise contract to assure a creditor of another against loss, or apply for or become liable to the issuer of a letter of credit which supports an obligation of another, or subordinate any claim or demand it may have to the claim or demand of any other Person (collectively, "*indebtedness*"); provided, however, that the foregoing shall not restrict nor operate to prevent:

(a) the Post-Petition Obligations of the Borrower and its Subsidiaries owing to the DIP Agent and the Lenders (and their Affiliates);

(b) purchase money indebtedness and Capitalized Lease Obligations of the Borrower and its Subsidiaries in an amount not to exceed $45,000,000 in the aggregate at any one time outstanding incurred to finance the replacement of tangible personal property (other than inventory and farm products) that has become obsolete or worn out;

(c) endorsement of items for deposit or collection in the ordinary course of business;

(d)the Pre-Petition BMO Obligations;

(e)the Pre-Petition CoBank Obligations;

(f)the Avicola Pre-Petition Obligations;

(g)indebtedness evidenced by the Borrower's 8-3/8% Senior Subordinated Notes due 2017 outstanding on the Petition Date;

(h)indebtedness evidenced by the Borrower's 7-5/8% Senior Notes due May 1, 2015 outstanding on the Petition Date;

(i)indebtedness evidenced by the Borrower's 9-1/4% Senior Subordinated Notes due November 15, 2013, outstanding on the Petition Date;

(j)indebtedness with respect to letters of credit (other than letters of credit issued under the Pre-Petition BMO Loan Documents) outstanding on the Petition Date and listed on Schedule 8.7, and any amendment, modification, extension, renewal or replacement thereof;

(k)indebtedness of Non-debtor Subsidiaries to the Borrower arising from intercompany advances permitted by Sections 8.9(d), (f) and (g);

(l)indebtedness in respect of Intercompany Bonds outstanding on the Petition Date;

(m)indebtedness under the Fairway Receivables Securitization Program, provided such indebtedness shall be paid in full (except for any contingent indemnification claims, costs, fees, and expenses (including, without limitation, costs, fees and expenses of counsel) that survive the termination of the Fairway Receivables Securitization Program) out of the proceeds of the initial Borrowing made under this Agreement;

(n)secured indebtedness outstanding on the Petition Date and unsecured Indebtedness for Borrowed Money in a principal amount of $1,000,000 or more outstanding on the Petition Date and in each case listed on Schedule 8.7 to this Agreement;

(o)other unsecured indebtedness outstanding on the Petition Date;

(p)indebtedness in respect of hedging agreements permitted pursuant to Section 8.25;

(q)indebtedness in respect of sale/leaseback transactions permitted pursuant to Section 8.10;

(r)indebtedness which may be deemed to exist in connection with customary agreements providing for indemnification, purchase price adjustments, earnouts and similar obligations in connection with dispositions permitted pursuant to Section 8.10;

(s)indebtedness (i) among the Debtors and (ii) of the Borrower or any Guarantor to any Non-debtor Subsidiary subject to compliance with Section 8.9(d);

(t)indebtedness consisting of the financing of insurance premiums, so long as the aggregate amount payable pursuant to such indebtedness does not materially exceed the amount of the premium for such insurance;

(u)indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business, provided, that such Indebtedness is extinguished within five Business Days of its incurrence;

(v)cash management obligations and indebtedness in respect of netting services, overdraft protection and similar arrangements in connection with cash management and deposit accounts;

(w)Indebtedness for Borrowed Money of the type set forth in subsection (c) of the definition of Indebtedness for Borrowed Money solely to the extent such Lien is permitted by Section 8.8 and the indebtedness secured by such Lien is not any other type of indebtedness;

(x)indebtedness representing deferred compensation to directors, officers, members, of management, employees or consultant of the Borrower and its Subsidiaries in the ordinary case of business;

(y)contingent obligations in respect of indemnities or similar agreements to hold others harmless arising in the ordinary course of business;

(z)contingent obligations arising under operating leases and similar contracts in the ordinary course of business that do not constitute Indebtedness for Borrowed Money; and

(aa)indebtedness consisting of take or pay obligations contained in supply agreements incurred in the ordinary course of business and consistent with past practices.

Section 8.8 *Liens*. The Borrower shall not, nor shall it permit any Subsidiary to, create, incur or permit to exist any Lien of any kind on any Property owned by any such Person; provided, however, that the foregoing shall not apply to nor operate to prevent:

(a) Liens arising by statute in connection with worker's compensation, unemployment insurance, old age benefits, social security obligations, taxes, assessments, statutory obligations or other similar charges (other than Liens arising under ERISA), good faith cash deposits in connection with tenders, contracts or leases to which the Borrower or any Subsidiary is a party or other bonds or cash deposits required to be made in the ordinary course of business, provided in each case that (i) the obligation is not for borrowed money and the obligation secured is not overdue or, if overdue, is being contested in good faith by appropriate proceedings which prevent enforcement of the matter under contest and adequate reserves have been established therefor or (ii) in the case of the Debtors, such taxes, assessments, statutory obligations or other similar charges related to periods prior to the Petition Date so long as enforcement of such Liens is stayed;

(b) mechanics', workmen's, materialmen's, landlords', carriers' or other similar Liens arising in the ordinary course of business with respect to obligations which are not overdue or which are being contested in good faith by appropriate proceedings which prevent enforcement of the matter under contest;

(c) (i) judgment liens and judicial attachment liens not constituting an Event of Default under Section 9.1(h) hereof and (ii) the pledge of assets for the purpose of securing an appeal, stay or discharge in the course of any legal proceeding, provided that the aggregate amount of such judgment liens, attachments and liabilities of the Borrower and its Subsidiaries secured by a pledge of assets permitted under this subsection, including interest and penalties thereon, if any, shall not be in excess of $10,000,000 at any one time outstanding;

(d) Liens on tangible personal property (other than inventory and farm products) of the Borrower or any Subsidiary created solely for the purpose of securing indebtedness permitted by Section 8.7(b) hereof, representing or incurred to finance the purchase price of such Property, provided that no

such Lien shall extend to or cover other Property of the Borrower or such Subsidiary other than the respective Property so acquired and the proceeds and products thereof and accessions thereto, and the principal amount of indebtedness secured by any such Lien shall at no time exceed the purchase price of such Property (and related costs and expenses), as reduced by repayments of principal thereon and payments of such related costs and expenses;

(e) any interest or title of a lessor under any operating lease;

(f) easements, rights-of-way, restrictions, minor defects, irregularities, and other similar encumbrances against real property incurred in the ordinary course of business which do not materially detract from the value of the Property subject thereto or materially interfere with the ordinary conduct of the business of the Borrower or any Subsidiary;

(g) Liens in the Pre-Petition BMO Collateral in favor of the Pre-Petition BMO Agent for the benefit of the Pre-Petition BMO Lenders to secure the Pre-Petition BMO Obligations, provided that such Liens are subject and subordinated to the Liens in the Collateral granted in favor of the DIP Agent for the benefit of the DIP Agent and the Lenders pursuant to this Agreement and the Financing Orders;

(h) Liens in the Pre-Petition CoBank Collateral in favor of the Pre-Petition CoBank Agent for the benefit of the Pre-Petition CoBank Lenders to secure the Pre-Petition CoBank Obligations, provided that such Liens are subject and subordinated to the Liens in the Collateral granted in favor of the DIP Agent for the benefit of the DIP Agent and the Lenders pursuant to this Agreement and the Financing Orders;

(i) Liens in the Collateral granted in favor of the DIP Agent for the benefit of the DIP Agent and the Lenders pursuant to the Loan Documents and the Financing Orders;

(j) Replacement Liens in the Collateral in favor of the Pre-Petition BMO Agent for the benefit of the Pre-Petition BMO Lenders to secure the Borrower's Adequate Protection Obligations relating to the Pre-Petition BMO Collateral, provided that such Liens are subject and subordinated to (i) the Liens in the Collateral granted in favor of the DIP Agent for the benefit of the DIP Agent and the Lenders pursuant to this Agreement and the Financing Orders, (ii) the Administrative Expense Carve-Out, and (iii) the Replacement Liens in the Pre-Petition CoBank Primary Collateral in favor of the Pre-Petition CoBank Agent for the benefit of the Pre-Petition CoBank Lenders; and provided further that such Replacement Lien in Property that was unencumbered prior to the Petition Date (other than inventory, accounts receivable, rights against growers, and the products and proceeds of the foregoing, in which the Replacement Lien granted to the Pre-Petition BMO Agent shall be senior and prior to the Replacement Lien therein granted to the Pre-Petition CoBank Agent) shall rank pari passu with the Replacement Lien in such Property granted to the Pre-Petition CoBank Agent and the Pre-Petition CoBank Lenders;

(k) Replacement Liens in the Collateral in favor of the Pre-Petition CoBank Agent for the benefit of the Pre-Petition CoBank Lenders to secure the Borrower's Adequate Protection Obligations relating to the Pre-Petition CoBank Collateral, provided that such Liens are subject and subordinated to (i) the Liens in the Collateral granted in favor of the DIP Agent for the benefit of the DIP Agent and the Lenders pursuant to this Agreement and the Financing Orders, (ii) the Administrative Expense Carve-Out, and (iii) the Replacement Liens in the Pre-Petition BMO Primary Collateral in favor of the Pre-Petition BMO Agent for the benefit of the Pre-Petition BMO Lenders; and provided further that such Replacement Lien in Property that was unencumbered prior to the Petition Date (other than inventory, accounts receivable, rights against growers, and the products and proceeds of the foregoing, in which the Replacement Lien granted to the Pre-Petition BMO Agent shall be senior and prior to the Replacement Lien therein granted to the Pre-Petition CoBank Agent) shall rank pari passu with the Replacement Lien in such Property granted to the Pre-Petition BMO Agent and the Pre-Petition BMO Lenders;

(l) Liens in the Avicola Pre-Petition Collateral granted to the Avicola Pre-Petition Agent to secure the Avicola Pre-Petition Obligations;

(m) deposits existing on the Petition Date in respect of letters of credit issued and outstanding on the Petition Date and permitted by Section 8.7 hereof to secure either the relevant Debtor's obligations to the issuer of such letters of credit or the obligations supported by such letters of credit (and any amendment, modification, extension, renewal or replacement thereof);

(n) deposits securing utilities and trade creditors in the ordinary course of business;

(o) Liens in feed ingredients granted to the sellers of such feed ingredients to secure the unpaid purchase price thereof;

(p) Liens on the equity interests of any farm credit institution required to be purchased from time to time by Borrower in favor of the issuer thereof;

(q) Liens existing as of the Petition Date and set forth as Schedule 8.8;

(r) (i) leases, subleases, licenses and sublicenses granted to other Persons not interfering in any material respect with the ordinary course of the business of the Borrower or its Subsidiaries and (ii) the rights reserved or vested in any Person by the terms of any lease, license, franchise, grant or permit held by the Borrower or any of its Subsidiaries or by a statutory provision, to terminate any such lease, license, franchise, grant or permit, or to require annual or periodic payments as a condition to the continuance thereof;

(s) Liens arising out of consignment or similar arrangements for the sale of goods entered into by the Borrower or any of its Subsidiaries in the ordinary course of business;

(t) bankers' Liens, rights of setoff and other similar Liens on cash and investments permitted by Section 8.9 on deposit in one or more accounts maintained by the Borrower or any Subsidiary, in each case granted in the ordinary course of business in favor of the bank or banks with which such accounts are maintained, securing amounts owing to such bank with respect to cash management and operating account arrangements, including those involving pooled accounts and netting arrangements in respect of such deposit accounts, and not securing any obligations relating to any extension of credit;

(u) the filing of UCC financing statements solely as a precautionary measure in connection with operating leases or consignment of goods;

(v) Liens arising pursuant to sale and leaseback transactions permitted pursuant to Section 8.10 to so long as such Liens do not attach to any assets of the Borrower or any of its Subsidiaries other than those which are the subject of such and sale leaseback transactions;

(w)Liens (i) consisting of an agreement to dispose of any Property in a disposition permitted under Section 8.10 and (ii) earnest money deposits of cash or cash equivalents by Borrower or any of its Subsidiaries in connection with any letter of intent or purchase agreement permitted hereunder;

(x)Liens in respect of hedge obligations permitted pursuant to Section 8.25 hereof, *provided* that the Required Lenders shall have given their prior written consent thereto on a case by case basis; and

(y)Liens encumbering reasonable customary initial deposits and margin deposits attaching to commodity trading accounts or other brokerage accounts incurred in the ordinary course of business and not for speculative purposes, *provided* that the Required Lenders shall have given their prior written consent thereto on a case by case basis.

Section 8.9 Investments, Acquisitions, Loans and Advances. The Borrower shall not, nor shall it permit any Subsidiary to, directly or indirectly, make, retain or have outstanding any investments (whether through purchase of stock or obligations or otherwise) in, or loans or advances to (other than for travel advances and other similar cash advances made to employees in the ordinary course of business), any other Person, or acquire all or any substantial part of the assets or business of any other Person or division thereof; provided, however, that the foregoing shall not apply to nor operate to prevent:

(a) investments in direct obligations of the United States of America or of any agency or instrumentality thereof whose obligations constitute full faith and credit obligations of the United States of America, provided that any such obligations shall mature within one year of the date of issuance thereof;

(b) investments in money market funds that invest solely, and which are restricted by their respective charters to invest solely, in investments of the type described in subsection (a) above;

(c) the Borrower's investments existing on the Petition Date and listed on Schedule 8.9(c);

(d) intercompany advances made from time to time by the Borrower to Non-debtor Subsidiaries other than the Insurance Subsidiaries, including Avicola and its Subsidiaries, for operating expenses and not for the repayment of Indebtedness for Borrowed Money and consistent with past practices

as it relates to Avicola and its Subsidiaries purchasing feed ingredients from the Borrower, in an amount such that the aggregate of all such amounts receivable by the Borrower from such Non-debtor Subsidiaries, net of the aggregate of all such amounts payable by the Borrower to such Non-debtor Subsidiaries, shall not exceed such net amount calculated as of the Petition Date by more than $25,000,000 in the aggregate at any time, with disclosure to the Lenders of the nature and extent of such funding, *provided* that (i) neither the Borrower nor any of the other Debtors may guaranty any portion of such funding, (ii) such funding shall be made pursuant to the Budget or another budget to be agreed upon by the Required Lenders, (iii) such Subsidiaries shall not accumulate cash or inventory above the levels necessary in the ordinary course of business, (iv) such advances shall be evidenced by a revolving promissory note of such Subsidiary payable to the order of the Borrower, which promissory note shall be part of the Collateral and shall be delivered to the DIP Agent endorsed in blank or otherwise in a manner acceptable to the DIP Agent, and (v) such Non-debtor Subsidiary shall agree to repay such revolving promissory note with any available cash not needed to fund its operations in the ordinary course of business;

(e) intercompany investments made from time to time by the Borrower to a Guarantor or by a Guarantor to the Borrower or another Guarantor in the ordinary course of business for operating expenses and not for the repayment of Indebtedness for Borrowed Money;

(f) payment of interest to Gold Kist Insurance in an aggregate amount not to exceed $2,400,000 during any year and other amounts payable to Gold Kist Insurance to enable it to pay claims made by the Borrower in excess of the amount of all other funds available to Gold Kist Insurance for such purpose and consistent with the Budget or otherwise approved by the Required Lenders and the DIP Agent, provided that Gold Kist Insurance continues to pay claims made by the Borrower in a manner consistent with past practices;

(g) payment of insurance premiums to Mayflower in an aggregate amount not to exceed $27,000,000 in any year or such other amount as may be approved by the Required Lenders and the DIP Agent, provided that Mayflower continues to pay claims made by the Borrower in a manner consistent with past practices;

(h) investments consisting of hedging arrangements permitted pursuant to Section 8.25;

(l) capital plan and investments in equity interests of any farm credit institution required in accordance with the by-laws or capital plan of such farm credit institution and existing on the Petition Date;

(m) investments, if any, arising from the sale of receivables pursuant to the Fairway Receivables Securitization Program; *provided* such investments shall be terminated and such receivables repurchased using the proceeds of the initial Borrowing under this Agreement;

(n) advances to officers, employees and contract growers of the Borrower and its Subsidiaries in the ordinary course of business and consistent with past practices;

(o) advances to the Borrower or any Guarantor by any Non-debtor Subsidiary;

(p) investments permitted pursuant to Section 8.10;

(q) investments by the Insurance Subsidiaries that are permitted by their investment policies attached hereto as Schedule 8.9(q);

(r) with respect to Avicola and its Subsidiaries, investments that are the Mexican equivalents of the investments described in subsections (a) and (b) above; and

(s) any investments received (i) in compromise of (A) obligations of any Person that were incurred in the ordinary course of business, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any such Person or (B) litigation, arbitration or other disputes; or (ii) as a result of a foreclosure by the Borrower or any of its Subsidiaries with respect to any secured investment or other transfer of title with respect to any secured investment in default.

In determining the amount of investments, acquisitions, loans, and advances permitted under this Section, investments and acquisitions shall always be taken at the original cost thereof (regardless of any subsequent appreciation or depreciation therein), and loans and advances shall be taken at the principal amount thereof then remaining unpaid.

Section 8.10 *Mergers, Consolidations and Sales*. The Borrower shall not, nor shall it permit any Subsidiary to, be a party to any merger or consolidation, or sell, transfer, lease or otherwise dispose of all or any part of its Property, including any disposition of Property as part of a sale and leaseback transaction, or in any event sell or discount (with or without recourse) any of its notes or accounts receivable; *provided*, however, that this Section shall not apply to nor operate to prevent:

(a)the sale or lease of inventory in the ordinary course of business;

(b)the sale, transfer, lease or other disposition of Property of the Borrower and the Guarantors to one another in the ordinary course of its business;

(c)the sale, transfer or other disposition of any tangible personal property that, in the reasonable business judgment of the Borrower or any of its Subsidiaries, has become obsolete or worn out, and which is disposed of in the ordinary course of business;

(d)the sale, transfer, lease or other disposition of Property of the Borrower or any Subsidiary (including any disposition of Property as part of a sale and leaseback transaction) aggregating for the Borrower and its Subsidiaries not more than $1,000,000 during the term of this Agreement;

(e)the sale, transfer, lease or other disposition of Property of the Non-debtor Subsidiaries to any other Non-debtor Subsidiary;

(f)any merger, consolidation, or sale, transfer, lease or other disposition of Property of Avicola and its Subsidiaries permitted under the Avicola Pre-Petition Credit Agreement as in effect on the Petition Date, but only for so long as the Avicola Pre-Petition Credit Agreement is in effect and any Avicola Pre-petition Obligations remain outstanding;

(g)the merger or consolidation of any Non-debtor Subsidiary with any other Non-debtor Subsidiary; and

(h)the sale of machinery and equipment by the Debtors to Non-debtor Subsidiaries for fair value and on terms no less favorable to the relevant Debtor than such Debtor could have obtained from an unaffiliated third party in an arm's length transaction.

Section 8.11 *Maintenance of Subsidiaries*. The Borrower shall not assign, sell or transfer, nor shall it permit any Subsidiary to issue, assign, sell or transfer, any shares of capital stock or other equity interests of a Subsidiary; *provided*, however, that the foregoing shall not operate to prevent (a) Liens on the capital stock or other equity interests of Subsidiaries granted to the DIP Agent pursuant to this Agreement, the Financing Orders and the Collateral Documents, (b) the issuance, sale, and transfer to any Person of any shares of capital stock of a Subsidiary solely for the purpose of qualifying, and to the extent legally necessary to qualify, such Person as a director of such Subsidiary, (c) dispositions permitted pursuant to Section 8.10, or (d) Liens granted on the equity interests of Avicola and its Subsidiaries and on the Property of Avicola and it is Subsidiaries to secure the Avicola Pre-Petition Obligations.

Section 8.12 *Dividends and Certain Other Restricted Payments*. The Borrower shall not, nor shall it permit any Subsidiary to, (a) declare or pay any dividends on or make any other distributions in respect of any class or series of its capital stock or other equity interests (other than dividends or distributions payable solely in its capital stock or other equity interests), or (b) directly or indirectly purchase, redeem, or otherwise acquire or retire any of its capital stock or other equity interests or any warrants, options, or similar instruments to acquire the same (collectively referred to herein as "*Restricted*

Payments"); *provided*, however, that the foregoing shall not operate to prevent the making of dividends or distributions by any Subsidiary to (i) the Borrower, (ii) any Subsidiary, and (iii) any other shareholder ratably in accordance with their pro-rata share; and *provided further*, that the foregoing shall not operate to prevent the making of dividends or distributions by Avicola and its Subsidiaries that are otherwise permitted under the Avicola Pre-Petition Credit Agreement as in effect on the Petition Date for so long as the Avicola Pre-Petition Credit Agreement is in effect and any Avicola Pre-petition Obligations are outstanding.

Section 8.13 *ERISA*. The Borrower shall, and shall cause each Subsidiary to, promptly pay and discharge all obligations and liabilities arising under ERISA of a character which if unpaid or unperformed could reasonably be expected to result in the imposition of a Lien against any of its Property. The Borrower shall, and shall cause each Subsidiary to, promptly notify the DIP Agent and each Lender of: (a) the occurrence of any reportable event (as defined in ERISA) with respect to a Plan, (b) receipt of any written notice from the PBGC of its intention to seek termination of any Plan or appointment of a trustee therefor, (c) its intention to terminate or withdraw from any Plan, and (d) the occurrence of any event with respect to any Plan which would result in the incurrence by the Borrower or any Subsidiary of any material liability, fine or penalty, or any material increase in the contingent liability of the Borrower or any Subsidiary with respect to any post-retirement Welfare Plan benefit.

Section 8.14 *Compliance with Laws*. (a) The Borrower shall, and shall cause each Subsidiary to, comply in all respects with the requirements of all federal, state, and local laws, rules, regulations, ordinances and orders applicable to or pertaining to its Property or business operations, where any such non-compliance, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect or result in a Lien upon any of its Property, other than Permitted Liens and Liens arising in connection with matters being diligently contested in good faith by appropriate proceedings that prevent the enforcement thereof or which are otherwise stayed and for which adequate reserves have been established in accordance with GAAP.

(b) Without limiting the agreements set forth in Section 8.14(a) above, the Borrower shall, and shall cause each Subsidiary to, at all times, do the following to the extent the failure to do so, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect: (i) comply in all material respects with, and maintain each of the Premises in compliance in all material respects with, all applicable Environmental Laws; (ii) require that each tenant and subtenant, if any, of any of the Premises or any part thereof comply in all material respects with all applicable Environmental Laws; (iii) obtain and maintain in full force and effect all material governmental approvals required by any applicable Environmental Law for operations at each of the Premises; (iv) cure any material violation by it or at any of the Premises of applicable Environmental Laws; (v) not allow the presence or operation at any of the Premises of any (1) landfill or dump or (2) hazardous waste management facility or solid waste disposal facility as defined pursuant to RCRA or any comparable state law; (vi) not manufacture, use, generate, transport, treat, store, release, dispose or handle any Hazardous Material at any of the Premises except in the ordinary course of its business and in de minimis amounts; (vii) within ten (10) Business Days notify the DIP Agent in writing of and provide any reasonably requested documents upon learning of any of the following in connection with the Borrower or any Subsidiary or any of the Premises: (1) any material liability for response or corrective action, natural resource damage or other harm pursuant to CERCLA, RCRA or any comparable state law; (2) any material Environmental Claim; (3) any material violation of an Environmental Law or material Release, threatened Release or disposal of a Hazardous Material; (4) any restriction on the ownership, occupancy, use or transferability arising pursuant to any (x) Release, threatened Release or disposal of a Hazardous Material or (y) Environmental Law; or (5) any environmental, natural resource, health or safety condition, which could reasonably be expected to have a Material Adverse Effect; (viii) conduct at its expense any investigation, study, sampling, testing, abatement, cleanup, removal, remediation or other response action necessary to remove, remediate, clean up or abate any material Release, threatened Release or disposal of a Hazardous Material as required by any applicable Environmental Law, (ix) abide by and observe any restrictions on the use of the Premises imposed by any governmental authority as set forth in a deed or other instrument affecting the Borrower's or any Subsidiary's interest therein; (x) promptly provide or otherwise make available to the DIP Agent any reasonably requested environmental record concerning the Premises which the Borrower or any Subsidiary possesses or can reasonably obtain; and (xi) perform, satisfy, and implement any operation or maintenance actions required by any governmental authority or Environmental Law, or included in any no further action letter or covenant not to sue issued by any governmental authority under any Environmental Law.

Section 8.15 *Burdensome Contracts With Affiliates*. The Borrower shall not, nor shall it permit any Subsidiary to, enter into any contract, agreement or business arrangement with any of its Affiliates except:

(a) pursuant to the reasonable requirements of the Borrower's or such Subsidiary's business and, in the case of any Affiliate that is not a Debtor, upon fair and reasonable terms not materially less favorable to the Borrower or such Subsidiary than would be obtained in a comparable arm's-length transaction with a Person not an Affiliate of the Borrower or such Subsidiary;

(b) investments permitted by Section 8.9;

(c) reasonable and customary director, officer and employee compensation (including bonuses and severance) and other benefits (including retirement, health, stock option and other benefit plans) and reimbursement and indemnification arrangements in the ordinary course of business and in good faith; and

(d) loans and transactions between or among the Borrower and one or more of its Subsidiaries expressly permitted by Sections 8.7 or 8.9 of this Agreement.

Section 8.16 *No Changes in Fiscal Year*. The Borrower shall not, nor shall it permit any Subsidiary to, change its fiscal year from its present basis.

Section 8.17 *Formation of Subsidiaries*. The Borrower shall not, nor shall it permit any Subsidiary to, form or acquire any Subsidiary.

Section 8.18 *Change in the Nature of Business*. Other than as contemplated in the Budget, the Borrower shall not, nor shall it permit any Subsidiary to, cease operations in any of its businesses or taking any material action for the purpose of effecting the foregoing without the prior written consent of the Required Lenders.

Section 8.19 *Use of Proceeds*. The Borrower shall use the credit extended under this Agreement solely for (a) Loans and Letters of Credit for payment of normal operating expenses consistent with the Budget, subject to variances permitted hereunder, (b) Loans to fund drawings under the Letters of Credit, (c) Loans for the payment of professional fees of the DIP Agent, the Pre-Petition BMO Agent and the Pre-Petition BMO Lenders related to the DIP Credit and the Pre-Petition BMO Credits, (d) Loans for the payment of interest, fees and expenses on the DIP Credit, (e) Loans for payment of the Administrative Expense Carve-Out, (f) funding the purchase of outstanding transferred receivables and related assets relating to the termination of the Fairway Receivables Securitization Program, and payment of all amounts owing under the Fairway Receivables Securitization Program (including, without limitation, all fees, expenses and expenses of counsel), (g) Loans for the payment of interest, fees, and expenses with respect to the Pre-Petition BMO Credits as adequate protection to the Pre-Petition BMO Lenders and the Pre-Petition BMO Agent, (h) Loans for the payment of interest, fees, and expenses with respect to the Pre-Petition CoBank Credit Facilities as adequate protection to the Pre-Petition CoBank Lenders and the Pre-Petition CoBank Agent, and (i) Loans for the payment of professional fees of the Pre-Petition CoBank Agent and the Pre-Petition CoBank Lenders related to the Pre-Petition CoBank Credit Facilities.

Section 8.20 *No Restrictions*. Except as provided herein, the Borrower shall not, nor shall it permit any Subsidiary to, directly or indirectly create or otherwise cause or suffer to exist or become effective any consensual encumbrance or restriction of any kind on the ability of the Borrower or

any Subsidiary to: (a) pay dividends or make any other distribution on any Subsidiary's capital stock or other equity interests owned by the Borrower or any other Subsidiary, (b) pay any indebtedness owed to the Borrower or any other Subsidiary, (c) make loans or advances to the Borrower or any other Subsidiary, (d) transfer any of its Property to the Borrower or any other Subsidiary, or (e) to guarantee the Post-Petition Obligations and/or grant Liens on its assets to the DIP Agent as required by the Financing Orders and the Loan Documents. The provisions of this Section 8.20 will not apply to encumbrances and restrictions existing under or by reason of:

(i) any agreement governing any indebtedness permitted by Section 8.7(b) restricting the voluntary transfer of the Property subject to a Lien permitted by Section 8.8(d) that secures such indebtedness;

(ii) mandatory provisions of applicable law to the extent not stayed, pre-empted, over-riden, superseded or otherwise modified by the Bankruptcy Code, the Financing Orders and any other orders that may be entered by the Bankruptcy Court in the Chapter 11 Cases;

(iii) customary provisions restricting subletting or assignment of any lease governing a leasehold interest of the Borrower or a Subsidiary;

(iv) customary provisions restricting assignment of any agreement entered into by the Borrower or a Subsidiary in the ordinary course of business, but only to the extent such restrictions are enforceable under mandatory provisions of applicable law and to the extent not stayed, pre-empted, over-riden, superseded or otherwise modified by the Bankruptcy Code, the Financing Orders and any other orders that may be entered by the Bankruptcy Court in the Chapter 11 Cases;

(v) any holder of a Lien permitted by Sections 8.8(c)(ii), (d), (e), (l), (m), (n), (o), (p), (r), (u), (v), (w), (x) and (y) restricting the voluntary transfer of the Property subject thereto;

(vi) customary restrictions and conditions contained in any agreement relating to the sale of any Property permitted under Section 8.10 pending the consummation of such sale or in leases, subleases, license or sub-licenses relating to the assets covered thereby in each case restricting the voluntary transfer of the property subject thereto;

(vii) customary provisions in partnership agreements, limited liability company organizational governance documents, asset sale and stock sale agreements and other similar agreements entered into in the ordinary course of business that restrict the transfer of ownership interests in such partnership, limited liability company or similar Person, but only to the extent such restrictions are enforceable under mandatory provisions of applicable law and to the extent not stayed, pre-empted, over-riden, superseded or otherwise modified by the Bankruptcy Code, the Financing Orders and any other orders that may be entered by the Bankruptcy Court in the Chapter 11 Cases;

(viii) restrictions on cash or other deposits or net worth imposed by suppliers or landlords under contracts entered into in the ordinary course of business to the extent such restrictions are enforceable under mandatory provisions of applicable law and to the extent not stayed, pre-empted, over-riden, superseded or otherwise modified by the Bankruptcy Code, the Financing Orders and any other orders that may be entered by the Bankruptcy Court in the Chapter 11 Cases;

(ix) customary provisions in joint venture agreements and similar agreements applicable to joint ventures relating solely to such joint venture, but only to the extent such restrictions are enforceable under mandatory provisions of applicable law and to the extent not stayed, pre-empted, over-riden, superseded or otherwise modified by the Bankruptcy Code, the Financing Orders and any other orders that may be entered by the Bankruptcy Court in the Chapter 11 Cases;

(x) restrictions contained in the Avicola Pre-Petition Credit Agreement of the type described in subsections (a), (b), (c) and (d) of this Section 8.20 that apply only to Avicola and its Subsidiaries and their respective Property, but only for so long as the Avicola Pre-Petition Credit Agreement is in effect or any Avicola Pre-Petition Obligations remain outstanding;

(xi) customary restrictions imposed on Pilgrim's Pride Funding Corporation in connection with the Receivables Purchase Agreement;

(xii) contractual encumbrances or restrictions in effect on the Petition Date on the Non-debtor Subsidiaries' ability to pay dividends and other payments to the Borrower or any of its Subsidiaries, and any amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings that are not more restrictive, taken as a whole, with respect to such dividend and other payment restrictions than those contained in those agreements in effect on the Petition Date.

Section 8.21 DIP Agent's and Lenders' Financial Consultant. The DIP Agent (or its counsel) and the Lenders (or their special counsel) shall have the right to engage jointly on behalf of the Lenders a financial advisor, selected by the DIP Agent and acceptable to the Required Lenders, to review, evaluate and advise the DIP Agent and the Lenders as to the reports, analyses and cash flow forecasts and other materials prepared by the Borrower's financial consultants relating to the financial condition, operating performance, and business prospects of the Borrower and its Subsidiaries and to perform such other information gathering or evaluation acts as may be reasonably requested by the DIP Agent or the Required Lenders, and the reasonable costs and expenses of such financial advisor shall be borne by the Borrower and constitute part of the Post-Petition Obligations outstanding under this Agreement. The Borrower shall take reasonable steps to make available to such financial advisor and its representatives such information respecting the financial condition, operating performance, and business prospects of the Borrower and its Subsidiaries as may be reasonably requested and shall make the Borrower's financial consultants, officers, employees, and independent public accountants available with reasonable prior notice to discuss such information with such financial advisor and its representatives.

Section 8.22 Financial Covenants. (a) *Capital Expenditures*. The Borrower shall not, nor shall it permit any other member of the Restricted Group to, incur Capital Expenditures in an amount in excess of $150,000,000 in the aggregate for the entire Restricted Group during the period commencing on the Petition Date and ending on the Maturity Date, of which no more than $107,000,000 may be funded with the proceeds of Loans and Letters of Credit obtained under this Agreement.

Section 8.23 Chapter 11 Claims. The Borrower shall not, and shall not permit any of its Subsidiaries to, directly or indirectly create, incur, assume or suffer to exist (in each case, to "*Incur*") or permit any unsecured claim in the Chapter 11 Cases or any superseding case or cases under Chapter 7 of the Bankruptcy Code (including, without limitation, any deficiency claim remaining after the satisfaction of a Lien that secures a claim) to be pari passu with or senior to the claims of the DIP Agent, the L/C Issuer and the Lenders against the Borrower and the Guarantors on the Post-Petition Obligations, or apply to the Bankruptcy Court for authority so to do, except for the Administrative Expense Carve-Out.

Section 8.24 *Executory Contracts, Pre-Petition Debt and Payments Outside the Ordinary Course of Business.* The Borrower shall not, and shall not permit any of its Subsidiaries to, directly or indirectly (a) purchase any assets outside the ordinary course of business, (b) in the case of the Debtors, assume any material executory contracts (other than the executory contracts listed on Exhibit J) under Section 365 of the Bankruptcy Code without the prior approval of the DIP Agent and the Required Lenders, (c) in the case of the Debtors, pay any pre-petition debt, other than (i) the Pre-Petition BMO Obligations and the Pre-Petition CoBank Obligations, in each case as permitted by this Agreement and the Financing Order, (ii) pre-petition obligations owed to Normalized Trade Creditors to the extent set forth in the Budget, and (iii) pre-petition obligations to other Essential Creditors that are not trade creditors, to the extent set forth in the Budget, (d) make any payments other than in respect of the Post-Petition Obligations, the Pre-Petition BMO Obligations, the Pre-Petition CoBank Obligations or the Administrative Expense Carve-Out as otherwise permitted hereunder and by the Financing Order outside the ordinary course of their respective businesses, and (e) make any guaranty fee payments to Pilgrim Interests, or any other Person (including without limitation any holder of any equity or other interest in Pilgrim Interests).

Section 8.25 *Restriction on Hedging*. The Borrower shall not, and shall not permit any of its Subsidiaries to, directly or indirectly enter into any interest rate, foreign currency or commodity hedging agreements or arrangements other than commodity hedging arrangements entered into at the request or direction of a customer or with the prior written approval of the Required Lenders in each case with financial institutions in connection with bona fide hedging activities in the ordinary course of business and not for speculative purposes.

Section 8.26 *The Budget*. (a) The Borrower shall not permit the total aggregate disbursements made during any period of four consecutive weeks (including any portion of such period occurring before the Petition Date) for items included in the Budget other than interest on the Post-Petition Obligations, professional fees and deposits with utilities to exceed the amounts set forth in the Budget for such items for such period by more than 10% of such amounts.

(b) The Budget may be modified by the Borrower at any time with the written approval of the DIP Agent and the Required Lenders.

(c) The Budget shall be redetermined to the Required Lenders' reasonable satisfaction promptly after the consummation of any Disposition outside the ordinary course of business that results in Net Proceeds in excess of $1,000,000.

(d) No later than the last Business Day of every fourth week after the Closing Date (commencing December 19, 2008), the Borrower shall provide to the Lenders a proposed updated budget for the succeeding 13 weeks as well as all of the weeks covered by the Budget that is then in effect, which proposed updated budget must be in form and substance satisfactory to the DIP Agent and the Required Lenders. If such proposed updated budget is approved by the DIP Agent and the Required Lenders it shall be the Budget for all purposes of this Agreement.

Section 8.27 *Subsidiary Distributions, Etc*. To the extent permitted by applicable law and regulation and, so long as the Avicola Pre-Petition Credit Agreement is in effect or any Avicola Pre-Petition Obligations remain outstanding, the Avicola Pre-Petition Credit Agreement, the Debtors shall take such action from time to time as may be required to cause Net Proceeds from the disposition of Subsidiaries or their assets to the extent available for distribution, and amounts available for distribution by any Joint Venture that has received proceeds of any Loan made hereunder, to be distributed and paid over to the Borrower.

Section 8.28 *Borrower's Financial Consultants Engagements; Sale of Certain Assets*. The Borrower shall at all times continue to engage one or more financial consulting, brokerage firms, or employees selected by it and reasonably acceptable to the DIP Agent and the Required Lenders, to explore and evaluate the prompt sale of the assets agreed in a separate letter agreement by the parties hereto, in the case of financial consultants or brokers, under one or more written engagement letters in form and substance reasonably acceptable to the DIP Agent and the Required Lenders. No later than the 60th day after the Petition Date the Borrower shall agree to a process for the sale of assets agreed in a separate letter agreement by the parties hereto acceptable to the Required Lenders with a time-line and process acceptable to the Required Lenders.

Section 8.29 *Engagement of Chief Restructuring Officer*. The Borrower shall engage at all times a chief restructuring officer reasonably acceptable to the Required Lenders (it being understood that William Snyder is acceptable). In the event a chief restructuring officer ceases for any reason to act in that capacity the Borrower shall engage a successor chief restructuring officer reasonably acceptable to the Required Lenders within 10 Business Days (or such greater number of Business Days as shall be acceptable to the Required Lenders) of such event. The chief restructuring officer shall continue to be engaged by the Borrower so long as any Post-Petition Obligations remain outstanding or any DIP Commitments remain in effect. The scope of the chief restructuring officer's engagement and the authority granted to such chief restructuring officer (including in each case any successor chief restructuring officer) must be reasonably satisfactory to the Required Lenders (it being understood that the scope of engagement of and authority, in each case, of the type provided to William Snyder is acceptable).

SECTION 9. EVENTS OF DEFAULT AND REMEDIES.

Section 9.1 *Events of Default*. Any one or more of the following shall constitute an "*Event of Default*" hereunder:

(a) default in the payment when due of all or any part of the principal of any Loan (whether at the stated maturity thereof or at any other time provided for in this Agreement) or of any Reimbursement Obligation, or default for a period of two (2) days in the payment when due of any interest, fee or other Obligation payable hereunder or under any other Loan Document;

(b) default in the observance or performance of any covenant set forth in Sections 8.1, 8.5 (excluding subsections (l) and (m) thereof), 8.7, 8.8, 8.9, 8.10, 8.11, 8.12, 8.19, 8.22, 8.23, 8.24 or 8.26 hereof or of any provision in any Loan Document dealing with the use, disposition or remittance of the proceeds of Collateral or requiring the maintenance of insurance thereon;

(c) default in the observance or performance of any covenant set forth in Sections 8.5(l) and (m) hereof which is not remedied within 1 Business Day after the occurrence thereof;

(d) default in the observance or performance of any other provision hereof or of any other Loan Document which is not remedied within 30 days after the earlier of (i) the date on which such failure shall first become known to any Designated Officer of the Borrower or (ii) written notice thereof is given to the Borrower by the DIP Agent;

(e) any representation or warranty made herein or in any other Loan Document or in any certificate furnished to the DIP Agent or the Lenders pursuant hereto or thereto proves untrue in any material respect as of the date of the issuance or making or deemed making thereof;

(f) any of the Loan Documents shall for any reason not be or shall cease to be in full force and effect or is declared to be null and void, or any of the Collateral Documents shall for any reason fail to create a valid and perfected first priority Lien in favor of the DIP Agent in any Collateral purported to be created thereby except as expressly permitted by the terms thereof, or any Debtor takes any action for the purpose of terminating, repudiating or rescinding any Loan Document executed by it or any of its obligations thereunder;

(g) default shall occur under any Indebtedness for Borrowed Money issued, assumed or guaranteed (in the case of the Debtors, after the Petition Date) by the Borrower or any Subsidiary aggregating in excess of $10,000,000, or under any indenture, agreement or other instrument under which the same may be issued, and such default shall continue for a period of time sufficient to permit the acceleration of the maturity of any such Indebtedness for

Borrowed Money (whether or not such maturity is in fact accelerated) or any such Indebtedness for Borrowed Money shall not be paid when due (whether by demand, lapse of time, acceleration or otherwise) after giving effect to any applicable notice and grace periods;

(h) any judgment or judgments, writ or writs or warrant or warrants of attachment, or any similar process or processes, shall be entered or filed against the Borrower or any Subsidiary, or against any of its Property, in an aggregate amount in excess of $10,000,000 (except to the extent covered by insurance pursuant to which the insurer has not specifically disclaimed liability therefor in writing), and which remains undischarged, unvacated, unbonded or unstayed for a period of 30 days from the date of its entry;

(i) the Borrower or any Subsidiary, or any member of its Controlled Group, shall fail to pay when due an amount or amounts aggregating in excess of $10,000,000 which it shall have become liable to pay to the PBGC or to a Plan under Title IV of ERISA; or notice of intent to terminate a Plan or Plans having aggregate Unfunded Vested Liabilities in excess of $10,000,000 (collectively, a "*Material Plan*") shall be filed under Title IV of ERISA by the Borrower or any Subsidiary, or any other member of its Controlled Group, any plan administrator or any combination of the foregoing; or the PBGC shall institute proceedings under Title IV of ERISA to terminate or to cause a trustee to be appointed to administer any Material Plan or a proceeding shall be instituted by a fiduciary of any Material Plan against the Borrower or any Subsidiary, or any member of its Controlled Group, to enforce Section 515 or 4219(c)(5) of ERISA and such proceeding shall not have been dismissed or stayed within 30 days thereafter; or a condition shall exist by reason of which the PBGC would be entitled to obtain a decree adjudicating that any Material Plan must be terminated;

(j) any Change of Control shall occur;

(k)any Material Non-debtor Subsidiary shall (i) have entered involuntarily against it an order for relief under the Bankruptcy Code, as amended, (ii) not pay, or admit in writing its inability to pay, its debts generally as they become due, (iii) make an assignment for the benefit of creditors, (iv) apply for, seek, consent to or acquiesce in, the appointment of a receiver, custodian, trustee, examiner, liquidator or similar official for it or any substantial part of its Property, (v) institute any proceeding seeking to have entered against it an order for relief under the Bankruptcy Code, as amended, to adjudicate it insolvent, or seeking dissolution, winding up, liquidation, reorganization, arrangement, adjustment or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors or fail to file an answer or other pleading denying the material allegations of any such proceeding filed against it, (vi) take any corporate (or analogous) action in furtherance of any matter described in parts (i) through (v) above, or (vii) fail to contest in good faith any appointment or proceeding described in Section 9.1(l) hereof; or

(l)a custodian, receiver, trustee, examiner, liquidator or similar official shall be appointed for any Material Non-debtor Subsidiary, or any substantial part of any of its Property, or a proceeding described in Section 9.1(k)(v) shall be instituted against any Material Non-debtor Subsidiary, and such appointment continues undischarged or such proceeding continues undismissed or unstayed for a period of 60 days; or

(m)The failure of the Borrower or any Guarantor to comply with any of the terms of the Financing Order; or

(n)The granting of a Lien on or other interest in any Property of the Borrower or any Guarantor, or Superpriority Claim, by any court which is superior to or ranks in parity with the Lien of the DIP Agent granted in this Agreement and the Financing Order except for the Administrative Expense Carve-Out or as otherwise permitted hereunder or under the Financing Order; or

(o)Any Lien purported to be created by this Agreement, the Interim Financing Order or the Final Financing Order in any of the Collateral shall, for any reason other than the acts of the DIP Agent, the Lenders, the Pre-Petition BMO Agent or the Pre-Petition BMO Lenders, cease to be a valid and perfected Lien against any of the Collateral purported to be covered thereby pursuant to Sections 364(c) and (d) of the Bankruptcy Code or any action is commenced by any Debtor which contests the validity, perfection or enforceability of any pre-petition Liens of the Pre-Petition BMO Agent under any of the Pre-Petition BMO Loan Documents or any Lien created by this Agreement, the Interim Financing Order or the Final Financing Order; or

(p)The Borrower shall fail to timely provide any adequate protection payments to the Pre-Petition BMO Lenders as set forth in any Financing Order; or

(q)Any material provision of any Loan Document shall, for any reason, cease to be valid and binding on the Borrower or any of the Guarantors, or the Borrower or any of the Guarantors shall so assert in any pleading filed in any court; or

(r)Any of the Chapter 11 Cases shall be dismissed or converted to a case under Chapter 7 of the Bankruptcy Code; or

(s)A trustee under Chapter 11 of the Bankruptcy Code shall be appointed in any of the Chapter 11 Cases; or

(t)An order of the Bankruptcy Court shall be entered in any of the Chapter 11 Cases appointing an examiner or other person with enlarged powers relating to the operation of the business (powers beyond those set forth in Section 1106(a)(3) and (4) of the Bankruptcy Code) under Section 1106(b) of the Bankruptcy Code; or

(u)The Financing Order shall be amended, reversed, stayed, vacated or modified, in the case of an amendment or modification in a manner which materially and adversely affects the rights of the Lenders or the DIP Agent and which amendment or modification is not acceptable to the Required Lenders; or

(v)An application shall be filed by any Debtor for the approval of any other Superpriority Claim in any of the Chapter 11 Cases which is pari passu with or senior to the claims of the DIP Agent and the Lenders with respect to the Post-Petition Obligations (except for the Administrative Expense Carve-Out) or there shall arise any such pari passu or Superpriority Claim; or

(w)The Bankruptcy Court shall enter an order or orders granting relief from the automatic stay under Section 362 of the Bankruptcy Code to a third party with respect to any assets of the Borrower or any Guarantor having an aggregate net book value (determined in accordance with GAAP) in excess of $20,000,000 in the aggregate; or

(x)The Bankruptcy Court shall not enter an order making a Lien Finding acceptable to the DIP Agent within 150 days (or such later date as may be agreed to by the DIP Agent) following the date of the appointment of a creditors' committee; or

(y)Any material adverse change shall occur in the condition or prospects, financial or otherwise, of the Borrower and its Subsidiaries, taken as a whole, after the Petition Date; or

(z)The Final Financing Order shall not be entered within 45 days after the Petition Date or such later date as to which the Required Lenders may agree; or

(aa)If any of the Debtors seeks an order in the Debtors' Chapter 11 Cases or supports any applications therefore which authorize (without (a) all Post-Petition Obligations outstanding to the Lenders under the DIP Credit and the Adequate Protection Obligations fully being indefeasibly satisfied in full in cash or (b) the DIP Agent, the Pre-Petition BMO Agent and the Pre-Petition CoBank Agent providing their prior written consent): (i) under Bankruptcy Code § 363, the use of cash collateral in which the DIP Agent, the Pre-Petition BMO Agent or the Prep-Petition CoBank Agent have an interest, or the sale, use, or lease, other than in the ordinary course of business, of other Property of the Debtors in which the DIP Agent, the Pre-Petition BMO Agent or the Pre-Petition CoBank Agent have an interest; (ii) the obtaining of credit or the incurring of indebtedness pursuant to Bankruptcy Code §§ 364(c) or (d), or any other grant of rights against the Debtors and/or their estates, secured by a lien, mortgage or security interest in the Collateral held by the DIP Agent, the Pre-Petition BMO Agent or the Pre-Petition CoBank Agent or entitled to priority administrative status which is junior, equal or superior to that granted to the DIP Agent, the Lenders, the Pre-Petition BMO Agent, the Pre-Petition BMO Lenders, the Pre-Petition CoBank Agent or the Pre-Petition CoBank Lenders (with respect to the Replacement Liens) herein; (iii) to the extent permitted by law, the return of goods by the Debtors pursuant to Bankruptcy Code § 546(c); or (iv) an order dismissing the Chapter 11 Cases.

Section 9.2 *Consequences of Event of Default*. Upon the occurrence of the Maturity Date and upon the occurrence and during the continuation of any Event of Default beyond the applicable cure period (if any) and after three Business Days' prior written (including e-mail, facsimile, U.S. mail and personal delivery) notice by the DIP Agent to the Borrower, any official committee and the U.S. Trustee of such Event of Default (other than with respect to the actions described in subsections (a) and (c) below, as to which such notice is not required), the DIP Agent, upon request of the Required Lenders shall take any or all of the following actions, in each case without further order of or application to the Bankruptcy Court:

(a) declare the principal of and accrued interest on the outstanding Post-Petition Obligations to be immediately due and payable;
(b) set off any amounts in any account (including any accounts maintained by any Debtor with the DIP Agent);
(c) terminate the DIP Commitments and any other obligations of the Lenders to extend any further credit hereunder;
(d) demand that any Cash Collateral be applied to reduce or collateralize the Post-Petition Obligations as set forth in the second paragraph of Section 3.1 hereof; and
(e) demand payment of interest on the Post-Petition Obligations at the Default Rate, in which event interest at such Default Rate shall accrue and be payable as therein set forth without further order of or application to the Bankruptcy Court.

The automatic stay shall be deemed lifted as to the Collateral and the DIP Agent, upon request of the Required Lenders shall, (without regard to whatever other action the DIP Agent or the Lenders may be taking), foreclose and realize upon and exercise any other rights or remedies permitted by the applicable documents, at law or otherwise, with respect to the Collateral.

Section 9.3 *Relief from Stay*. Nothing contained in this Agreement shall impair or otherwise affect the Lenders' right to seek relief from the automatic stay as to their Collateral for cause at any time, which right the Lenders hereby fully reserve.

SECTION 10. GUARANTEE.

Section 10.1 *Guarantee*. (a) Each of the Guarantors hereby, jointly and severally, unconditionally and irrevocably, guarantees to the DIP Agent, for the ratable benefit of the Lenders and their respective successors, indorsees, transferees and assigns, the prompt and complete payment and performance by the Borrower when due (whether at the stated maturity, by acceleration or otherwise) of the Post-Petition Obligations.

(b) Anything herein or in any other Loan Document to the contrary notwithstanding, the maximum liability of each Guarantor hereunder and under the other Loan Documents shall in no event exceed the amount which can be guaranteed by such Guarantor under applicable federal and state laws relating to the insolvency of debtors (after giving effect to the right of contribution established in Section 10.2).

(c) Each Guarantor agrees that the Post-Petition Obligations may at any time and from time to time exceed the amount of the liability of such Guarantor hereunder without impairing the guarantee contained in this Section 10 or affecting the rights and remedies of the DIP Agent or any Lender hereunder.

(d) The guarantee contained in this Section 10 shall remain in full force and effect until all the Post-Petition Obligations and the obligations of each Guarantor under the guarantee contained in this Section 10 shall have been satisfied by payment in full, no Letter of Credit shall be outstanding (other than Letters of Credit that have been cash collateralized at 105%) and the DIP Commitments shall be terminated, notwithstanding that from time to time during the term of this Agreement the Borrower may be free from any Post-Petition Obligations.

(e) No payment made by the Borrower, any of the Guarantors, any other guarantor or any other Person or received or collected by the DIP Agent or any Lender from the Borrower, any of the Guarantors, any other guarantor or any other Person by virtue of any action or proceeding or any set-off or appropriation or application at any time or from time to time in reduction of or in payment of the Post-Petition Obligations shall be deemed to modify, reduce, release or otherwise affect the liability of any Guarantor hereunder which shall, notwithstanding any such payment (other than any payment made by such Guarantor in respect of the Post-Petition Obligations or any payment received or collected from such Guarantor in respect of the Post-Petition Obligations), remain liable for the Post-Petition Obligations up to the maximum liability of such Guarantor hereunder until the Post-Petition Obligations are paid in full, no Letter of Credit shall be outstanding and the DIP Commitments are terminated.

Section 10.2 *Right of Contribution*. Each Guarantor hereby agrees that to the extent that a Guarantor shall have paid more than its proportionate share of any payment made hereunder, such Guarantor shall be entitled to seek and receive contribution from and against any other Guarantor hereunder which has not paid its proportionate share of such payment. Each Guarantor's right of contribution shall be subject to the terms and conditions of Section 10.3. The provisions of this Section 10.2 shall in no respect limit the obligations and liabilities of any Guarantor to the DIP Agent and the Lenders, and each Guarantor shall remain liable to the DIP Agent and the Lenders for the full amount guaranteed by such Guarantor hereunder.

Section 10.3 *No Subrogation*. Notwithstanding any payment made by any Guarantor hereunder or any set-off or application of funds of any Guarantor by the DIP Agent or any Lender, no Guarantor shall be entitled to be subrogated to any of the rights of the DIP Agent or any Lender against the Borrower or any other Guarantor or any collateral security or guarantee or right of offset held by the DIP Agent or any Lender for the payment of the Post-Petition Obligations, nor shall any Guarantor seek or be entitled to seek any contribution or reimbursement from the Borrower or any other Guarantor in respect of payments made by such Guarantor hereunder, until all amounts owing to the DIP Agent and the Lenders by the Borrower on account of the Post-Petition Obligations are paid in full, no Letter of Credit shall be outstanding and the DIP Commitments are terminated. If any amount shall be paid to any Guarantor on account of such subrogation rights at any time when all of the Post-Petition Obligations shall not have been paid in full, such amount shall be held by such Guarantor in trust for the DIP Agent and the Lenders, segregated from other funds of such Guarantor, and shall, forthwith upon receipt by such Guarantor, be turned over to the DIP Agent in the exact form received by such Guarantor (duly indorsed by such Guarantor to the DIP Agent, if required), to be applied against the Post-Petition Obligations, whether matured or unmatured, in such order as this Agreement shall prescribe.

Section 10.4 *Amendments, Etc. with Respect to the Post-Petition Obligations*. Each Guarantor shall remain obligated hereunder notwithstanding that, without any reservation of rights against any Guarantor and without notice to or further assent by any Guarantor, any demand for payment of any of the Post-Petition Obligations made by the DIP Agent or any Lender may be rescinded by the DIP Agent or such Lender and any of the Post-Petition Obligations continued, and the Post-Petition Obligations, or the liability of any other Person upon or for any part thereof, or any collateral security or guarantee therefor or right of offset with respect thereto, may, from time to time, in whole or in part, be renewed, extended, amended, modified, accelerated, compromised, waived, surrendered or released by the DIP Agent or any Lender, and this Agreement and the other Loan Documents and any other documents executed and delivered in connection therewith may be amended, modified, supplemented or terminated, in whole or in part, as the DIP Agent (or the Required Lenders or all Lenders, as the case may be) may deem advisable from time to time, and any collateral security, guarantee or right of offset at any time held by the DIP Agent or any Lender for the payment of the Post-Petition Obligations may be sold, exchanged, waived, surrendered or released. Neither the DIP Agent nor any Lender shall as a condition to any Guarantor's liability hereunder have any obligation to protect, secure, perfect or insure any Lien at any time held by it as security for the Post-Petition Obligations or for the guarantee contained in this Section 10 or any property subject thereto.

Section 10.5 *Guarantee Absolute and Unconditional*. Each Guarantor waives any and all notice of the creation, renewal, extension or accrual of any of the Post-Petition Obligations and notice of or proof of reliance by the DIP Agent or any Lender upon the guarantee contained in this Section 10 or acceptance of the guarantee contained in this Section 10; the Post-Petition Obligations, and any of them, shall conclusively be deemed to have been created, contracted or incurred, or renewed, extended, amended or waived, in reliance upon the guarantee contained in this Section 10; and all dealings between the Borrower and any of the Guarantors, on the one hand, and the DIP Agent and the Lenders, on the other hand, likewise shall be conclusively presumed to have been had or consummated in reliance upon the guarantee contained in this Section 10. Each Guarantor waives diligence, presentment, protest, demand for payment and notice of default or nonpayment to or upon the Borrower or any of the Guarantors with respect to the Post-Petition Obligations. Each Guarantor understands and agrees that the guarantee contained in this Section 10 shall be construed as a continuing, absolute and unconditional guarantee of payment without regard to (a) the validity or enforceability of this Agreement or any other Loan Document, any of the Post-Petition Obligations or any other collateral security therefor or guarantee or right of offset with respect thereto at any time or from time to time held by the DIP Agent or any Lender, (b) any defense, set-off or counterclaim (other than a defense of payment or performance) which may at any time be available to or be asserted by the Borrower or any other Person against the DIP Agent or any Lender, or (c) any other circumstance whatsoever (with or without notice to or knowledge of the Borrower or such Guarantor) which constitutes, or might be construed to constitute, an equitable or legal discharge of the Borrower for the Post-Petition Obligations, or of such Guarantor under the guarantee contained in this Section 10, in bankruptcy or in any other instance (other than a defense of payment or performance). When making any demand hereunder or otherwise pursuing its rights and remedies hereunder against any Guarantor, the DIP Agent or any Lender may, but shall be under no obligation to, make a similar demand on or otherwise pursue such rights and remedies as it may have against the Borrower, any other Guarantor or any other Person or against any collateral security or guarantee for the Post-Petition Obligations or any right of offset with respect thereto, and any failure by the DIP Agent or any Lender to make any such demand, to pursue such other rights or remedies or to collect any payments from the Borrower, any other Guarantor or any other Person or to realize upon any such collateral security or guarantee or to exercise any such right of offset, or any release of the Borrower, any other Guarantor or any other Person or any such collateral security, guarantee or right of offset, shall not relieve any Guarantor of any obligation or liability hereunder, and shall not impair or affect the rights and remedies, whether express, implied or available as a matter of law, of the DIP Agent or any Lender against any Guarantor. For the purposes hereof "demand" shall include the commencement and continuance of any legal proceedings.

Section 10.6 *Reinstatement*. The guarantee contained in this Section 10 shall continue to be effective, or be reinstated, as the case may be, if at any time payment, or any part thereof, of any of the Post-Petition Obligations is rescinded or must otherwise be restored or returned by the DIP Agent or any Lender upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of the Borrower or any Guarantor, or upon or as a result of the appointment of a receiver, intervenor or conservator of, or trustee or similar officer for, the Borrower or any Guarantor or any substantial part of its Property, or otherwise, all as though such payments had not been made.

Section 10.7 *Payments*. Each Guarantor hereby guarantees that payments hereunder will be paid to the DIP Agent without set-off or counterclaim in Dollars at the office of the DIP Agent specified in this Agreement.

Section 10.8 *Release of Guaranties*. Each Lender and L/C Issuer hereby agrees that in the event all of the stock (or other equity interests) of a Guarantor is sold, transferred, or otherwise disposed of in accordance with the terms and conditions of this Agreement (including a sale, transfer, or disposition permitted by the terms of Section 8.10 hereof, if any, or which has otherwise been consented to in accordance with Section 12.13 hereof) to a party other than the Borrower or a Subsidiary, the DIP Agent will release the Guaranty of such Guarantor concurrently with such sale, transfer or other disposition.

SECTION 11. THE DIP AGENT.

Section 11.1 *Appointment and Authorization of DIP Agent*. Each Lender and the L/C Issuer hereby appoints Bank of Montreal as the DIP Agent under the Loan Documents and hereby authorizes the DIP Agent to take such action as DIP Agent on its behalf and to exercise such powers under the Loan Documents as are delegated to the DIP Agent by the terms thereof, together with such powers as are reasonably incidental thereto. The Lenders and L/C Issuer expressly agree that the DIP Agent is not acting as a fiduciary of the Lenders or the L/C Issuer in respect of the Loan Documents, the Borrower or otherwise, and nothing herein or in any of the other Loan Documents shall result in any duties or obligations on the DIP Agent or any of the Lenders or L/C Issuer except as expressly set forth herein.

Section 11.2 *DIP Agent and its Affiliates*. The DIP Agent shall have the same rights and powers under this Agreement and the other Loan Documents as any other Lender and may exercise or refrain from exercising such rights and power as though it were not the DIP Agent (except any action provided by the Loan Documents to be taken by the DIP Agent), and the DIP Agent and its affiliates may accept deposits from, lend money to, and generally engage in any kind of business with the Borrower or any Affiliate of the Borrower as if it were not the DIP Agent under the Loan Documents. The term "*Lender*" as used herein and in all other Loan Documents, unless the context otherwise clearly requires, includes the DIP Agent in its individual capacity as a Lender (if applicable).

Section 11.3 *Action by DIP Agent*. If the DIP Agent receives from the Borrower a written notice of an Event of Default pursuant to Section 8.5 hereof, the DIP Agent shall promptly give each of the Lenders and L/C Issuer written notice thereof. The obligations of the DIP Agent under the Loan Documents are only those expressly set forth therein. Without limiting the generality of the foregoing, the DIP Agent shall not be required to take any action hereunder with respect to any Default or Event of Default, except as expressly provided in Section 9.2. Upon the occurrence of an Event of Default, the DIP Agent shall take such action to enforce its Lien on the Collateral and to preserve and protect the Collateral as may be directed by the Required Lenders. Unless and until the Required Lenders give such direction, the DIP Agent may (but shall not be obligated to) take or refrain from taking such actions as it deems appropriate and in the best interest of all the Lenders and L/C Issuer. In no event, however, shall the DIP Agent be required to take any action in violation of applicable law or of any provision of any Loan Document, and the DIP Agent shall in all cases be fully justified in failing or refusing to act hereunder or under any other Loan Document unless it first receives any further assurances of its indemnification from the Lenders that it may require, including prepayment of any related expenses and any other protection it requires against any and all costs, expense, and liability which may be incurred by it by reason of taking or continuing to take any such action. The DIP Agent shall be entitled to assume that no Default or Event of Default exists unless notified in writing to the contrary by a Lender, the L/C Issuer, or the Borrower. In all cases in which the Loan Documents do not require the DIP Agent to take specific action, the DIP

Agent shall be fully justified in using its discretion in failing to take or in taking any action thereunder. Any instructions of the Required Lenders, or of any other group of Lenders called for under the specific provisions of the Loan Documents, shall be binding upon all the Lenders and the holders of the Post-Petition Obligations.

Section 11.4 *Consultation with Experts*. The DIP Agent may consult with legal counsel, independent public accountants, and other experts selected by it and shall not be liable for any action taken or omitted to be taken by it in good faith in accordance with the advice of such counsel, accountants or experts.

Section 11.5 *Liability of DIP Agent; Credit Decision*. Neither the DIP Agent nor any of its directors, officers, agents, employees, attorneys or financial advisors shall be liable for any action taken or not taken by it in connection with the Loan Documents: (i) with the consent or at the request of the Required Lenders or (ii) in the absence of its own gross negligence or willful misconduct. Neither the DIP Agent nor any of its directors, officers, agents, employees, attorneys or financial advisors shall be responsible for or have any duty to ascertain, inquire into or verify: (i) any statement, warranty or representation made in connection with this Agreement, any other Loan Document or any Credit Event; (ii) the performance or observance of any of the covenants or agreements of the Borrower or any Subsidiary contained herein or in any other Loan Document; (iii) the satisfaction of any condition specified in Section 7 hereof, except receipt of items required to be delivered to the DIP Agent; or (iv) the validity, effectiveness, genuineness, enforceability, perfection, value, worth or collectibility hereof or of any other Loan Document or of any other documents or writing furnished in connection with any Loan Document or of any Collateral; and the DIP Agent makes no representation of any kind or character with respect to any such matter mentioned in this sentence. The DIP Agent may execute any of its duties under any of the Loan Documents by or through employees, agents, and attorneys-in-fact and shall not be answerable to the Lenders, the L/C Issuer, the Borrower, or any other Person for the default or misconduct of any such agents or attorneys-in-fact selected with reasonable care. The DIP Agent shall not incur any liability by acting in reliance upon any notice, consent, certificate, other document or statement (whether written or oral) believed by it to be genuine or to be sent by the proper party or parties. In particular and without limiting any of the foregoing, the DIP Agent shall have no responsibility for confirming the accuracy of any compliance certificate or other document or instrument received by it under the Loan Documents. The DIP Agent may treat the payee of any Obligation as the holder thereof until written notice of transfer shall have been filed with the DIP Agent signed by such payee in form satisfactory to the DIP Agent. Each Lender and L/C Issuer acknowledges that it has independently and without reliance on the DIP Agent or any other Lender or L/C Issuer, and based upon such information, investigations and inquiries as it deems appropriate, made its own credit analysis and decision to extend credit to the Borrower in the manner set forth in the Loan Documents. It shall be the responsibility of each Lender and L/C Issuer to keep itself informed as to the creditworthiness of the Borrower and its Subsidiaries, and the DIP Agent shall have no liability to any Lender or L/C Issuer with respect thereto.

Section 11.6 *Indemnity*. The Lenders shall ratably, in accordance with their respective DIP Percentages, indemnify and hold the DIP Agent, and its directors, officers, employees, agents, representatives, attorneys and financial advisors harmless from and against any liabilities, losses, costs or expenses suffered or incurred by it under any Loan Document or in connection with the transactions contemplated thereby, regardless of when asserted or arising, except to the extent they are promptly reimbursed for the same by the Borrower and except to the extent that any event giving rise to a claim was caused by the gross negligence or willful misconduct of the party seeking to be indemnified. The obligations of the Lenders under this Section shall survive termination of this Agreement. The DIP Agent shall be entitled to offset amounts received for the account of a Lender under this Agreement against unpaid amounts due from such Lender to the DIP Agent hereunder (whether as fundings of participations, indemnities or otherwise), but shall not be entitled to offset against amounts owed to the DIP Agent by any Lender arising outside of this Agreement and the other Loan Documents.

Section 11.7 *Resignation of DIP Agent and Successor DIP Agent*. The DIP Agent may resign at any time by giving written notice thereof to the Lenders, the L/C Issuer, and the Borrower. Upon any such resignation of the DIP Agent, the Required Lenders shall have the right to appoint a successor DIP Agent. If no successor DIP Agent shall have been so appointed by the Required Lenders, and shall have accepted such appointment, within 30 days after the retiring DIP Agent's giving of notice of resignation then the retiring DIP Agent may, on behalf of the Lenders, appoint a successor DIP Agent, which may be any Lender hereunder or any commercial bank, or an Affiliate of a commercial bank, having an office in the United States of America and having a combined capital and surplus of at least $200,000,000. Upon the acceptance of its appointment as the DIP Agent hereunder, such successor DIP Agent shall thereupon succeed to and become vested with all the rights and duties of the retiring DIP Agent under the Loan Documents, and the retiring DIP Agent shall be discharged from its duties and obligations thereunder. After any retiring DIP Agent's resignation hereunder as DIP Agent, the provisions of this Section 11 and all protective provisions of the other Loan Documents shall inure to its benefit as to any actions taken or omitted to be taken by it while it was DIP Agent, but no successor DIP Agent shall in any event be liable or responsible for any actions of its predecessor. If the DIP Agent resigns and no successor is appointed, the rights and obligations of such DIP Agent shall be automatically assumed by the Required Lenders and (i) the Borrower shall be directed to make all payments due each Lender and L/C Issuer hereunder directly to such Lender or L/C Issuer and (ii) the DIP Agent's rights in the Collateral shall be assigned without representation, recourse or warranty to the Lenders and L/C Issuer as their interests may appear.

Section 11.8 *L/C Issuer and Swing Line Lender*. The L/C Issuer shall act on behalf of the Lenders with respect to any Letters of Credit issued by it and the documents associated therewith, and the Swing Line Lender shall act on behalf of the Lenders with respect to the Swing Loans made hereunder. The L/C Issuer and the Swing Line Lender shall each have all of the benefits and immunities (i) provided to the DIP Agent in this Section 11 with respect to any acts taken or omissions suffered by the L/C Issuer in connection with Letters of Credit issued by it or proposed to be issued by it and the Applications pertaining to such Letters of Credit or by the Swing Line Lender in connection with Swing Loans made or to be made hereunder as fully as if the term "*DIP Agent*," as used in this Section 11, included the L/C Issuer and the Swing Line Lender with respect to such acts or omissions and (ii) as additionally provided in this Agreement with respect to such L/C Issuer or Swing Line Lender, as applicable.

Section 11.9 *Authorization to Release or Subordinate or Limit Liens and to Release Guaranties*. The DIP Agent is hereby irrevocably authorized by each of the Lenders and the L/C Issuer to (a) release any Lien covering any Collateral that is sold, transferred, or otherwise disposed of in accordance with the terms and conditions of this Agreement and the relevant Collateral Documents (including a sale, transfer, or disposition permitted by the terms of Section 8.10 hereof or which has otherwise been consented to in accordance with Section 12.13 hereof), (b) release or subordinate any Lien on Collateral consisting of goods financed with purchase money indebtedness or under a Capital Lease to the extent such purchase money indebtedness or Capitalized Lease Obligation, and the Lien securing the same, are permitted by Sections 8.7(b) and 8.8(d), (m), (n) and (o) hereof, (c) reduce or limit the amount of the indebtedness secured by any particular item of Collateral to an amount not less than the estimated value thereof to the extent necessary to reduce mortgage registry, filing and similar tax, (d) release Liens on the Collateral following termination or expiration of the DIP Commitments and payment in full in cash of the Post-Petition Obligations and the cancellation, expiration or cash-collateralization as provided herein of all Letters of Credit outstanding hereunder, and (e) release a Guarantor of its obligations under a Guaranty if all of the stock (or other equity interests) of such Guarantor is sold, transferred, or otherwise disposed of in accordance with the terms and conditions of this Agreement (including a sale, transfer, or disposition permitted by the terms of Section 8.10 hereof, if any, or which has otherwise been consented to in accordance with Section 12.13 hereof) to a party other than the Borrower or a Subsidiary.

Section 11.10 *Authorization to Enter into, and Enforcement of, the Collateral Documents*. The DIP Agent is hereby irrevocably authorized by each of the Lenders and the L/C Issuer to execute and deliver the Collateral Documents on behalf of each of the Lenders and their Affiliates and the L/C Issuer and to take such action and exercise such powers under the Collateral Documents as the DIP Agent considers appropriate, provided the DIP Agent shall not amend the Collateral Documents unless such amendment is agreed to in writing by the Required Lenders. Each Lender and L/C Issuer acknowledges and agrees that it will be bound by the terms and conditions of the Collateral Documents upon the execution and delivery thereof by the DIP Agent. Except as

otherwise specifically provided for herein, no Lender (or its Affiliates) or L/C Issuer, other than the DIP Agent, shall have the right to institute any suit, action or proceeding in equity or at law for the foreclosure or other realization upon any Collateral or for the execution of any trust or power in respect of the Collateral or for the appointment of a receiver or for the enforcement of any other remedy under the Collateral Documents; it being understood and intended that no one or more of the Lenders (or their Affiliates) or L/C Issuer shall have any right in any manner whatsoever to affect, disturb or prejudice the Lien of the DIP Agent (or any security trustee therefor) under the Collateral Documents by its or their action or to enforce any right thereunder, and that all proceedings at law or in equity shall be instituted, had, and maintained by the DIP Agent (or its security trustee) in the manner provided for in the relevant Collateral Documents for the benefit of the Lenders, the L/C Issuer, and their Affiliates.

SECTION 12. MISCELLANEOUS.

Section 12.1 *Withholding Taxes*. (a) Payments Free of Withholding. Except as otherwise required by law and subject to Section 12.1(b) hereof, each payment by the Borrower and the Guarantors under this Agreement or the other Loan Documents shall be made without withholding for or on account of any present or future taxes (other than overall net income taxes on the recipient) imposed by or within the jurisdiction in which the Borrower or such Guarantor is domiciled, any jurisdiction from which the Borrower or such Guarantor makes any payment, or (in each case) any political subdivision or taxing authority thereof or therein. If any such withholding is so required, the Borrower or such Guarantor shall make the withholding, pay the amount withheld to the appropriate governmental authority before penalties attach thereto or interest accrues thereon, and forthwith pay such additional amount as may be necessary to ensure that the net amount actually received by each Lender, the L/C Issuer, and the DIP Agent free and clear of such taxes (including such taxes on such additional amount) is equal to the amount which that Lender, L/C Issuer, or the DIP Agent (as the case may be) would have received had such withholding not been made. If the DIP Agent, the L/C Issuer, or any Lender pays any amount in respect of any such taxes, penalties or interest, the Borrower or such Guarantor shall reimburse the DIP Agent, the L/C Issuer or such Lender for that payment on demand in the currency in which such payment was made. If the Borrower or such Guarantor pays any such taxes, penalties or interest, it shall deliver official tax receipts evidencing that payment or certified copies thereof to the Lender, the L/C Issuer or DIP Agent on whose account such withholding was made (with a copy to the DIP Agent if not the recipient of the original) on or before the thirtieth day after payment.

(b) *U.S. Withholding Tax Exemptions*. Each Lender or L/C Issuer that is not a United States person (as such term is defined in Section 7701(a)(30) of the Code) shall submit to the Borrower and the DIP Agent on or before the date the initial Credit Event is made hereunder or, if later, the date such financial institution becomes a Lender or L/C Issuer hereunder, two duly completed and signed copies of (i) either Form W-8 BEN (relating to such Lender or L/C Issuer and entitling it to a complete exemption from withholding under the Code on all amounts to be received by such Lender or L/C Issuer, including fees, pursuant to the Loan Documents and the Post-Petition Obligations) or Form W-8 ECI (relating to all amounts to be received by such Lender or L/C Issuer, including fees, pursuant to the Loan Documents and the Post-Petition Obligations) of the United States Internal Revenue Service or (ii) solely if such Lender is claiming exemption from United States withholding tax under Section 871(h) or 881(c) of the Code with respect to payments of "portfolio interest," a Form W-8 BEN, or any successor form prescribed by the Internal Revenue Service, and a certificate representing that such Lender is not a bank for purposes of Section 881(c) of the Code, is not a 10 percent shareholder (within the meaning of Section 871(h)(3)(B) of the Code) of the Borrower and is not a controlled foreign corporation related to the Borrower (within the meaning of Section 864(d)(4) of the Code). Thereafter and from time to time, each Lender and L/C Issuer shall submit to the Borrower and the DIP Agent such additional duly completed and signed copies of one or the other of such Forms (or such successor forms as shall be adopted from time to time by the relevant United States taxing authorities) and such other certificates as may be (i) requested by the Borrower in a written notice, directly or through the DIP Agent, to such Lender or L/C Issuer and (ii) required under then-current United States law or regulations to avoid or reduce United States withholding taxes on payments in respect of all amounts to be received by such Lender or L/C Issuer, including fees, pursuant to the Loan Documents or the Post-Petition Obligations. Upon the request of the Borrower or the DIP Agent, each Lender and L/C Issuer that is a United States person (as such term is defined in Section 7701(a)(30) of the Code) shall submit to the Borrower and the DIP Agent a certificate to the effect that it is such a United States person.

(c) *Inability of Lender to Submit Forms*. If any Lender or L/C Issuer determines, as a result of any change in applicable law, regulation or treaty, or in any official application or interpretation thereof, that it is unable to submit to the Borrower or the DIP Agent any form or certificate that such Lender or L/C Issuer is obligated to submit pursuant to subsection (b) of this Section 12.1 or that such Lender or L/C Issuer is required to withdraw or cancel any such form or certificate previously submitted or any such form or certificate otherwise becomes ineffective or inaccurate, such Lender or L/C Issuer shall promptly notify the Borrower and DIP Agent of such fact and the Lender or L/C Issuer shall to that extent not be obligated to provide any such form or certificate and will be entitled to withdraw or cancel any affected form or certificate, as applicable.

Section 12.2 *No Waiver, Cumulative Remedies*. No delay or failure on the part of the DIP Agent, the L/C Issuer, or any Lender, or on the part of the holder or holders of any of the Post-Petition Obligations, in the exercise of any power or right under any Loan Document shall operate as a waiver thereof or as an acquiescence in any default, nor shall any single or partial exercise of any power or right preclude any other or further exercise thereof or the exercise of any other power or right. The rights and remedies hereunder of the DIP Agent, the L/C Issuer, the Lenders, and of the holder or holders of any of the Post-Petition Obligations are cumulative to, and not exclusive of, any rights or remedies which any of them would otherwise have.

Section 12.3 *Non-Business Days*. If any payment hereunder becomes due and payable on a day which is not a Business Day, the due date of such payment shall be extended to the next succeeding Business Day on which date such payment shall be due and payable. In the case of any payment of principal falling due on a day which is not a Business Day, interest on such principal amount shall continue to accrue during such extension at the rate per annum then in effect, which accrued amount shall be due and payable on the next scheduled date for the payment of interest.

Section 12.4 *Documentary Taxes*. The Borrower agrees to pay on demand any documentary, stamp or similar taxes payable in respect of this Agreement or any other Loan Document, including interest and penalties, in the event any such taxes are assessed, irrespective of when such assessment is made and whether or not any credit is then in use or available hereunder.

Section 12.5 *Survival of Representations*. All representations and warranties made herein or in any other Loan Document or in certificates given pursuant hereto or thereto shall survive the execution and delivery of this Agreement and the other Loan Documents, and shall continue in full force and effect with respect to the date as of which they were made as long as any credit is in use or available hereunder.

Section 12.6 *Survival of Indemnities*. All indemnities and other provisions relative to reimbursement to the Lenders and L/C Issuer of amounts sufficient to protect the yield of the Lenders and L/C Issuer with respect to the Loans and Letters of Credit, including, but not limited to, Section 12.15 hereof, shall survive the termination of this Agreement and the other Loan Documents and the payment of the Post-Petition Obligations.

Section 12.7 *Sharing of Set-Off*. Each Lender agrees with each other Lender a party hereto that if such Lender shall receive and retain any payment, whether by set-off or application of deposit balances or otherwise, on any of the Loans or Reimbursement Obligations in excess of its ratable share of payments on all such Post-Petition Obligations then outstanding to the Lenders, then such Lender shall purchase for cash at face value, but without recourse, ratably from each of the other Lenders such amount of the Loans or Reimbursement Obligations, or participations therein, held by each such other Lenders (or interest therein) as shall be necessary to cause such Lender to share such excess payment ratably with all the other Lenders; provided, however, that if any such purchase is made by any Lender, and if such excess payment or part thereof is thereafter recovered from such purchasing Lender, the related purchases from the

other Lenders shall be rescinded ratably and the purchase price restored as to the portion of such excess payment so recovered, but without interest. For purposes of this Section, amounts owed to or recovered by the L/C Issuer in connection with Reimbursement Obligations in which Lenders have been required to fund their participation shall be treated as amounts owed to or recovered by the L/C Issuer as a Lender hereunder.

Section 12.8 *Notices*. Except as otherwise specified herein, all notices hereunder and under the other Loan Documents shall be in writing (including, without limitation, notice by telecopy) and shall be given to the relevant party at its address or telecopier number set forth below, or such other address or telecopier number as such party may hereafter specify by notice to the DIP Agent and the Borrower given by courier, by United States certified or registered mail, by telecopy or by other telecommunication device capable of creating a written record of such notice and its receipt. Each Guarantor agrees that any notice to be given to it pursuant to this Agreement shall be effective as to such Guarantor if given to the Borrower. Notices under the Loan Documents to any Lender shall be addressed to its address or telecopier number set forth on its Administrative Questionnaire; and notices under the Loan Documents to the Borrower, any Guarantor, the DIP Agent or L/C Issuer shall be addressed to its respective address or telecopier number set forth below:

to the Borrower or any Guarantor:

Pilgrim's Pride Corporation
4845 US Highway 271 N
Pittsburg, Texas 75686
Attention:Chief Financial Officer
Telephone:903-434-1505
Telecopy:972-290-8950

to the DIP Agent and L/C Issuer :

Bank of Montreal
115 South LaSalle Street
Chicago, Illinois 60603
Attention:Barry Stratton
Telephone:(312) 461-7910
Telecopy:(312) 461-7958

with copy to (which shall not constitute notice):

Weil, Gotshal & Manges LLP
200 Crescent Court, Suite 300
Dallas, Texas 75201-6950
Attention:Angela L. Fontana
Telephone:214-746-7895
Telecopy:214-746-7777

with copy to (which shall not constitute notice):

Baker & McKenzie LLP
2300 Trammell Crow Center
2001 Ross Avenue
Dallas, Texas 75201
Attention:Crews Lott
Telephone:(214) 978-3042
Telecopy:(214) 978-3099

Each such notice, request or other communication shall be effective (i) if given by telecopier, when such telecopy is transmitted to the telecopier number specified in this Section or in the relevant Administrative Questionnaire and a confirmation of such telecopy has been received by the sender, (ii) if given by mail, 5 days after such communication is deposited in the mail, certified or registered with return receipt requested, addressed as aforesaid or (iii) if given by any other means, when delivered at the addresses specified in this Section or in the relevant Administrative Questionnaire; provided that any notice given pursuant to Section 1 hereof shall be effective only upon receipt.

Section 12.9 *Counterparts*. This Agreement may be executed in any number of counterparts, and by the different parties hereto on separate counterpart signature pages, and all such counterparts taken together shall be deemed to constitute one and the same instrument. Delivery of executed counterparts of this Agreement by telecopy or other electronic transmission shall be effective as an original.

Section 12.10 *Successors and Assigns*. This Agreement shall be binding upon the Borrower, Guarantors, the DIP Agent and the Lenders and their respective successors and assigns, and shall inure to the benefit of the Borrower, Guarantors, DIP Agent, the L/C Issuer, and each of the Lenders, and the benefit of their respective successors and assigns, including any subsequent holder of any of the Post-Petition Obligations. The Borrower and the Guarantors may not assign any of their rights or obligations under any Loan Document without the written consent of all of the Lenders and, with respect to any Letter of Credit or the Application therefor, the L/C Issuer.

Section 12.11 *Participants*. Each Lender shall have the right at its own cost to grant participations (to be evidenced by one or more agreements or certificates of participation) in the Loans made and Reimbursement Obligations and/or DIP Commitments held by such Lender at any time and from time to time to one or more other Persons; provided that no such participation shall relieve any Lender of any of its obligations under this Agreement, and, provided, further that no such participant shall have any rights under this Agreement except as provided in this Section, and the DIP Agent shall have no obligation or responsibility to such participant. Any agreement pursuant to which such participation is granted shall provide that the granting Lender shall retain the sole right and responsibility to enforce the obligations of the Borrower under this Agreement and the other Loan Documents including, without limitation, the right to approve any amendment, modification or waiver of any provision of the Loan Documents, except that such agreement may provide that such Lender will not agree to any modification, amendment or waiver of the Loan Documents that would reduce the amount of or postpone any fixed date for payment of any Obligation in which such participant has an interest. Any party to which such a participation has been granted shall have the benefits of Section 1.11 and Section 10.3 hereof.

Section 12.12 *Assignments*. (a) Any Lender may at any time assign to one or more Eligible Assignees all or a portion of such Lender's rights and obligations under this Agreement (including all or a portion of its DIP Commitment and the Loans at the time owing to it); provided that any such assignment shall be subject to the following conditions:

(i) *Minimum Amounts*. (A) In the case of an assignment of the entire remaining amount of the assigning Lender's DIP Commitment and the Loans and participation interest in L/C Obligations at the time owing to it or in the case of an assignment to a Lender, an Affiliate of a Lender or an Approved Fund, no minimum amount need be assigned; and (B) in any case not described in subsection (a)(i)(A) of this Section, the aggregate amount of the DIP Commitment (which for this purpose includes Loans and participation interest in L/C Obligations outstanding thereunder) or, if the applicable DIP Commitment is not then in effect, the principal outstanding balance of the Loans and participation interest in L/C Obligations of the assigning Lender subject to each such assignment

(determined as of the date the Assignment and Acceptance with respect to such assignment is delivered to the DIP Agent or, if "*Effective Date*" is specified in the Assignment and Acceptance, as of the Effective Date) shall not be less than $5,000,000, in the case of any assignment, unless the DIP Agent otherwise consents (such consent not to be unreasonably withheld or delayed);

(ii) *Proportionate Amounts*. Each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement with respect to the Loan or the DIP Commitment assigned.

(iii) *Required Consents*. No consent shall be required for any assignment except to the extent required by Section 12.12(a)(i)(B) and, in addition:

(a) the consent of the DIP Agent (such consent not to be unreasonably withheld or delayed) shall be required for assignments to a Person that is not a Lender, an Affiliate of a Lender or an Approved Fund with respect to a Lender;

(b) the consent of the L/C Issuer (such consent not to be unreasonably withheld or delayed) shall be required for any assignment that increases the obligation of the assignee to participate in exposure under one or more Letters of Credit (whether or not then outstanding); and

(c) the consent of the Swing Line Lender (such consent not to be unreasonably withheld or delayed) shall be required for any assignment that increases the obligation of the assignee to participate in exposure under one or more Swing Loans (whether or not then outstanding).

(iv) *Assignment and Acceptance.* The parties to each assignment shall execute and deliver to the DIP Agent an Assignment and Acceptance, together with a processing and recordation fee of $3,500, and the assignee, if it is not a Lender, shall deliver to the DIP Agent an Administrative Questionnaire.

(v) *No Assignment to Borrower or Affiliates.* No such assignment shall be made to the Borrower or any of its Affiliates or Subsidiaries.

(vi) *No Assignment to Natural Persons.* No such assignment shall be made to a natural person.

Subject to acceptance and recording thereof by the DIP Agent pursuant to Section 12.12(b) hereof, from and after the effective date specified in each Assignment and Acceptance, the assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Acceptance, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto) but shall continue to be entitled to the benefits of Sections 12.6 and 12.15 with respect to facts and circumstances occurring prior to the effective date of such assignment. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this Section shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with Section 12.11 hereof.

(b) *Register*. The DIP Agent, acting solely for this purpose as an agent of the Borrower, shall maintain at one of its offices in Chicago, Illinois, a copy of each Assignment and Acceptance delivered to it and a register for the recordation of the names and addresses of the Lenders, and the DIP Commitments of, and principal amounts of the Loans owing to, each Lender pursuant to the terms hereof from time to time (the "*Register*"). The entries in the Register shall be conclusive, and the Borrower, the DIP Agent, and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(c) Any Lender may at any time pledge or grant a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including any such pledge or grant to a Federal Reserve Bank, and this Section shall not apply to any such pledge or grant of a security interest; provided that no such pledge or grant of a security interest shall release a Lender from any of its obligations hereunder or substitute any such pledgee or secured party for such Lender as a party hereto; provided further, however, the right of any such pledgee or grantee (other than any Federal Reserve Bank) to further transfer all or any portion of the rights pledged or granted to it, whether by means of foreclosure or otherwise, shall be at all times subject to the terms of this Agreement.

(d)Notwithstanding anything to the contrary herein, if at any time the Swing Line Lender assigns all of its DIP Commitments and DIP Loans pursuant to subsection (a) above, the Swing Line Lender may terminate the Swing Line. In the event of such termination of the Swing Line, the Borrower shall be entitled to appoint another Lender to act as the successor Swing Line Lender hereunder (with such Lender's consent); *provided, however*, that the failure of the Borrower to appoint a successor shall not affect the resignation of the Swing Line Lender. If the Swing Line Lender terminates the Swing Line, it shall retain all of the rights of the Swing Line Lender provided hereunder with respect to Swing Loans made by it and outstanding as of the effective date of such termination, including the right to require Lenders to make DIP Loans or fund participations in outstanding Swing Loans pursuant to Section 1.6 hereof.

Section 12.13 *Amendments*. Any provision of this Agreement or the other Loan Documents may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by (a) the Borrower, (b) the Required Lenders, and (c) if the rights or duties of the DIP Agent, the L/C Issuer, or the Swing Line Lender are affected thereby, the DIP Agent, the L/C Issuer, or the Swing Line Lender, as applicable; provided that:

(i) no amendment or waiver pursuant to this Section 12.13 shall (A) increase any DIP Commitment of any Lender without the consent of such Lender or (B) reduce the amount of or postpone the date for any scheduled payment of any principal of or interest on any Loan or of any Reimbursement Obligation or of any fee payable hereunder without the consent of the Lender to which such payment is owing or which has committed to make such Loan or Letter of Credit (or participate therein) hereunder;

(ii) no amendment or waiver pursuant to this Section 12.13 shall, unless signed by each Lender, extend the Termination Date, change the definition of Required Lenders, change the provisions of this Section 12.13, release all or substantially all (in value) of the Guaranties or all or substantially all of the Collateral (except as otherwise provided for in the Loan Documents), or affect the number of Lenders required to take any action hereunder or under any other Loan Document; and

(iii) no amendment to Section 10 hereof shall be made without the consent of the Guarantor(s) affected thereby.

Section 12.14 *Headings*. Section headings used in this Agreement are for reference only and shall not affect the construction of this Agreement.

Section 12.15 *Costs and Expenses; Indemnification*. (a) The Borrower agrees to pay all reasonable costs and expenses of the DIP Agent, the Lenders, the Pre-Petition BMO Agent and the Pre-Petition BMO Lenders in connection with the preparation, negotiation, syndication, and administration of the Loan Documents, including, without limitation, the reasonable fees and disbursements of counsel to the DIP Agent, the Lenders, the Pre-Petition BMO Agent and the Pre-Petition BMO Lenders in connection with the preparation and execution of the Loan Documents, and any amendment, waiver or

consent related thereto, whether or not the transactions contemplated herein are consummated, together with any reasonable fees and charges suffered or incurred by the DIP Agent, the Lenders, the Pre-Petition BMO Agent and the Pre-Petition BMO Lenders in connection with reasonable diligence, computer, duplication, consultation, travel, appraisal, periodic environmental audits, fixed asset appraisals, collateral filing fees and lien searches. The Borrower agrees to pay to the DIP Agent, the Pre-Petition BMO Agent, the L/C Issuer, each Lender, each Pre-Petition BMO Lender and any other holder of any Post-Petition Obligations outstanding hereunder, all costs and expenses reasonably incurred or paid by the DIP Agent, the Pre-Petition BMO Agent, the L/C Issuer, such Lender, such Pre-Petition BMO Lender or any such holder, including reasonable attorneys' fees and disbursements and court costs, in connection with any Default or Event of Default hereunder or in connection with the enforcement of any of the Loan Documents (including all such costs and expenses incurred in connection with any proceeding under the Bankruptcy Code involving the Borrower or any Guarantor as a debtor thereunder). The Borrower shall pay all such reasonable costs, fees and expenses when invoiced and at the Termination Date, to the extent not previously invoiced.

The Borrower and each Guarantor further agrees to indemnify the DIP Agent, the L/C Issuer, each Lender, and any security trustee therefor, and their respective directors, officers, employees, agents, representative, financial advisors, and consultants (each such Person being called an "*Indemnitee*") against all losses, claims, damages, penalties, judgments, liabilities and expenses (including, without limitation, all reasonable out-of-pocket fees and disbursements of counsel for any such Indemnitee and all reasonable out-of-pocket expenses of litigation or preparation therefor, whether or not the Indemnitee is a party thereto, or any settlement arrangement arising from or relating to any such litigation) which any of them may pay or incur arising out of or relating to any Loan Document or any of the transactions contemplated thereby or the direct or indirect application or proposed application of the proceeds of any Loan or Letter of Credit or the relationship between (x) the DIP Agent, the L/C Issuer and/or the Lenders, (y) the DIP Agent, the L/C Issuer and/or the Lenders and the Borrower, or (z) the DIP Agent, the L/C Issuer and/or the Lenders and any of the Guarantors, in each case, except to the extent as finally determined in a final decision of a court of competent jurisdiction to result from the willful misconduct or gross negligence of the party seeking indemnification. The Borrower and each Guarantor, upon demand by the DIP Agent, the L/C Issuer or a Lender at any time, shall reimburse the DIP Agent, the L/C Issuer or such Lender for any reasonable out-of-pocket legal or other expenses (including, without limitation, all fees and disbursements of counsel for any such Indemnitee) incurred in connection with investigating or defending against any of the foregoing (including any settlement costs relating to the foregoing) except to the extent as finally determined in a final decision of a court of competent jurisdiction to result from the willful misconduct or gross negligence of the party seeking indemnification. Except as a result of willful misconduct or gross negligence of any such Indemnitee, to the extent permitted by applicable law, neither the Borrower nor any Guarantor shall assert, and each such Person hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement or the other Loan Documents or any agreement or instrument contemplated hereby or thereby, the transactions contemplated hereby or thereby, any Loan or Letter of Credit or the use of the proceeds thereof. The obligations of the Borrower and each Guarantor under this Section shall survive the termination of this Agreement.

(b) The Borrower and each Guarantor unconditionally agrees to forever indemnify, defend and hold harmless, and covenants not to sue for any claim for contribution against, each Indemnitee for any damages, costs, loss or expense, including without limitation, response, remedial or removal costs and all fees and disbursements of counsel for any such Indemnitee, arising out of any of the following: (i) any presence, Release, threatened Release or disposal of any hazardous or toxic substance or petroleum by the Borrower or any Subsidiary or otherwise occurring on or with respect to its Property (whether owned or leased), (ii) the operation or violation of any Environmental Law, whether federal, state, or local, and any regulations promulgated thereunder, by the Borrower or any Subsidiary or otherwise occurring on or with respect to its Property (whether owned or leased), (iii) any claim for personal injury or property damage in connection with the Borrower or any Subsidiary or otherwise occurring on or with respect to its Property (whether owned or leased), and (iv) the inaccuracy or breach of any environmental representation, warranty or covenant by the Borrower or any Subsidiary made herein or in any other Loan Document evidencing or securing any Post-Petition Obligations or setting forth terms and conditions applicable thereto or otherwise relating thereto, except for damages arising from the willful misconduct or gross negligence of the relevant Indemnitee. This indemnification shall survive the payment and satisfaction of all Post-Petition Obligations and the termination of this Agreement, and shall remain in force beyond the expiration of any applicable statute of limitations and payment or satisfaction in full of any single claim under this indemnification. This indemnification shall be binding upon the successors and assigns of the Borrower and shall inure to the benefit of each Indemnitee and its successors and assigns.

Section 12.16 *Set-off*. In addition to any rights now or hereafter granted under the Loan Documents or applicable law and not by way of limitation of any such rights, during the existence of any Event of Default, each Lender, the L/C Issuer, each subsequent holder of any Obligation, and each of their respective affiliates, is hereby authorized by the Borrower and each Guarantor at any time or from time to time, without notice to the Borrower, any Guarantor or to any other Person, any such notice being hereby expressly waived, to set-off and to appropriate and to apply any and all deposits (general or special, including, but not limited to, indebtedness evidenced by certificates of deposit, whether matured or unmatured, and in whatever currency denominated, but not including trust accounts) and any other indebtedness at any time held or owing by that Lender, L/C Issuer, subsequent holder, or affiliate, to or for the credit or the account of the Borrower or such Guarantor, whether or not matured, against and on account of the Post-Petition Obligations of the Borrower or such Guarantor to that Lender, L/C Issuer, or subsequent holder under the Loan Documents, including, but not limited to, all claims of any nature or description arising out of or connected with the Loan Documents, irrespective of whether or not (a) that Lender, L/C Issuer, or subsequent holder shall have made any demand hereunder or (b) the principal of or the interest on the Loans and other amounts due hereunder shall have become due and payable pursuant to Section 9 and although said obligations and liabilities, or any of them, may be contingent or unmatured.

Section 12.17 *Entire Agreement*. The Loan Documents constitute the entire understanding of the parties thereto with respect to the subject matter thereof and any prior agreements, whether written or oral, with respect thereto are superseded hereby.

Section 12.18 *Governing Law*. This Agreement and the other Loan Documents (except as otherwise specified therein), and the rights and duties of the parties hereto, shall be construed and determined in accordance with the internal laws of the State of Illinois except as otherwise governed by the Bankruptcy Code.

Section 12.19 *Severability of Provisions*. Any provision of any Loan Document which is unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction. All rights, remedies and powers provided in this Agreement and the other Loan Documents may be exercised only to the extent that the exercise thereof does not violate any applicable mandatory provisions of law, and all the provisions of this Agreement and other Loan Documents are intended to be subject to all applicable mandatory provisions of law which may be controlling and to be limited to the extent necessary so that they will not render this Agreement or the other Loan Documents invalid or unenforceable.

Section 12.20 *Excess Interest*. Notwithstanding any provision to the contrary contained herein or in any other Loan Document, no such provision shall require the payment or permit the collection of any amount of interest in excess of the maximum amount of interest permitted by applicable law to be charged for the use or detention, or the forbearance in the collection, of all or any portion of the Loans or other obligations outstanding under this Agreement or any other Loan Document ("*Excess Interest*"). If any Excess Interest is provided for, or is adjudicated to be provided for, herein or in any other Loan Document, then in such event (a) the provisions of this Section shall govern and control, (b) neither the Borrower nor any Guarantor or endorser shall be obligated to pay any Excess Interest, (c) any Excess Interest that the DIP Agent or any Lender may have received hereunder shall, at the option of the DIP Agent, be (i) applied as a credit against the then outstanding principal amount of Post-Petition Obligations hereunder and accrued and unpaid interest thereon (not to

exceed the maximum amount permitted by applicable law), (ii) refunded to the Borrower, or (iii) any combination of the foregoing, (d) the interest rate payable hereunder or under any other Loan Document shall be automatically subject to reduction to the maximum lawful contract rate allowed under applicable usury laws (the "*Maximum Rate*"), and this Agreement and the other Loan Documents shall be deemed to have been, and shall be, reformed and modified to reflect such reduction in the relevant interest rate, and (e) neither the Borrower nor any Guarantor or endorser shall have any action against the DIP Agent or any Lender for any damages whatsoever arising out of the payment or collection of any Excess Interest. Notwithstanding the foregoing, if for any period of time interest on any of Borrower's Post-Petition Obligations is calculated at the Maximum Rate rather than the applicable rate under this Agreement, and thereafter such applicable rate becomes less than the Maximum Rate, the rate of interest payable on the Borrower's Post-Petition Obligations shall remain at the Maximum Rate until the Lenders have received the amount of interest which such Lenders would have received during such period on the Borrower's Post-Petition Obligations had the rate of interest not been limited to the Maximum Rate during such period.

Section 12.21 *Construction*. The parties acknowledge and agree that the Loan Documents shall not be construed more favorably in favor of any party hereto based upon which party drafted the same, it being acknowledged that all parties hereto contributed substantially to the negotiation of the Loan Documents. The provisions of this Agreement relating to Subsidiaries shall only apply during such times as the Borrower has one or more Subsidiaries. Nothing contained herein shall be deemed or construed to permit any act or omission which is prohibited by the terms of any Collateral Document, the covenants and agreements contained herein being in addition to and not in substitution for the covenants and agreements contained in the Collateral Documents. In the event any provision of any Collateral Document conflicts with the terms of this Agreement the terms of this Agreement shall control.

Section 12.22 *Lender's and L/C Issuer's Obligations Several*. The obligations of the Lenders and L/C Issuer hereunder are several and not joint. Nothing contained in this Agreement and no action taken by the Lenders or L/C Issuer pursuant hereto shall be deemed to constitute the Lenders and L/C Issuer a partnership, association, joint venture or other entity.

Section 12.23 *Submission to Jurisdiction; Waiver of Jury Trial*. Except as required by the Bankruptcy Code, the Borrower and the Guarantors hereby submit to the nonexclusive jurisdiction of the United States District Court for the Northern District of Illinois and of any Illinois State court sitting in the City of Chicago for purposes of all legal proceedings arising out of or relating to this Agreement, the other Loan Documents or the transactions contemplated hereby or thereby. The Borrower and the Guarantors irrevocably waive, to the fullest extent permitted by law, any objection which they may now or hereafter have to the laying of the venue of any such proceeding brought in such a court and any claim that any such proceeding brought in such a court has been brought in an inconvenient forum. The Borrower, the Guarantors, the DIP Agent, the L/C Issuer and the Lenders hereby irrevocably waive any and all right to trial by jury in any legal proceeding arising out of or relating to any Loan Document or the transactions contemplated thereby.

Section 12.24 *USA Patriot Act*. Each Lender and L/C Issuer that is subject to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "*Act*") hereby notifies the Borrower that pursuant to the requirements of the Act, it is required to obtain, verify, and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow such Lender or L/C Issuer to identify the Borrower in accordance with the Act.

Section 12.25 *No Modification; No Discharge; Survival of Claims*. This Agreement, the credit extended hereunder and the Loan Documents shall not be modified, altered or affected in any manner by any plan of reorganization or any order of confirmation for any Debtor of any other financing or extensions or incurring of indebtedness by any Debtor pursuant to Section 364(c) of the Bankruptcy Code. Without limiting the generality of the foregoing, each of the Borrower and the Guarantors agrees that (i) its obligations hereunder shall not be discharged by the entry of an order confirming a plan of reorganization (and each of the Borrower and the Guarantors, pursuant to Section 1141(d)(4) of the Bankruptcy Code, hereby waives any such discharge) and (ii) the Superpriority Claim granted to the DIP Agent and the Lenders pursuant to the Financing Order and described in Section 6.21 hereof and the Lien granted to the DIP Agent pursuant to this Agreement and the Financing Order and described in Section 4.1 hereof shall not be affected in any manner by the entry of an order confirming a plan of reorganization.

Section 12.26 *Pre-Petition BMO Loan Documents*. Subject to the provisions of the Bankruptcy Code, the Pre-Petition BMO Loan Documents shall remain in full force and effect, and the execution of this Agreement by the DIP Agent and the Lenders, and the execution of the other Loan Documents by those of the Debtors party thereto, and the delivery to and acceptance thereof by the DIP Agent and the Lenders, do not and shall not constitute a waiver of any provision of the Pre-Petition BMO Loan Documents.

Section 12.27 *Bankruptcy Code Waivers*. In consideration of the credit extended hereunder, to the extent not irreconcilably inconsistent with the provisions hereof or the Financing Order, the Borrower and each Guarantor hereby agrees not to assert and affirmatively waives any claim it otherwise might have under Sections 506(c) and 553(b) of the Bankruptcy Code.

Section 12.28 *Validation of Liens*. As provided in the Financing Order, the Borrower and each Guarantor approves and confirms the Pre-Petition BMO Collateral, and acknowledges and agrees that the Pre-Petition BMO Agent and the Pre-Petition BMO Lenders each hold valid and enforceable, nonavoidable, perfected and senior Liens in and to the collateral more particularly set forth in the Pre-Petition BMO Security Documents and as summarized in the Interim Financing Order.

Section 12.29 *Confidentiality*. Each of the DIP Agent, the Lenders, and the L/C Issuer severally agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its and its Affiliates' directors, officers, employees and agents, including accountants, legal counsel and other advisors to the extent any such Person has a need to know such Information (it being understood that the Persons to whom such disclosure is made will first be informed of the confidential nature of such Information and instructed to keep such Information confidential in accordance with the terms hereof), provided, that in any event, it shall be responsible for any breach of this undertaking by any of its and its Affiliates' directors, officers, employees and agents, including accountants, legal counsel and other advisors, (b) to any other party hereto, (c) upon the order of any court or administrative agency, (d) upon the request or demand of any regulatory agency or authority (or as otherwise required by law or regulation), (e) which has been publicly disclosed other than as a result of a disclosure by the undersigned or its representatives or affiliates in breach of this undertaking, (f) in connection with any litigation to which the DIP Agent, the L/C Issuer or any Lender or their respective Affiliates may be a party to the extent reasonably required, (g) to the extent reasonably required in connection with the exercise of any remedy under the Loan Documents, (h) to any actual or proposed participant or assignee of all or part of its rights under the Loan Documents, subject to an agreement containing provisions substantially the same as those of this Section, and (i) with the prior written consent of the Borrower. For purposes of this Section, "*Information*" means all information received from the Borrower or any of the Subsidiaries or from any other Person on behalf of the Borrower or any Subsidiary relating to the Borrower or any Subsidiary or any of their respective businesses, other than (i) information that was already known to or in possession of the receiving party or any of its representatives or Affiliates prior to its disclosure to the receiving party by the Borrower, any of its Subsidiaries or their respective representatives or advisors whether in connection with this Agreement or any other agreement, (ii) information that is obtained by the receiving party or any of its representatives or Affiliates from a third party who is not known by the receiving party to be prohibited from disclosing the information to the receiving party by a contractual, legal or fiduciary obligation to the Borrower or any of its Subsidiaries; (iii) information that is or becomes publicly available (other than as a result of disclosure by the receiving party or any of its representatives or Affiliates in violation of this Section); or (iv) information that is independently developed, discovered or arrived at by the receiving party or any of its representatives or

Affiliates without any reference to the Information. The obligations of each party contained in this Section 12.29 shall continue for a period of 3 years after such party ceases to be a party to this Agreement.

Section 12.30 *Disclosure*. Each of the DIP Agent, the L/C Issuer and each Lender may discuss the Borrower's business and financial condition of the Borrower and its Subsidiaries with the Debtors and with any official committee of creditors, any unofficial representative of unsecured creditors (provided that as to any confidential matter or Information covered by a confidentiality agreement between the Borrower and a Lender (including Section 12.29 of this Agreement) such unofficial representative shall have entered into a confidentiality agreement that is reasonably acceptable in form and substance to the Borrower and the Guarantors), the Lenders, the Pre-Petition BMO Lenders, the Pre-Petition BMO Agent, the Pre-Petition CoBank Lenders, the Pre-Petition CoBank Agent, and prospective participants in the Pre-Petition BMO Credits or the Pre-Petition CoBank Credits, provided that any such participant or potential participant has executed a confidentiality agreement containing provisions substantially the same as those of Section 12.29 and otherwise reasonably acceptable to the Debtors and the DIP Agent, the Pre-Petition BMO Agent and the Pre-Petition CoBank Agent, as appropriate.

[Signature Pages to Follow]

This Post-Petition Credit Agreement is entered into between us for the uses and purposes hereinabove set forth as of the date first above written.

"Borrower"

Pilgrim's Pride Corporation, as debtor and debtor-in-possession

By /s/ Richard A. Cogdill
Its Chief Financial Officer, Secretary and Treasurer

"Guarantors"

PFS Distribution Company, as debtor and debtor-in-possession

By /s/ Richard A. Cogdill
Its Chief Financial Officer, Secretary and Treasurer

PPC Transportation Company, as debtor and debtor-in-possession

By /s/ Richard A. Cogdill
Its Chief Financial Officer, Secretary and Treasurer

Pilgrim's Pride Corporation of West Virginia, Inc., as debtor and debtor-in-possession

By /s/ Richard A. Cogdill
Its Chief Financial Officer, Secretary and Treasurer

PPC Marketing, Ltd., as debtor and debtor-in-possession

By /s/ Richard A. Cogdill
Its Chief Financial Officer, Secretary and Treasurer

"DIP Agent, Swing Line Lender and L/C Issuer "

Bank of Montreal, as a Lender, Swing Line Lender, L/C Issuer and as DIP Agent

By /s/ Barry Stratton
Its Senior Vice President

"Lenders"

Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A. *"Rabobank Nederland"* New York Branch

By /s/ Richard J. Beard
Its Executive Director

By /s/ Brett Delfino
Its Executive Director

U.S. Bank National Association

By/s/ Dale L. Welke
Its Vice President

Wells Fargo Bank National Association

By/s/ Roger Fruendt
Its Vice President

ING Capital LLC

By/s/ Dan Lamprecht
Its Managing Director

CALYON New York Branch

By/s/ Alan Sidrane
Its Managing Director

By/s/ John-Charles van Essche
Its Managing Director

NATIXIS NEW YORK BRANCH

By /s/ Vincent Lauras
Its Managing Director

By /s/ Stephen A. Jendras
Its Managing Director

SUNTRUST BANK

By/s/ Janet R. Naifeh
Its Senior Vice President

FIRST NATIONAL BANK OF OMAHA

By /s/ Wade Horton
Its Vice President

EXHIBIT 12
PILGRIM'S PRIDE CORPORATION
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

	2008	2007	2006	2005	2004
			(In thousands)		
Earnings:					
Income from continuing operations before income taxes	$ (1,187,093)	$ 98,835	$ (26,626)	$ 427,362	$ 332,899
Add: Total fixed charges (see below)	158,414	146,919	65,584	63,415	63,458
Less: Interest capitalized	(5,288)	(5,736)	(4,298)	(2,821)	(1,714)
Total earnings	$ (1,033,967)	$ 240,018	$ 34,660	$ 487,956	$ 394,643
Fixed charges:					
Interest [a]	$ 139,508	$ 128,919	$ 53,311	$ 51,106	$ 52,440
Portion of non-cancellable lease expense representative of the interest factor [b]	18,906	18,000	12,273	12,309	11,018
Total fixed charges	$ 158,414	$ 146,919	$ 65,584	$ 63,415	$ 63,458
Ratio of earnings to fixed charges	[d]	1.63	[c]	7.69	6.22

(a) Interest includes amortization of capitalized financing fees.
(b) One-third of non-cancellable lease expense is assumed to be representative of the interest factor.
(c) Earnings were insufficient to cover fixed charges by $30.9 million.
(d) Earnings were insufficient to cover fixed charges by $1,192.4 million.

EXHIBIT 21
PILGRIM'S PRIDE CORPORATION
SUBSIDIARIES OF REGISTRANT

	Jurisdiction of Incorporation or Organization
US Subsidiaries	
PFS Distribution Company	Delaware
Pilgrim's Pride Funding Corporation	Delaware
Pilgrim's Pride, LLC	Delaware
Pilgrim's Turkey Company, LLC	Delaware
POPPSA 3, LLC	Delaware
POPPSA 4, LLC	Delaware
PPC of Delaware Business Trust	Delaware
PPC of Delaware, Inc.	Delaware
PPC of Delaware LLC	Delaware
PPC Transportation Company	Delaware
GC Properties, GP	Georgia
Luker Inc.	Georgia
Pilgrim's Pride Corporation Foundation, Inc.	Georgia
Pilgrim's Pride Corporation Political Action Committee, Inc.	Georgia
PPC of Alabama, Inc.	Georgia
Pilgrim's Pride Affordable Housing Corporation	Nevada
Pilgrim's Pride of Nevada, Inc.	Nevada
Merit Provisions LLC	Texas
PPC Marketing, Ltd.	Texas
GK Insurance Company	Vermont
Valley Rail Service, Inc.	Virginia
Pilgrim's Pride Corporation of West Virginia, Inc.	West Virginia
Foreign Subsidiaries	
Mayflower Insurance	Bermuda
To-Ricos Distribution, Ltd.	Bermuda
To-Ricos, Ltd.	Bermuda
Avícola Pilgrim's Pride de Mexico, S. de R.L. de C.V.	Mexico
Carnes y Productos Avícolas de Mexico S. de R.L. de C.V. (Inactive)	Mexico
Comercializadora de Carnes de Mexico S. de R.L. de C.V.	Mexico
Compañía Incubadora Hidalgo S. de R.L. de C.V.	Mexico
Gallina Pesada S.A. de C.V.	Mexico
Grupo Pilgrim's Pride Funding Holdings S. de R.L. de C.V.	Mexico
Grupo Pilgrim's Pride Funding S. de R.L. de C.V.	Mexico
Inmobiliaria Avicola Pilgrim's Pride, S. de R.L.	Mexico
Operadora de Productos Avicolas S. de R.L. de C.V. (Inactive)	Mexico
Pilgrim's Pride S. de R.L. de C.V.	Mexico
Servicios Administrativos Pilgrim's Pride S. de R.L. de C.V.	Mexico

EXHIBIT 23

CONSENT OF ERNST & YOUNG LLP, INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements (Form S-8 No. 3-12043, Form S-8 No. 333-74984, Form S-8 No. 333-111929, Form S-3 No. 333-117472, Form S-3 No. 333-127198, Form S-3 No. 333-130113 and Form S-4 No. 333-111975) of Pilgrim's Pride Corporation and in the related Prospectuses of our reports dated December 10, 2008, with respect to the consolidated financial statements and schedule of Pilgrim's Pride Corporation and the effectiveness of internal control over financial reporting of Pilgrim's Pride Corporation, included in this Annual Report (Form 10-K) for the year ended September 27, 2008.

Dallas, Texas
December 10, 2008

EXHIBIT 31.1
CERTIFICATION BY CO-PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Lonnie “Bo” Pilgrim, Senior Chairman of Pilgrim's Pride Corporation, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended September 27, 2008, of Pilgrim's Pride Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statement made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this 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-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a.) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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.) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c.) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based upon such evaluation; and

   d.) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent quarter (the registrant’s fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, 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 and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

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

Date: December 11, 2008

/s/ Lonnie “Bo” Pilgrim
Lonnie “Bo” Pilgrim
Co-Principal Executive Officer

EXHIBIT 31.2
CERTIFICATION BY CO-PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, J. Clinton Rivers., Chief Executive Officer of Pilgrim's Pride Corporation, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended September 27, 2008, of Pilgrim's Pride Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statement made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this 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-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a.) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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.) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c.) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based upon such evaluation; and

   d.) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, 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 and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

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

Date: December 11, 2008

/s/ J. Clinton Rivers
J. Clinton Rivers
Co-Principal Executive Officer

EXHIBIT 31.3
CERTIFICATION BY CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Richard A. Cogdill, Chief Financial Officer of Pilgrim's Pride Corporation, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended September 27, 2008, of Pilgrim's Pride Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statement made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this 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-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a.) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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.) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c.) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based upon such evaluation; and

   d.) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, 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 and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

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

Date: December 11, 2008

/s/ Richard A. Cogdill
Richard A. Cogdill
Principal Financial and Accounting Officer

EXHIBIT 32.1
CERTIFICATION OF CO-PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. § 1350 ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

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), the undersigned officer 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 27, 2008 (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 11, 2008

/s/ Lonnie "Bo" Pilgrim
Lonnie "Bo" Pilgrim
Co-Principal Executive Officer

EXHIBIT 32.2
CERTIFICATION OF CO-PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. § 1350 ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

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), the undersigned officer 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 27, 2008 (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 11, 2008

/s/ J. Clinton Rivers
J. Clinton Rivers
Co-Principal Executive Officer

EXHIBIT 32.3
CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. § 1350 ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

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), the undersigned officer 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 27, 2008 (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 11, 2008

/s/ Richard A. Cogdill
Richard A. Cogdill
Chief Financial and Accounting Officer