

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15 (d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For quarter ended JUNE 27, 1998

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 (I.R.S. Employer
incorporation or organization) Identification No.)

110 SOUTH TEXAS, PITTSBURG, TX 75686-0093
(Address of principal executive offices) (Zip code)

(903) 855-1000
(Telephone number of principle executive offices)

Not Applicable

Former name, former address and former fiscal year, if changed since last report.

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 periods 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 the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practical date.

CLASS A COMMON STOCK \$.01 PAR VALUE--- -0- SHARES AS OF JULY 31, 1998

CLASS B COMMON STOCK \$.01 PAR VALUE--- 27,589,250 SHARES AS OF JULY 31, 1998

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PART I. FINANCIAL INFORMATION
PILGRIM'S PRIDE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

ITEM 1: FINANCIAL STATEMENTS :

	JUNE 27, 1998	SEPTEMBER 27, 1997 (Unaudited)
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 5,866	\$ 20,338
Trade accounts and other receivables, less allowance for doubtful accounts	83,221	77,967
Inventories	139,478	146,180
Deferred income taxes	3,716	3,998
Prepaid expenses	5,069	2,353
Other current assets	311	311
Total Current Assets	237,661	251,147
Other Assets	15,884	18,094
Property, Plant and Equipment	548,302	510,661
Less accumulated depreciation	223,306	200,778
	324,996	309,883
	\$ 578,541	\$ 579,124
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 49,019	\$ 71,225
Accrued expenses	37,291	34,784
Current maturities of long-term debt	11,638	11,596
Total Current Liabilities	97,948	117,605
Long-Term Debt, less current maturities	216,741	224,743
Deferred Income Taxes	52,594	53,418
Minority Interest in Subsidiary	889	842
Stockholders' Equity:		
Common stock; \$.01 par value	276	276
Additional paid-in capital	79,763	79,763
Retained earnings	130,330	102,477
Total Stockholders' Equity	210,369	182,516
	\$ 578,541	\$ 579,124

See notes to condensed consolidated financial statements.

PILGRIM'S PRIDE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	JUNE 27, 1998	JUNE 28, 1997	JUNE 27, 1998	JUNE 28, 1997
	(in thousands, except share and per share data)			
Net Sales	\$328,500	\$335,168	\$990,833	\$936,375
Costs and Expenses:				
Cost of sales	295,764	307,883	901,856	855,738
Selling, general and administrative	13,693	14,658	43,166	42,035
	309,457	322,541	945,022	897,773
Operating income	19,043	12,627	45,811	38,602
Other Expense (Income):				
Interest expense, net	5,195	5,572	15,325	16,305
Foreign exchange loss	413	112	1,515	648
Miscellaneous, net	(535)	(128)	(1,487)	(3,034)
	5,073	5,556	15,353	13,919
Income before taxes	13,970	7,071	30,458	24,683
Income tax (benefit) expense	2,135	(215)	739	2,337
Net income	\$ 11,835	\$ 7,286	\$ 29,719	\$ 22,346
Net income per common share	\$.43	\$.26	\$ 1.08	\$.81
Dividends per common share	\$.015	\$.015	\$.045	\$.045
Weighted average shares outstanding	27,589,250	27,589,250	27,589,250	27,589,250

See Notes to condensed consolidated financial statements.

PILGRIM'S PRIDE CORPORATION AND SUBSIDIARIES
June 27, 1998

PILGRIM'S PRIDE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

NINE MONTHS ENDED
JUNE 27, 1998 JUNE 28, 1997

	(In thousands)	
Cash Flows From Operating Activities:		
Net income	\$ 29,719	\$ 22,346
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	24,493	21,746
Gain on property disposals	16	(165)
Provision for losses on accounts receivable	(335)	(395)
Deferred income taxes	(542)	1,429
Changes in operating assets and liabilities:		
Accounts and other receivable	(4,920)	(11,918)
Inventories	6,702	(9,140)
Prepaid expenses	(2,723)	27
Accounts payable and accrued expenses	(19,699)	1,132
Other	(479)	(157)
Cash Flows Provided By Operating Activities	32,232	24,905
Investing Activities:		
Acquisitions of property, plant and equipment	(39,434)	(40,775)
Proceeds from property disposals	840	374
Other, net	1,472	(157)
Net Cash Used In Investing Activities	(37,122)	(40,558)
Financing Activities:		
Proceeds from notes payable to banks	35,500	49,500
Re-payments of notes payable to banks	(35,500)	(56,500)
Proceeds from long-term debt	21,125	20,661
Payments on long-term debt	(29,196)	(6,716)
Cash dividends paid	(1,241)	(1,241)
Cash (Used In) Provided By Financing Activities	(9,312)	5,704
Effect of exchange rate changes on cash and cash equivalents	(271)	(15)
Decrease in cash and cash equivalents	(14,473)	(9,964)
Cash and cash equivalents at beginning of year	20,339	18,040
Cash and cash equivalents at end of period	\$ 5,866	\$ 8,076
Supplemental disclosure information:		
Cash paid during the period for		
Interest (net of amount capitalized)	\$ 13,043	\$ 13,807
Income Taxes	\$ 1,006	\$ 1,933

See notes to condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

NOTE A--BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the period ended June 27, 1998 are not necessarily indicative of the results that may be expected for the year ended September 26, 1998. For further information, refer to the consolidated financial statements and footnotes thereto included in Pilgrim's annual report on Form 10-K for the year ended September 27, 1997.

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

The assets and liabilities of the foreign subsidiaries are translated at end-of-period exchange rates, except for non-monetary assets, which are translated at equivalent dollar costs at dates of acquisition using historical rates. Operations of foreign subsidiaries are translated at average exchange rates in effect during the period.

NOTE B--NET INCOME PER COMMON SHARE

Earnings per share for the periods ended June 27, 1998 and June 28, 1997 are based on the weighted average shares outstanding for the periods.

NOTE C--INVENTORIES

Inventories consist of the following:

	JUNE 27, 1998	SEPTEMBER 27, 1997
	(in thousands)	
Live chickens and hens	\$ 61,880	\$ 68,034
Feed, eggs and other	40,816	43,878
Finished chicken products	36,782	34,268
	\$ 139,478	\$ 146,180

NOTE D - NEW CLASS OF COMMON STOCK

On June 30, 1998, the Company's shareholders approved an amendment to its certificate of incorporation that reclassified the Company's existing Common Stock as Class B Common Stock and created a new class of common stock designated as Class A Common Stock. Following the amendment, each outstanding share of the Company's existing Common Stock was reclassified into one share of Class B Common Stock. Each share of Class B Common Stock has substantially the same rights, powers and limitations as the Company's Common Stock outstanding immediately prior to such amendment, except that each share of Class B Common Stock entitles the holder thereof to 20 votes per share except as otherwise provided by law. Each share of the new Class A Common Stock is substantially identical to the shares of Class B Common Stock, except that each share of Class A Common Stock entitles the holder thereof to one vote per share on any matter submitted for a stockholder vote. In connection with the authorization of the new class A Common Stock, the shareholders authorized an increase of the Company's existing Class B Common Stock from 45 million shares to 60 million shares and authorized 100 million shares of the new Class A Common Stock at a par value of \$.01.

GENERAL. Profitability in the chicken industry can be materially affected by the commodity prices of feed grains and the commodity prices of chicken and chicken parts, each of which are determined largely by supply and demand. As a result, the chicken industry as a whole has been characterized by cyclical earnings. Cyclical fluctuations in earnings of individual chicken companies can be mitigated somewhat by: (i) business strategy; (ii) product mix; (iii) sales and marketing plans; and (iv) operating efficiencies. In an effort to reduce price volatility and to generate higher, more consistent profit margins, the Company has concentrated on the production and marketing of prepared food products, which generally have higher margins than the Company's other products. Additionally, the production and sale in the U.S. of prepared food products reduces the impact of feed grain costs on the Company's profitability. As further processing is performed, feed grain costs become a decreasing percentage of a products total production cost.

The following table presents certain information regarding the Company's U.S. and Mexican operations.

	Net Sales Three Months Ended		Net Sales Nine Months Ended	
	June 27, 1998	June 28, 1997	June 27, 1998	June 28, 1997
Sales to unaffiliated customers:				
United States	\$261,375	\$260,730	\$775,294	\$734,491
Mexico	67,125	74,438	215,539	201,884
Total	\$328,500	\$335,168	\$990,833	\$936,375
Operating Income:				
United States	\$ 8,435	\$4,622	\$14,011	\$19,022
Mexico	10,608	8,005	31,800	19,580
Total	\$19,043	\$12,627	\$45,811	\$38,602

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

	Percentage of Net Sales Three Months Ended		Percentage of Net Sales Nine Months Ended	
	June 27, 1998	June 28, 1997	June 27, 1998	June 28, 1997
Net Sales	100.0%	100.0%	100.0%	100.0%
Cost of Sales	90.0	91.9	91.0	91.4
Gross Profit	10.0	8.1	9.0	8.6
Selling, General and Administrative	4.2	4.4	4.4	4.5
Operating Income	5.8	3.8	4.6	4.1
Interest Expense	1.6	1.7	1.5	1.7
Income before Income Taxes	4.3	2.1	3.1	2.6
Net Income	3.6	2.2	3.0	2.4

THIRD QUARTER 1998, COMPARED TO THIRD QUARTER 1997

NET SALES. Consolidated net sales were \$328.5 million for the third quarter of fiscal 1998, a decrease of \$6.7 million, or 2.0%, over the third quarter of fiscal 1997. The decrease in consolidated net sales resulted from a \$7.3 million decrease in Mexican chicken sales to \$67.1 million, a \$1.3 million decrease of sales of other U.S. products to \$32.7 million offset partially by a \$1.9 million increase in U.S. chicken sales to \$228.7 million. The decrease in Mexican chicken sales was primarily due to a 14.2% decrease in dressed pounds produced offset partially by a 5.1% increase in total revenue per dressed pound produced. The decrease in sales of other U.S. products was primarily the result of decreased sales of the Company's poultry by-products group. The increase in U.S. chicken sales was primarily due to a 4.3% increase in total revenue per dressed pound offset partially by a 3.3% decrease in dressed pounds produced. The increase in U.S. total revenue per dressed pound was primarily the result of higher selling prices for chicken caused by an overall improvement in the chicken markets compared to the same period last year. The decrease in U.S.

and Mexican dressed pounds produced was primarily the result of lower egg production and the unusually hot weather experienced in the southern United States during the quarter.

COST OF SALES. Consolidated cost of sales was \$295.8 million in the third quarter of fiscal 1998, a decrease of \$12.1 million, or 3.9%, over the third quarter of fiscal 1997. The decrease primarily resulted from a \$9.3 million decrease in cost of sales of Mexican operations, and a \$2.9 million decrease in the cost of sales of U.S. operations. The \$9.3 million cost of sales decrease in Mexican operations was primarily due to a 14.2% decrease in dressed pounds produced. The cost of sales decrease in U.S. operations of \$2.9 million was due to a 3.3% decrease in dressed pounds produced and a 23.0% decrease in feed ingredient costs per pound, offset partially by increased production of higher cost and margin products in prepared foods. The decrease in dressed pounds produced in our Mexico and U.S. operations was primarily the result of lower egg production by breeder stock and the unusually hot weather experienced in the southern United States during the quarter.

GROSS PROFIT. Gross profit was \$32.7 million in the third quarter of fiscal 1998, an increase of \$5.5 million, or 20.0%, over the third quarter of fiscal 1997. Gross profit as a percentage of sales increased to 10.0% in the third quarter of fiscal 1998 from 8.1% in the third quarter of fiscal 1997. The increased gross profit resulted mainly from higher margins in Mexico.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Consolidated selling, general and administrative expenses were \$13.7 million in the third quarter of fiscal 1998 and \$14.7 million in fiscal 1997. Consolidated selling, general and administrative expenses as a percentage of sales decreased slightly in the third quarter of fiscal 1998 to 4.2% compared to 4.4% in the third quarter of fiscal 1997.

OPERATING INCOME. Consolidated operating income was \$19.0 million for the third quarter of fiscal 1998, an increase of \$6.4 million, or 50.8%, when compared to the third quarter of fiscal 1997, resulting primarily from higher margins experienced in the Mexican operations.

INTEREST EXPENSE. Consolidated net interest expense decreased to \$5.2 million, or 6.8% in the third quarter of fiscal 1998, when compared to \$5.6 million in the third quarter of fiscal 1997, due to lower outstanding debt levels. As a percentage of sales, interest expense decreased to 1.6% in the third quarter of fiscal 1998 compared to 1.7% in the third quarter of fiscal 1997.

INCOME TAX EXPENSE. Consolidated income tax expense increased in the third quarter of fiscal 1998 to \$2.1 million compared to a benefit of \$.2 million in the third quarter of fiscal 1997. This increase resulted from higher taxable U.S. earnings in the third quarter of fiscal 1998 than in the third quarter of fiscal 1997. While Mexican earnings were also higher in the third quarter of fiscal 1998 than in the third quarter of fiscal 1997, Mexican earnings are not currently subject to income taxes.

**NINE MONTHS ENDED JUNE 27, 1998, COMPARED TO
NINE MONTHS ENDED JUNE 28, 1997**

NET SALES. Consolidated net sales were \$990.8 million for the first nine months of fiscal 1998, an increase of \$54.5 million, or 5.8%, over the first nine months of fiscal 1997. The increase in consolidated net sales resulted from a \$41.7 million increase in U.S. chicken sales to \$665.6 million and a \$13.7 million increase in Mexican chicken sales to \$215.5 million offset partially by a \$.9 million decrease of sales of other U.S. products to \$109.7 million. The increase in U.S. chicken sales was primarily due to a 7.7% increase in dressed pounds produced resulting primarily from the Company's expansion of existing facilities and the purchase of poultry assets capable of producing 650,000 chickens per week from Green Acre Foods, Inc., on April 15, 1997, offset partially by a 1.0% decrease in total revenue per dressed pound produced. The increase in Mexican chicken sales was primarily due to a 7.8% increase in total revenue per dressed pound offset partially by a .9% decrease in dressed pounds

produced. Increased revenues per dressed pound produced in Mexico were primarily the result of higher sales prices as well as generally improved economic conditions in Mexico compared to the prior year.

COST OF SALES. Consolidated cost of sales was \$901.9 million in the first nine months of fiscal 1998, an increase of \$46.1 million, or 5.4%, over the first nine months of fiscal 1997. The increase resulted primarily from a \$46.3 million increase in cost of sales of U.S. operations, offset partially by a \$.2 million decrease in the cost of sales in Mexican operations. The cost of sales increase in U.S. operations of \$46.3 million was due to a 7.7% increase in dressed pounds produced and increased production of higher cost and margin products in prepared foods offset partially by a 13.1% decrease in feed ingredient costs per pound experienced during the period. The \$.2 million cost of sales decrease in Mexican operations was primarily due to a .9% decrease in dressed pounds produced and a 15.1% decrease in feed ingredients cost per pound offset partially by a .8% increase in average costs of sales per dressed pound produced.

GROSS PROFIT. Gross profit was \$89.0 million for the first nine months of fiscal 1998, an increase of \$8.3 million, or 10.3%, over the same period last year. Gross profit as a percentage of sales increased to 9.0% in the first nine months of fiscal 1998 from 8.6% in the first nine months of fiscal 1997. The increased gross profit resulted mainly from significantly higher margins in Mexico.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Consolidated selling, general and administrative expenses were \$43.2 million in the first nine months of fiscal 1998 and \$42.0 million in the first nine months of fiscal 1997. Consolidated selling, general and administrative expenses as a percentage of sales remained relatively stable decreasing slightly in the first nine months of fiscal 1998 to 4.4% compared to 4.5% in the first nine months of fiscal 1997.

OPERATING INCOME. Consolidated operating income was \$45.8 million for the first nine months of fiscal 1998, an increase of \$7.2 million, or 18.7%, when compared to the first nine months of fiscal 1997, resulting primarily from higher margins experienced in the Mexican operations.

INTEREST EXPENSE. Consolidated net interest expense decreased to \$15.3 million, or 6.0%, in the first nine months of fiscal 1998, when compared \$16.3 million for the first nine months of fiscal 1997, due to lower outstanding debt levels. As a percentage of sales interest expense decreased to 1.5% for the first nine months of fiscal 1998 compared to 1.7% in the first nine months of fiscal 1997.

MISCELLANEOUS, NET. Consolidated miscellaneous, net, a component of Other Expense (Income), was (\$1.5) million in the first nine months of fiscal 1998, a \$1.5 million decrease, or 51.0%, when compared to (\$3.0) million for the first nine months of fiscal 1997, which included a \$2.2 million final settlement of claims resulting from the January 8, 1992 fire at the Company's prepared foods plant in Mt. Pleasant, Texas.

INCOME TAX EXPENSE. Consolidated income tax expense in the first nine months of fiscal 1998 decreased to \$.7 million compared to an expense of \$2.3 million in the first nine months of fiscal 1997. This reduction resulted from an increase in the Company's Mexican operations as a percentage of consolidated earnings. Mexican earnings are not currently subject to income taxes.

LIQUIDITY AND CAPITAL RESOURCES

At June 27, 1998, the Company's working capital increased to \$139.7 million and its current ratio increased to 2.43 to 1 compared with working capital of \$133.5 million and a current ratio of 2.14 to 1 at September 27, 1997. Strong profits continue to improve financial ratios in the first nine months of fiscal 1998.

Trade accounts and other receivables were \$83.2 million at June 27, 1998, a \$ 5.3 million increase from September 27,

1997. The 6.7% increase was due primarily to seasonal fluctuations in trade receivables and increased sales of prepared foods products, which normally have longer terms.

Inventories were \$139.5 million at June 27, 1998, compared to \$146.2 million at September 27, 1997. The \$6.7 million, or 4.6%, decrease was due primarily to lower costs in the live chicken and hen inventories due primarily to the reduction of feed costs in these inventories.

Accounts payable were \$49.0 million at June 27, 1998, a 31.2% decrease from September 27, 1997, due primarily to the reduction in costs of feed ingredients and normal seasonal fluctuations.

Accrued expenses were \$37.3 million at June 27, 1998, a \$2.5 million increase from September 27, 1997. The 7.2% increase was primarily due to normal seasonal variations in expense accruals.

Capital expenditures for the first nine months of fiscal 1998 were \$39.4 million and were primarily incurred to improve efficiencies, reduce costs and for the routine replacement of equipment. The Company anticipates that it will spend approximately \$55 million for capital expenditures in fiscal year 1998 and expects to finance such expenditures with available operating cash flows and long-term financing.

At June 27, 1998, the company's stockholder's equity increased to \$210.4 million from \$182.5 million at September 27, 1997. Total debt to capitalization decreased to 52.1% at June 27, 1998 compared to 56.4% at September 27, 1997.

On June 26, 1998, the Company entered into an asset sale agreement to sell up to \$60 million of accounts receivable. Under this agreement, as the sold accounts receivable are collected, new qualifying accounts can be substituted thus maintaining the maximum balance allowed to be outstanding at a rate approximating .425% over commercial paper. As of June 27, 1998 no accounts receivable had been sold under this agreement.

The Company also maintains \$70 million in revolving credit facilities and \$45 million in secured term borrowing facilities. The credit facilities provide for interest at rates ranging from LIBOR plus one and five-eighths percent to LIBOR plus two percent and are secured by inventory and fixed assets or are unsecured. As of July 31, 1998, \$62.4 million was available under the revolving credit facilities and \$15 million was available under the term borrowing facilities.

IMPACT OF YEAR 2000

The Year 2000 Issue is the result of computer programs being written using two digits rather than four to define the applicable year. Any of the Company's computer programs that have date-sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in a system failure or miscalculations causing disruptions of operations, including among other things, a temporary inability to process transactions, send invoices, or engage in similar normal business activities.

The Company has determined that it will be required to modify or replace portions of its software so that its computer systems will function properly with respect to dates in the year 2000 and thereafter. The company presently believes that with modifications to existing software and conversion to new software, the Year 2000 Issue will not pose significant operational problems for its computer systems.

The Company will utilize both internal and external resources to reprogram, or replace, and test the software for Year 2000 modifications. The Company anticipates completing the Year 2000 project prior to any anticipated impact on its operating systems. The total cost of the Year 2000 project is not expected to have a material effect on the Company's results of operations.

The Company will be initiating communications with all of its significant suppliers and large customers to determine the

extent to which the Company's interface systems are vulnerable to those third parties' failure to remediate their own Year 2000 Issues. However, there can be no assurance that the systems of other parties upon which the Company relies will be converted on a timely basis. The Company's business, financial condition, or results of operations could be materially adversely impacted by the failure of its systems and applications or those operated by others to properly operate or manage dates beyond 1999.

IMPACT OF MEXICO PESO EXCHANGE RATE.

In December 1994, the Mexican government changed its policy of defending the peso against the U.S. dollar and allowed it to float freely on the currency markets. These events resulted in the Mexican peso exchange rate declining from 3.39 to 1 U.S. dollar at October 3, 1994 to a low of 9.06 to 1 U.S. dollar at June 12, 1998. The decline in the Mexican peso exchange rate affected the Company's operations directly and indirectly as a result of the related economic recession in Mexico in fiscal 1995. Similarly, the Company's results of operations were adversely affected by: (i) the continuation of the economic recession in Mexico in fiscal 1996, as well as, (ii) significantly higher feed grain costs in fiscal 1996, (which included record high corn prices). In fiscal 1997 and the first nine months of fiscal 1998, however, the Company benefited substantially from: (i) a rebounding economy in Mexico when compared to fiscal 1996 and 1995, and (ii) the adjustment in the supply of poultry products in Mexico to the levels of demand existing after the economic recession. On July 30, 1998 the Mexican peso closed at 8.92 to 1 U.S. dollar. No assurance can be given as to the future valuation of the Mexican peso and how further movement in the Mexican peso could affect future earnings positively or negatively.

PART II OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

EXHIBIT NUMBER

- 10.33 Receivables Purchase Agreement between Pilgrim's Pride Funding Corporation, as Seller, Pilgrim's Pride Corporation, as Servicer, Pooled Accounts Receivable Capital Corporation, as Purchaser, and Nesbitt Burns Securities Inc., as Agent.
- 10.34 Purchase and Contribution Agreement Dated as of June 26, 1998 between Pilgrim's Pride Funding Corporation and Pilgrim's Pride Corporation.
- 10.35 Second Amendment to Security Agreement Re: Accounts Receivable, Farm Products and Inventory between Pilgrim's Pride Corporation and Harris Trust and Savings Bank.
- 10.36 First Amendment to Amended and Restated Secured Credit Agreement between Pilgrim's Pride Corporation and Harris Trust and Savings Bank, U.S. Bancorp Ag Credit, Inc., CoBank, ACB, ING (U.S.) Capital Corporation ("ING"), Wells Fargo Bank, N.A. and Credit Agricole Indosuez.

On June 30, 1998 the company filed a Current Report on Form 8-K related to the reclassification of its common stock.

SIGNATURES

Pursuant to the requirements 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.

PILGRIM'S PRIDE CORPORATION

/s/ Richard A. Cogdill

Date JULY 31, 1998

Richard A. Cogdill
Executive Vice President and
Chief Financial Officer and
Secretary and Treasurer
In his respective capacity a such

3-MOS

SEP-26-1998

JUN-27-1998

5,866

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83,221

3,488

139,478

237,661

548,302

223,306

578,541

97,948

0

0

0

276

210,093

578,541

328,500

328,500

295,764

309,457

122

0

5,195

13,970

2,135

0

0

0

0

11,835

.43

0

PILGRIM'S PRIDE CORPORATION

FIRST AMENDMENT TO AMENDED AND RESTATED SECURED CREDIT AGREEMENT

Harris Trust and Savings Bank
Chicago, Illinois

U.S. Bancorp Ag Credit, Inc.
(formerly known as FBS Ag Credit, Inc.)
Denver, Colorado

CoBank, ACB
Wichita, Kansas

ING (U.S.) Capital Corporation ("ING ")
New York, New York

Wells Fargo Bank (Texas), N.A.
Dallas, Texas

Credit Agricole Indosuez, Chicago Branch (successor by
merger to Caisse Nationale de Credit Agricole, Chicago Branch)
Chicago, Illinois

Ladies and Gentlemen:

Reference is hereby made to that certain Amended and Restated Secured Credit Agreement dated as of August 11, 1997 (the "CREDIT AGREEMENT") among the undersigned, Pilgrim's Pride Corporation, a Delaware corporation (the "COMPANY"), you (the "BANKS") and Harris Trust and Savings Bank, as agent for the Banks (the "AGENT"). All defined terms used herein shall have the same meanings as in the Credit Agreement unless otherwise defined herein.

The Banks extend a \$100,000,000 revolving credit facility to the Company on the terms and conditions set forth in the Credit Agreement. The Company, the Agent and the Banks now wish to amend the Credit Agreement to reduce the amount of the Revolving Credit to \$50,000,000, extend the Termination Date of the Credit Agreement from May 31, 2000 to May 31, 2001, provide for the withdrawal of Wells Fargo Bank (Texas), N.A. ("WELLS FARGO") from the bank group, permit the Company to establish an accounts receivable securitization program and amend various financial covenants and other provisions of the Credit Agreement, all on the terms and conditions and in the manner set forth in this Amendment.

1. AMENDMENTS.

Upon satisfaction of all of the conditions precedent set forth in Section 2 hereof, the Credit Agreement shall be amended as follows:

1.1. Section 1.1(a) of the Credit Agreement shall be amended by replacing the date "May 31, 2000" appearing therein with the date "May 31, 2001".

1.2. Section 1.1(c) of the Credit Agreement shall be amended to read as follows:

"(c) The respective maximum aggregate principal amounts of the Revolving Credit at any one time outstanding and the percentage of the Revolving Credit available at any time which each Bank by its acceptance hereof severally agrees to make available to the Company are as follows (collectively, the "REVOLVING CREDIT COMMITMENTS" and individually, a "REVOLVING CREDIT COMMITMENT"):

U.S. Bancorp Ag Credit, Inc.

\$10,714,286 21.43%

CoBank, ACB

\$10,714,286 21.43%

ING (U.S.) Capital

\$7,142,857 14.29%

Corporation

Credit Agricole Indosuez,

\$7,142,857 14.29%

Chicago Branch

Total

\$50,000,000 100%

Each Bank's Revolving Credit Commitment shall be reduced from time to time by the aggregate outstanding principal amount of all Bid Loans made by such Bank, and shall be increased (but in no event above the amount set forth above for each Bank) by the aggregate principal amount of each principal repayment of such Bid Loans made from time to time."

1.3. The fifth sentence of Section 1.5 of the Credit Agreement shall be amended by inserting the phrase "minus one-half of one percent" after the phrase "Applicable Margin for Eurodollar Loans" appearing in clause (b) thereof.

1.4. The definition of the term "APPLICABLE MARGIN" appearing in Section 4.1 of the Credit Agreement shall be amended to read as follows:

" "APPLICABLE MARGIN" shall mean, with respect to each type of Loan described in Column A below, the rate of interest per annum shown in Columns B, C, D and E below for the range of Leverage Ratio specified for each Column:

A	B	C	D	E
Leverage Ratio	<0.45 to 1	>.45 to 1 and <0.5 to 1	>.50 to 1 and <.60 to 1	>.60 to 1 and <.70 to 1
Eurodollar Loans	1.00%	1.375%	1.625%	2.0%
Domestic Rate Loans	0.0%	0.125%	0.375%	0.75%
CD Rate Loans	1.125%	1.50%	1.75%	2.125%

Not later than 5 Business Days after receipt by the Agent of the financial statements called for by Section 7.4 hereof for the applicable fiscal quarter, the Agent shall determine the Leverage Ratio for the applicable period and shall promptly notify the Company and the Banks of such determination and of any change in the Applicable Margins resulting therefrom. Any such change in the Applicable Margins shall be effective as of the date the Agent so notifies the Company and the Banks with respect to all Loans outstanding on such date, and such new Applicable Margins shall continue in effect until the effective date of the next quarterly redetermination in accordance with this Section. Each determination of the Leverage Ratio and Applicable Margins by the Agent in accordance with this Section shall be conclusive and binding on the Company and the Banks absent manifest error. From the date hereof until the Applicable Margins are first adjusted pursuant hereto, the Applicable Margins shall be those set forth in column D above."

1.5. The definition of the term "BORROWING BASE" shall be amended to read as follows:

" "BORROWING BASE", as determined on the basis of the information contained in the most recent Borrowing Base Certificate, shall mean an amount equal to:

(a) 65% of the Value of Eligible Inventory consisting of feed grains, feed and ingredients, plus

(b) 65% percent of the Value of Eligible Inventory consisting of live and dressed broiler chickens and commercial eggs, plus

(c) 65% of the Value of Eligible Inventory consisting of prepared foods, plus

(d) 100% of the Value of Eligible Inventory consisting of breeder hens, breeder pullets, commercial hens, commercial pullets and hatching eggs, plus

(e) 40% of the Value of Eligible Inventory consisting of packaging materials, vaccines, general supplies, and maintenance supplies, minus

(f) the aggregate outstanding amount of all Grower Payables that are more than 15 days past due."

1.6. The definition of the term "Eligible Receivables" appearing in Section 4.1 of the Credit Agreement shall be deleted.

1.7. Section 4.1 of the Credit Agreement shall be amended by adding the following definitions thereto:

"FUNDING CORP." shall mean Pilgrim's Pride Funding Corporation, a Delaware corporation.

"PAR CAPITAL" shall mean Pooled Accounts Receivable Capital Corporation.

"RECEIVABLES SECURITIZATION PROGRAM" shall mean any receivables securitization program to which the Company is a party which provides for the sale by the Company, without recourse, of its Receivables for a cash consideration of not less than 70% of the unpaid value of such Receivables, and including in any event the receivables securitization program pursuant to which the Company will sell to Funding Corp. all or substantially all of the Company's receivables and Funding Corp. will in turn sell an undivided interest in all of such Receivables to PAR Capital."

1.8. Section 7.4(e) of the Credit Agreement shall be amended to read as follows:

"(e) Intentionally Omitted."

1.9. Section 7.7 of the Credit Agreement shall be amended by adding the following phrase immediately before the period appearing at the end thereof:

", and (c) the sale of all or substantially all of the Company's Receivables pursuant to a Receivables Securitization Program."

1.10. Section 7.8 of the Credit Agreement shall be amended to read as follows:

"SECTION 7.8. LEVERAGE RATIO. The Company will not permit the ratio of its Leverage Ratio at any time during each period specified below to exceed the ratio specified below for such period:

(a) from the last day of Fiscal Year 1997 through the next to last day of Fiscal Year 1998, 0.675 to 1;

(b) from the last day of Fiscal Year 1998 through the next to last day of Fiscal Year 1999, 0.65 to 1;

(c) from the last day of Fiscal Year 1999 through the next to last day of Fiscal Year 2000, 0.625 to 1; and

(d) on the last day of Fiscal Year 2000 and thereafter, 0.60 to 1."

1.11. Section 7.13 of the Credit Agreement shall be amended to read as follows:

"SECTION 7.13. MINIMUM NET WORKING CAPITAL. The Company will maintain Net Working Capital at all times during each period specified below (measured as of the last day of each monthly fiscal accounting period) in an amount not less than the amount specified below for each period:

(a) during Fiscal Year 1998, \$50,000,000;

(b) during Fiscal Year 1999, \$50,000,000;

(c) during Fiscal Year 2000, \$55,000,000; and

(d) during each Fiscal Year thereafter, \$60,000,000."

1.12. Section 7.14(b) of the Credit Agreement shall be amended to read as follows:

"(b) additional capital expenditures in an aggregate amount not to exceed \$48,000,000 in Fiscal Years 1997, 1998 and 1999 in connection with the acquisition and expansion of the fixed assets, inventory and operations of Green Acre Foods, Inc."

1.13. Section 7.16 of the Credit Agreement shall be amended by deleting the word "and" appearing after the semi-colon at the end of subsection (n) thereof, by replacing the period at the end of subsection (o) thereof with the phrase "; and" and by adding the following provision thereto as subsection (p):

"(p) the interest of any purchaser of the Company's Receivables purchased by it pursuant to a Receivables Securitization Program in such Receivables."

1.14. Section 7.17 of the Credit Agreement shall be amended by deleting the word "and" appearing after the semi-colon at the end of subsection (o) thereof, by replacing the period at the end of subsection (p) thereof with the phrase "; and" and by adding the following provision thereto as subsection (q):

"(q) indebtedness of the Company and its Subsidiaries pursuant to Receivables Securitization Programs."

1.15. Section 7.18 of the Credit Agreement shall be amended by deleting the word "and" appearing after the semi-colon at the end of subsection (j) thereof, by replacing the period at the end of subsection (k) thereof with the phrase "; and" and by adding the following provision thereto as subsection (l):

"(l) an initial capital contribution to Funding Corp. in an amount of up to \$1,000 and investments, if any, arising from the sale of Receivables at a discount pursuant to Receivables Securitization Programs."

1.16. Section 7.19 of the Credit Agreement shall be amended by deleting the word "and" appearing after the semi-colon at the end of subsection (b) thereof, by replacing the period at the end of subsection (c) thereof with the phrase "; and" and by adding the following provision thereto as subsection (d):

"(d) the sale by the Company of all or substantially all of its Receivables pursuant to Receivables Securitization Programs."

1.17. Section 7.26 of the Credit Agreement shall be amended to read as follows:

"SECTION 7.26. Intentionally Omitted."

1.18. Section 7.29 of the Credit Agreement shall be amended to read as follows:

"SECTION 7.29. NEW SUBSIDIARIES. The Company will not, directly or indirectly, create or acquire any Subsidiary except Funding Corp. unless (a) after giving effect to any such creation or acquisition, the total assets (determined in accordance with generally accepted accounting principles, consistently applied) of all such Subsidiaries would not exceed 5% of the Total Assets of the Company and its Subsidiaries, and (b) all Inventory and Receivables of such Subsidiaries are pledged to the Agent for the benefit of the Banks pursuant to a security agreement substantially identical to the Security Agreement."

1.19. Notwithstanding anything contained in this Agreement or the documentation for the Receivables Securitization Program to the contrary, the Receivables sold to Funding Corp. pursuant to the Receivables Securitization Program will be treated as Receivables of the Company and all indebtedness, obligations and liabilities of the Company and Funding Corp. shall be treated as indebtedness, obligations and liabilities of the Company for purposes of calculating compliance with the financial covenants contained in Section 7 of the Credit Agreement.

1.20. Exhibit G to the Credit Agreement shall be replaced by Exhibit G to this Amendment.

1.21. Exhibit I to the Credit Agreement shall be replaced by Exhibit I

to this Amendment.

2. CONDITIONS PRECEDENT.

The effectiveness of the Amendment is subject to the satisfaction of all of the following conditions precedent:

2.1. The Company and each of the Banks shall have executed this Amendment (such execution may be in several counterparts and the several parties hereto may execute on separate counterparts).

2.2. Each of the representations and warranties set forth in Section 5 of the Credit Agreement shall be true and correct.

2.3. The Company shall be in full compliance with all of the terms and conditions of the Credit Agreement and no Event of Default or Potential Default shall have occurred and be continuing thereunder or shall result after giving effect to this Amendment.

2.4. All legal matters incident to the execution and delivery hereof and the instruments and documents contemplated hereby shall be satisfactory to the Banks.

2.5. The Agent shall have received (in sufficient counterparts for distribution to each of the Banks) all of the following in a form satisfactory to the Agent, the Banks and their respective counsel:

(a) copies (executed or certified as may be appropriate) of all legal documents or proceedings taken in connection with the execution and delivery of this Amendment, and the other instruments and documents contemplated hereby; and

(b) Opinion of counsel to the Company substantially in the form of Exhibit A hereto and satisfactory to the Agent, the Banks and their respective counsel.

2.6. The Agent shall have received for the ratable benefit of the Banks an amendment fee in an amount equal to one-eighth of one percent (0.125%) of the maximum amount of the Revolving Credit in effect after giving effect to this Amendment.

3. REPRESENTATIONS AND WARRANTIES.

3.1. The Company, by its execution of this Amendment, hereby represents and warrants the following:

(a) each of the representations and warranties set forth in Section 5 of the Credit Agreement is true and correct as of the date hereof, except that the representations and warranties made under Section 5.3 shall be deemed to refer to the most recent annual report furnished to the Banks by the Company; and

(b) the Company is in full compliance with all of the terms and conditions of the Credit Agreement and no Event of Default or Potential Default has occurred and is continuing thereunder.

4. MISCELLANEOUS.

4.1. Upon satisfaction of the conditions precedent set forth above, the Company shall be deemed to have requested from the Banks other than Wells Fargo loans in an aggregate principal amount equal to the unpaid principal amount of the Secured Revolving Credit Note dated August 11, 1997 payable to the order of Wells Fargo (the "WELLS FARGO NOTE"), and such Banks will make such loans if all conditions set forth in Section 6.2 of the Credit Agreement are satisfied. The proceeds of such loans shall be used exclusively to pay the outstanding principal balance of the Wells Fargo Note, and the Company will pay all accrued interest thereon and all other fees and other amounts due to Wells Fargo, including without limitation accrued and unpaid commitment fees, letter of credit fees and all amounts, if any, payable under Section 9.4 of the Credit Agreement with respect to such prepayment. Upon payment in full of all principal of and accrued interest on such Wells Fargo Note, and all such other amounts, all participations in L/Cs and Reimbursement Obligations by Wells Fargo shall terminate and Wells Fargo shall cease to be a party to the Credit Agreement and shall have no rights or obligations thereunder except for its rights under Sections 9.3, 9.4, 11.5 and 11.9 which shall continue unaffected by this Amendment.

4.2. The Company has heretofore executed and delivered to the Agent that certain Security Agreement Re: Accounts Receivable, Farm Products and Inventory dated as of May 27, 1993, as amended (the "SECURITY AGREEMENT") and the Company hereby agrees that the Security Agreement shall secure all of the Company's indebtedness, obligations and liabilities to the Agent and the Banks under the Credit Agreement as amended by this Amendment, that notwithstanding the execution and delivery of this Amendment, the Security Agreement shall be and remain in full force and effect and that any rights and remedies of the Agent thereunder, obligations of the Company thereunder and any liens or security interests created or provided for thereunder shall be and remain in full force and effect and shall not be affected, impaired or discharged thereby. Nothing herein contained shall in any manner affect or impair the priority of the liens and security interests created and provided for by the Security Agreement as to the indebtedness which would be secured thereby prior to giving effect to this Amendment.

4.3. Except as specifically amended herein the Credit Agreement and the Notes shall continue in full force and effect in accordance with their original terms. Reference to this specific Amendment need not be made in any note, document, letter, certificate, the Credit Agreement itself, the Notes, or any communication issued or made pursuant to or with respect to the Credit Agreement, any reference to the Credit Agreement being sufficient to refer to the Credit Agreement as amended hereby.

4.4. The Company agrees to pay all out-of-pocket costs and expenses incurred by the Agent and Banks in connection with the preparation, execution and delivery of this Amendment and the documents and transactions contemplated hereby, including the fees and expenses of Messrs. Chapman and Cutler.

4.5. This Amendment may be executed in any number of counterparts, and by the different parties on different counterparts, all of which taken together shall constitute one and the same Agreement. Any of the parties hereto may execute this Amendment by signing any such counterpart and each of such counterparts shall for all purposes be deemed to be an original.

4.6. (A) THIS AMENDMENT 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 TO THE EXTENT PROVIDED IN SECTION 4.6(b) HEREOF AND TO THE EXTENT THAT THE FEDERAL LAWS OF THE UNITED STATES OF AMERICA MAY OTHERWISE APPLY.

(b) NOTWITHSTANDING ANYTHING IN SECTION 4.6(a) HEREOF TO THE CONTRARY, NOTHING IN THIS AMENDMENT, THE CREDIT AGREEMENT, THE NOTES, OR THE OTHER LOAN DOCUMENTS SHALL BE DEEMED TO CONSTITUTE A WAIVER OF ANY RIGHTS WHICH THE COMPANY, THE AGENT OR ANY OF THE BANKS MAY HAVE UNDER THE NATIONAL BANK ACT OR OTHER APPLICABLE FEDERAL LAW.

4.7. The Banks hereby authorize and direct the Agent to release its security interest in any of the Company's Receivables (as defined in the Security Agreement) that have been sold from time to time pursuant to a Receivables Securitization Program and related rights and properties and to execute and deliver from time to time such amendments to the Security Agreement and related UCC financing statements as the Agent may deem necessary or convenient to reflect such release.

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Dated as of June __, 1998.

PILGRIM'S PRIDE CORPORATION

By _____Its Executive President

Accepted and Agreed to as of the day and year last above written.

HARRIS TRUST AND SAVINGS BANK
individually and as Agent

By _____Its Vice President

U.S. BANCORP AG CREDIT, INC.

By _____ Its

COBANK, ACB

By _____ Its

ING (U.S.) CAPITAL CORPORATION

By _____ Its

WELLS FARGO BANK (TEXAS), N.A.

By _____ Its

CREDIT AGRICOLE INDOSUEZ, CHICAGO
BRANCH

By _____ Its

By _____ Its

EXHIBIT A

(TO BE RETYPED ON LETTERHEAD OF COUNSEL
AND DATED AS OF DATE OF CLOSING)

_____, 1998

Harris Trust and Savings Bank
Chicago, Illinois

U.S. Bancorp Ag Credit, Inc.
(formerly known as FBS Ag Credit, Inc.)
Denver, Colorado

CoBank, ACB
Wichita, Kansas

ING (U.S.) Capital Corporation ("ING ")
New York, New York

Wells Fargo Bank (Texas), N.A.
Dallas, Texas

Credit Agricole Indosuez, Chicago Branch (successor by
merger to Caisse Nationale de Credit Agricole, Chicago Branch)
Chicago, Illinois

Ladies and Gentlemen:

We have served as counsel to Pilgrim's Pride Corporation, a Delaware corporation (the "BORROWER"), in connection with the amendment and extension of the revolving credit facility being made available by you to the Borrower pursuant to the Amended and Restated Secured Credit Agreement dated as of August 11, 1997 (the "CREDIT AGREEMENT") among the Borrower and you. As such counsel, we have supervised the taking of the corporate proceedings necessary to authorize the execution and delivery of, and have examined executed originals of, the First Amendment to Amended and Restated Secured Credit Agreement dated as of June __, 1998 (the "AMENDMENT") among the Borrower and you. As counsel to the Borrower, we are familiar with the articles of incorporation, charter, by-laws and any other agreements under which the Borrower is organized. We have also examined such other instruments and records and inquired into such other factual matters and matters of law as we deem necessary or pertinent to the formulation of the opinions hereinafter expressed.

Based upon the foregoing and upon our examination of the articles of incorporation, charter and by-laws of the Borrower, we are of the opinion that:

1. The Borrower is a corporation duly organized and validly existing and in good standing under the laws of the State of Delaware with full and adequate corporate power and authority to carry on its business as now conducted and is duly licensed or qualified and in good standing in all jurisdictions wherein the conduct of its business or the assets and properties owned or leased by it require such licensing or qualification.

2. The Borrower has full right, power and authority to borrow from you, to mortgage, pledge, assign and otherwise encumber its assets and properties as collateral security for such borrowings, to execute and deliver the Amendment executed by it and to observe and perform all the matters and things therein provided for. The execution and delivery of the Amendment by the Borrower does not, nor will the observance or performance

of any of the matters or things therein provided for, contravene any provision of law or of the respective articles of incorporation, charter or by-laws of the Borrower (there being no other agreements under which the Borrower is organized) or, to the best of our knowledge after due inquiry, of any covenant, indenture or agreement binding upon or affecting the Borrower or any of its properties or assets.

3. The Amendment executed by the Borrower has been duly authorized by all necessary corporate action (no stockholder approval being required), has been executed and delivered by the proper officers of the Borrower and the Credit Agreement, as amended by the Amendment, constitutes a valid and binding agreement of the Borrower enforceable against it in accordance with its terms, subject to bankruptcy, insolvency and other similar laws affecting creditors' rights generally and to general principles of equity.

4. No order, authorization, consent, license or exemption of, or filing or registration with, any court or governmental department, agency, instrumentality or regulatory body, whether local, state or federal, is or will be required in connection with the lawful execution and delivery of the Amendment or the observance and performance by the Borrower of any of the terms of the Credit Agreement as amended by the Amendment.

5. To the best of our knowledge after due inquiry, there is no action, suit, proceeding or investigation at law or in equity before or by any court or public body pending or threatened against or affecting the Borrower or any of its assets and properties which, if adversely determined, could result in any material adverse change in the properties, business, operations or financial condition of the Borrower or in the value of the collateral security for your loans and other credit accommodations to the Borrower.

6. The rates of interest provided for under the Credit Agreement and the Loan Documents (as defined in the Credit Agreement) and any other amounts payable thereunder that would constitute interest would not violate any usury law of the State of Texas should such laws apply to the Credit Agreement, any of the Loan Documents or any of the indebtedness, obligations and liabilities of the Borrower or Mr. and Mrs. Lonnie A. Pilgrim thereunder.

We are admitted to practice law only in the State of Texas and do not purport to be experts in or qualified to express legal conclusions with respect to the laws of any jurisdiction other than the State of Texas or of the United States of America, except the Business Corporation Act of the State of Delaware.

_____ Respectfully submitted,

EXHIBIT G

Pilgrim's Pride Corporation

BORROWING BASE CERTIFICATE
as of _____

(\$000's omitted)

This Borrowing Base Certificate is furnished to Harris Trust and Savings Bank, as agent (the "AGENT"), pursuant to that certain Amended and Restated Secured Credit Agreement dated as of August 11, 1997, as amended, by and among Pilgrim's Pride Corporation (the "COMPANY"), Harris Trust and Savings Bank and the other Bank parties thereto (the "AGREEMENT"). Unless otherwise defined herein, the terms used in this Borrowing Base Certificate have the meanings ascribed thereto in the Agreement.

THE UNDERSIGNED HEREBY CERTIFIES THAT:

1. I am the duly elected Chief Financial Officer of the Company.

2. I have reviewed the terms of the Agreement and I have made, or have caused to be made under my supervision, the attached computation of the Borrowing Base as defined in Section 4.1 of the Agreement.

3. No change of name, corporate identity or address of the chief executive office of the Company has occurred.

4. I have reviewed the terms of the Agreement and, pursuant to such review, I have no knowledge of the existence of any condition or event which would constitute a Potential Default or Event of Default, except as set forth below (detailing the nature of the condition or event, the period during which it has existed and the action which the Company has taken, is taking or proposes to take with respect to each such condition or event):

4. The information above and any attached exhibits do not contain any untrue statement of material fact or omit a material fact, either individually or in aggregate, that would make the information or any attached exhibits misleading.

PILGRIM'S PRIDE CORPORATION

By _____
ITS

SUMMARY OF COLLATERAL POOL
Dated as of _____, 199__

	UNITS	INVENTORY VALUE	ADVANCE VALUE
1.) Live Broilers	_____	\$ _____	\$ _____
2.) Breeder Hens	_____	\$ _____	\$ _____
3.) Breeder Pullets	_____	\$ _____	\$ _____
4.) Commercial Hens	_____	\$ _____	\$ _____
5.) Commercial Pullets	_____	\$ _____	\$ _____
6.) Grain Feed (Field)	_____	\$ _____	\$ _____
7.) Eggs (Hatching /In Transit)	_____	\$ _____	\$ _____
8.) Dressed Broilers	_____	\$ _____	\$ _____
9.) Prepared Foods	_____	\$ _____	\$ _____
10.) Eggs (Commercial)	_____	\$ _____	\$ _____
11.) Grain (Feedmills)	_____	\$ _____	\$ _____
12.) Branch Inventory of Packaged Items	\$ _____	\$ _____	
13.) Packaging, Vaccines, Supplies	\$ _____	\$ _____	
SUBTOTAL (lines 1-13)	_____	\$ _____	\$ _____
14.) Less Grower Payables Greater than 15 days			(\$ _____)
TOTAL COLLATERAL POOL		\$ _____	\$ _____
13.) Less O/S Indebtedness as of:		_____	\$ _____
TOTAL AVAILABLE CREDIT:			\$ _____

COLLATERAL VALUE COMPUTATIONS

Dated as of _____, 199__

COLLATERAL POOL:

		GROSS VALUE COMPUTATION	Advance VALUE
1)	Live Broiler Value:		
	Number of Head	_____ Head	
	(-) Death/Reject Rate (4%)	_____ Head	
	(x) Avg. Weight per Bird (2 Lbs.)	_____ Lbs.	
	(x) _____ cents/lb.		
	as of _____	_____ x 65%	_____
2)	Breeder Hen Value:		
	Number of Head	_____ Head	
	(x) Loan Value @ \$1.50/bird	_____ @ 100%	_____
3)	Breeder Pullet Value:		
	Number of Head	_____ Head	
	(x) Loan Value @ \$1.00/bird	_____ @ 100%	_____
4)	Commercial Hen Value:		
	Number of Head	_____ Head	
	(x) Loan Value @ \$0.70/bird	_____ @ 100%	_____
5)	Commercial Pullet Value:		
	Number of Head	_____ Head	
	(x) Loan Value @ \$0.40/bird	_____ @ 100%	_____
6)	Grain Feed Value (Field):		
	Number of Head (NET)	_____ Head	
	(x) 0.75 Lbs/day (/) 2,000	_____ Tons	
	(x) Feed Cost/Ton _____	_____ x 65%	_____
7)	Eggs (Hatching & In Transit):		
	Number of Dozens	_____ Dozen	
	(x) \$1.25/Doz	_____ @ 100%	_____
8)	Dressed Broilers (All Locations):		
	Number of pounds	_____ Lbs	
	(x) Price/Lb. computed _____	_____ x 65%	_____
9)	Prepared Foods (All Locations)		
	Number of pounds	_____ Lbs.	
	(x) Price/Lb. computed _____	_____ x 65%	_____
10)	Eggs (Commercial)		
	Number of Dozens	_____ Dozen	
	(x) _____/dozen	_____ x 65%	_____
11)	Grain Value (Feedmills):		
	Corn: _____ x _____	_____ x 65%	_____
	Cost/Ton		
	Soybean Meal: _____ x _____	_____ x 65%	_____
	Cost/Ton		

Feed Supplements: _____ x _____
Cost/Ton

_____ x 65% _____

Finished Feeds: _____ x _____
Cost/Ton

_____ x 65% _____

Total Tons: _____

_____ x 65% _____

12) Branch Inventory of Packaged
Items (@ Cost)

_____ x 65% _____

13) Packaging, Vaccines, Supplies (@
Cost)

_____ x 40% _____

TOTAL COLLATERAL POOL

PILGRIM'S PRIDE CORPORATION
SECOND AMENDMENT TO SECURITY AGREEMENT
RE: ACCOUNTS RECEIVABLE, FARM PRODUCTS AND INVENTORY

Reference is hereby made to that certain Security Agreement Re: Accounts Receivable, Farm Products and Inventory dated as of May 27, 1993, as amended (the "SECURITY AGREEMENT"), from the undersigned, Pilgrim's Pride Corporation, a Delaware corporation (the "COMPANY") to Harris Trust and Savings Bank, not individually but as agent (the "AGENT") for itself and such other lenders (collectively the "BANKS" and individually a "BANK") which from time to time become parties to that certain Secured Credit Agreement dated as of May 27, 1993, as amended and restated pursuant to the Amended and Restated Secured Credit Agreement dated as of August 11, 1997, as amended, among the Company, the Agent and the Banks (the "CREDIT AGREEMENT"). All defined terms used herein shall have the same meanings as in the Security Agreement unless otherwise defined herein.

Concurrently herewith, the Company, the Agent and the Banks are amending the Credit Agreement to permit the Company to enter into accounts receivable securitization transactions from time to time. Also concurrently herewith the Company and Pilgrim's Pride Funding Corporation, a Delaware corporation ("FUNDING CORP.") are entering into a Purchase and Contribution Agreement pursuant to which the Company will sell to Funding Corp. all or substantially all of the Company's Receivables. Funding Corp. will then sell an undivided interest in all of such Receivables to Pooled Accounts Receivable Capital Corporation ("PAR CAPITAL") pursuant to a Receivables Purchase Agreement among the Company, Funding Corp., PAR Capital and Nesbitt Burns Securities, Inc. In connection with the amendment to the Credit Agreement described above and the sales described above the Company has requested that the Agent release its security interest in the Company's Receivables under the Security Agreement and the Agent is willing to do so, all on the terms and conditions set forth herein. Accordingly, the Agent and the Company hereby agree as follows:

1. The Agent hereby releases the security interest granted to it by the Company pursuant to the Security Agreement in any and all right, title and interest of the Company, whether now owned or existing or hereafter created, acquired or arising, in and to the following (the "RELEASED COLLATERAL"):

(a) all Receivables (as hereinafter defined) of the Company that are sold or purported to be sold by Company to PPFC pursuant to the Purchase and Sale Agreement (the "SOLD RECEIVABLES");

(b) all Related Security with respect to Sold Receivables;

(c) all monies due or to become due with respect to any of the foregoing;

(d) all books and records related to any of the foregoing; and

(e) all proceeds of any of the foregoing (as defined in the applicable UCC) including without limitation, all funds which are received by Company, the PPFC or the Servicer, from or on behalf of the Obligors in payment of any amounts owed (including without limitation, finance charges, interest and all other charges) in respect of any Sold Receivable, or are applied to such amounts owed by the Company (including without limitation, insurance payments, if any, that Company or the Servicer applies in the ordinary course of its business to amounts owed in respect of any Sold Receivable).

As used herein, the following terms shall have the following meanings:

"CONTRACT" means, with respect to any Sold Receivable, any and all contracts, understandings, instruments, agreements, invoices, notes, or other writings pursuant to which such Sold Receivable arises or which evidences such Sold Receivable or under which an Obligor becomes or is obligated to make payment in respect of such Sold Receivable.

"OBLIGOR" means, with respect to any Sold Receivable the Person obligated to make payments pursuant to the Contract relating to such Sold Receivable.

"PAR" means Pooled Accounts Receivable Capital Corporation, a Delaware corporation, as purchaser under the Receivables Purchase Agreement.

"PERSON" means an individual, partnership, corporation (including a business trust), joint stock company, trust, unincorporated association, joint venture, limited liability company or other entity,

or a government or any political subdivision or agency thereof.

"PILGRIM'S PRIDE" means Pilgrim's Pride Corporation, a Delaware corporation.

"PPFC" means Pilgrim's Pride Funding Corporation, a Delaware corporation.

"PURCHASE AND SALE AGREEMENT" means that certain Purchase and Sale Agreement dated as of June __, 1998, between Company and PPFC, as amended, supplemented, amended and restated or otherwise modified from time to time.

"RECEIVABLE" means any indebtedness and other obligations owed to the Company or any right of the Company to payment from or on behalf of an Obligor, whether constituting an account, chattel paper, instrument or general intangible, arising in connection with the sale of goods or the rendering of services by the Company, and includes, without limitation, the obligation to pay any finance charges, fees and other charges with respect thereto. Indebtedness and other obligations arising from any one transaction, including, without limitation, indebtedness and other obligations represented by an individual invoice or agreement, shall constitute a Receivable separate from a Receivable consisting of the indebtedness and other obligations arising from any other transaction.

"RECEIVABLES PURCHASE AGREEMENT" means that certain Receivables Purchase Agreement dated as of June __, 1998 among Company, as servicer, PPFC, as seller, PAR, as purchaser and Nesbitt Burns Securities Inc., as agent for PAR.

"RELATED SECURITY" means, with respect to any Sold Receivable:

(i) all of the Secured Party's interest in any goods, and documentation or title evidencing the shipment or storage of any goods, relating to any sale giving rise to such Sold Receivable;

(ii) all other security interests or liens and property subject thereto from time to time purporting to secure payment of such Sold Receivable, whether pursuant to the Contract related to such Sold Receivable or otherwise, together with all UCC financing statements or similar filings signed by an Obligor relating thereto; and

(iii) all guaranties, indemnities, insurance and other agreements (including the related Contract) or arrangements of whatever character from time to time supporting or securing payment of such Sold Receivable or otherwise relating to such Sold Receivable whether pursuant to the Contract related to such Sold Receivable or otherwise.

"SERVICER" means Pilgrim's Pride, as initial Servicer together with its successors and permitted assigns in such capacity.

2. The term "COLLATERAL" as used in the Security Agreement shall no longer include the Released Collateral.

3. Intentionally Omitted.

4. Intentionally Omitted.

5. Intentionally Omitted.

6. Without limiting the foregoing, the Company hereby agrees that, notwithstanding the execution and delivery hereof, (i) all rights and remedies of the Agent under the Security Agreement, (ii) any liens or security interests created or provided for thereunder except liens and security interests in the Released Collateral, and (iii) all obligations of the Company thereunder are, and as amended hereby shall remain, in full force and effect for the benefit and security of all the Secured Obligations. Nothing herein contained shall in any manner affect or impair the liens and security interest created and provided for by the Security Agreement as to the indebtedness which would be secured thereby prior to giving effect hereto.

7. The Company hereby repeats and reaffirms all covenants, agreements, representations and warranties contained in the Security Agreement as supplemented hereby, each and all of which covenants, agreements, representations and warranties are and shall remain applicable to the Collateral and all the Secured Obligations.

8. The Company hereby represents and warrants to the Banks that as of the date hereof and as of the time that this Amendment becomes effective, each of the representations and warranties set forth in the Security Agreement as amended hereby are and shall be and remain true and correct and the Company shall be in full compliance with all of the terms and conditions of the Security Agreement as amended hereby and no event of default under the Security Agreement as amended hereby, or any other event which with the lapse of time, the giving of notice or both would constitute such an event of default, shall have occurred and be continuing.

9. Reference to this specific Amendment need not be made in any note, document, letter, certificate, the Credit Agreement, the Term Credit Agreement, the Reimbursement Agreement, the Security Agreement or any communication issued or made pursuant to or with respect to the Credit Agreement, the Term Credit Agreement, the Reimbursement Agreement, or the Security Agreement, any reference to the Security Agreement being sufficient to refer to the Security Agreement as amended hereby.

10. This Amendment may be executed in any number of counterparts, and by the different parties on different counterparts, all of which taken together shall constitute one and the same agreement. Any of the parties hereto may execute this Amendment by signing any such counterpart and each of such counterparts shall for all purposes be deemed to be an original. This Amendment shall be governed by the internal laws of the State of Illinois.

Upon execution hereof by the Agent and the Company in the manner hereinafter set forth, this Amendment shall be a contract between said parties for the purposes hereinabove set forth.

Dated as of June __, 1998.

PILGRIM'S PRIDE CORPORATION

By

Its _____

HARRIS TRUST AND SAVINGS BANK,
individually and as Agent

By

Its _____

PURCHASE AND CONTRIBUTION AGREEMENT

Dated as of June 26, 1998

among

PILGRIM'S PRIDE FUNDING CORPORATION

and

PILGRIM'S PRIDE CORPORATION

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PURCHASE AND CONTRIBUTION AGREEMENT

THIS PURCHASE AND CONTRIBUTION AGREEMENT (as amended, supplemented or modified from time to time, this "AGREEMENT"), dated as of June 26, 1998, is between PILGRIM'S PRIDE CORPORATION, a Delaware corporation (APILGRIM'S PRIDE@), individually as the Originator (the "ORIGINATOR") and as the initial Servicer and PILGRIM'S PRIDE FUNDING CORPORATION, a Delaware corporation (the ACOMPANY@), as purchaser and contributee.

DEFINITIONS

Unless otherwise indicated, certain terms that are capitalized and used throughout this Agreement are defined in EXHIBIT I to the Receivables Purchase Agreement of even date herewith (as amended, supplemented or otherwise modified from time to time, the "RECEIVABLES PURCHASE AGREEMENT"), among the Company, Pilgrim's Pride, as initial Servicer, POOLED ACCOUNTS RECEIVABLE CAPITAL CORPORATION (the "PURCHASER"), and NESBITT BURNS SECURITIES, INC., as agent for Purchaser (together with its successors and assigns, the "AGENT").

BACKGROUND

1. The Company is a special purpose corporation, all of the capital stock of which is wholly-owned by Pilgrim's Pride.
2. In order to finance their respective businesses, the Originator wishes to sell certain Receivables and Related Rights from time to time to the Company, and the Company is willing, on the terms and subject to the conditions set forth herein, to purchase such Receivables and Related Rights from Originator.
3. The Company intends to sell to Purchaser an undivided variable percentage interest in its Receivables and Related Rights pursuant to the Receivables Purchase Agreement in order to finance its purchases of certain Receivables and Related Rights hereunder.

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

ARTICLE I

AGREEMENT TO PURCHASE AND CONTRIBUTE

I.1. AGREEMENT TO PURCHASE AND SELL. On the terms and subject to the conditions set forth in this Agreement (including ARTICLE IV), and in consideration of the Purchase Price, Originator agrees to sell to the Company, and does hereby sell to the Company, and the Company agrees to purchase from Originator, and does hereby purchase from Originator, without recourse and without regard to collectibility, all of Originator's right, title and interest in and to:

(a) each Receivable of Originator that existed and was owing to Originator as of the close of Originator's business on June 25, 1998 (Closing Date") (other than the Receivables and Related Rights contributed by Originator to the Company pursuant to Section 3.1 (the "CONTRIBUTED RECEIVABLES"));

(b) each Receivable created or originated by Originator from the close of Originator's business on the Closing Date to and including the Purchase and Sale Termination Date;

(c) all rights to, but not the obligations under, all Related Security;

(d) all monies due or to become due with respect to any of the foregoing;

(e) all books and records related to any of the foregoing; and

(f) all proceeds thereof (as defined in the UCC) received on or after the date hereof including, without limitation, all funds which either are received by Originator, the Company or the Servicer from or on behalf of the Obligors in payment of any amounts owed (including, without limitation, finance charges, interest and all other charges) in respect of Receivables, or are applied to such amounts owed by the Obligors (including, without limitation, insurance payments, if any, that Originator or the Servicer (if other than Originator) applies in the ordinary course of its business to amounts owed in respect of any Receivable).

All purchases and contributions hereunder shall be made without recourse, but shall be made pursuant to and in reliance upon the representations, warranties and covenants of Originator set forth in this Agreement and each other Transaction Document. The Company's foregoing commitment to purchase such Receivables and the proceeds and rights described in SUBSECTIONS (C) through (F) of this SECTION 1.1 (collectively, the "RELATED RIGHTS") is herein called the "PURCHASE FACILITY."

I.2. TIMING OF PURCHASES.

(a) CLOSING DATE PURCHASES. Originator's entire right, title and interest in (i) each Receivable that existed and was owing to Originator as of the close of Originator's business on the Closing Date, (other than Contributed Receivables), (ii) all Related Rights with respect thereto shall be deemed to have been sold to the Company on the Closing Date.

(b) REGULAR PURCHASES. After the Closing Date, each Receivable created or originated by Originator and described in SECTION 1.1(B) hereof and all Related Rights shall be purchased and owned by the Company (without any further action) upon the creation or origination of such Receivable.

I.3. CONSIDERATION FOR PURCHASES.

On the terms and subject to the conditions set forth in this Agreement, the Company agrees to make all Purchase Price payments to the Originator, and to reflect all contributions, in accordance with ARTICLE III.

I.4. PURCHASE AND SALE

TERMINATION DATE. The "PURCHASE AND SALE TERMINATION DATE" shall be the earlier to occur of (a) the date of the termination of this Agreement pursuant to SECTION 8.2 and (b) the Payment Date immediately following the day on which the Originator shall have given notice to the Company that the Originator desires to terminate this Agreement.

As used herein, "PAYMENT DATE" means (i) the Closing Date and (ii) each Business Day thereafter that the Originator is open for business.

I.5. INTENTION OF THE PARTIES. It is the express intent of the parties hereto that the transfers of the Receivables and Related Rights by Originator to the Company, as contemplated by this Agreement be, and be treated as, sales or contributions, as applicable, and not as secured loans secured by the Receivables and Related Rights. If, however, notwithstanding the intent of the parties, such transactions are deemed to be loans, Originator hereby grants to the Company a first priority security interest in all of Originator's right, title and interest in and to the Receivables and the Related Rights now existing and hereafter created, all monies due or to become due and all amounts received with respect thereto, and all proceeds thereof, to secure all of Originator's obligations hereunder.

ARTICLE II

CALCULATION OF PURCHASE PRICE

II.1. CALCULATION OF PURCHASE PRICE. On each Servicer Report Date, the Servicer shall deliver to the Company, the Agent and Originator a report in substantially the form of EXHIBIT A (each such report being herein called a "PURCHASE REPORT") with respect to the matters set forth therein and the Company's purchases of Receivables from Originator

(a) that are to be made on the Closing Date (in the case of the Purchase Report to be delivered on the Closing Date), or

(b) that were made during the period commencing on the Servicer Report Date immediately preceding such Servicer Report Date to (but not including) such Servicer Report Date (in the case of each subsequent Purchase Report).

The "PURCHASE PRICE" (to be paid to Originator in accordance with the terms of ARTICLE III) for the Receivables and the Related Rights that are purchased hereunder shall be determined in accordance with the following formula:

$$PP = OB \times FMVD$$

WHERE:

PP = Purchase Price for each Receivable as calculated on the relevant Payment Date.

OB = the Outstanding Balance of such Receivable.

FMVD = Fair Market Value Discount, as measured on such Payment Date, which is equal to the quotient (expressed as percentage) of (a) one DIVIDED by (b) the sum of (i) one, plus (ii) the product of (A) the Prime Rate on such Payment Date, and (B) a fraction, the numerator of which is the Average Maturity (calculated as of the last day of the calendar month next preceding such Payment Date) and the denominator of which is 365.

"PRIME RATE" means a PER ANNUM rate equal to the "prime rate" as published in the "Money Rates" section of The Wall Street Journal or such other publication as determined by the Agent in its sole discretion.

ARTICLE III

CONTRIBUTION OF RECEIVABLES; PAYMENT OF PURCHASE PRICE

III.1. CONTRIBUTION OF RECEIVABLES.

On the Closing Date, Pilgrim's Pride shall, and hereby does, contribute to the capital of the Company, Receivables and Related Rights with respect thereto consisting of each Receivable of Pilgrim's Pride that existed and was owing to Pilgrim's Pride on the Closing Date, beginning with the oldest of such Receivables and continuing chronologically thereafter, and all or an undivided interest in the most recent of such contributed Receivables such that the aggregate Outstanding Balance of all such contributed Receivables shall be equal to \$2,500,000.

III.2. INITIAL PURCHASE PRICE PAYMENT. On the terms and subject to the conditions set forth in this Agreement, the Company agrees to pay to Originator the Purchase Price for the purchase of Receivables to be made on the Closing Date, partially in cash in the amount of the proceeds of the Purchase made by the Purchaser on the Closing Date under the Receivables Purchase Agreement, and partially by issuing a promissory note in the form of EXHIBIT B to Originator with an initial principal balance equal to the remaining Purchase Price (as such promissory note may be amended, supplemented, indorsed or otherwise modified from time to time, together with all promissory notes issued from time to time in substitution therefor or renewal thereof in accordance with the Transaction Documents, being herein called the "COMPANY NOTE").

III.3. SUBSEQUENT PURCHASE PRICE PAYMENTS. On each Business Day falling after the Closing Date and on or prior to the Purchase and Sale Termination Date, on the terms and subject to the conditions set forth in this Agreement, the Company shall pay to Originator the Purchase Price for the Receivables sold by Originator to the Company on such Business Day, in cash, to the extent provided under SECTION 1.2 of the Receivables Purchase Agreement, and to the extent any of such Purchase Price remains unpaid, such remaining portion of such Purchase Price shall be paid by means of an automatic increase to the outstanding principal amount of the Company Note issued to Originator.

Servicer shall make all appropriate record keeping entries with respect to the Company Notes or otherwise to reflect the foregoing payments and to reflect adjustments pursuant to SECTION 3.4, and Servicer's books and records shall constitute rebuttable presumptive evidence of the principal amount of and accrued interest on any Company Note at any time. Furthermore, Servicer shall hold the Company Notes for the benefit of the Originator, and all payments under the Company Notes shall be made to the Servicer for the account of the applicable payee thereof. Originator hereby irrevocably authorizes Servicer to mark the Company Notes "CANCELLED" and to return such Company Notes to the Company upon the final payment thereof after the occurrence of the Purchase and Sale Termination Date.

III.4. SETTLEMENT AS TO SPECIFIC RECEIVABLES AND DILUTION.

(a) If on the day of purchase or contribution of any Receivable from Originator hereunder, any of the representations or warranties set forth in SECTION 5.4 or 5.11 of Originator is not true with respect to such Receivable or as a result of any action or inaction of Originator, on any day any of such representations or warranties set forth in SECTION 5.4 or 5.11 is no longer true with respect to such a Receivable, then the Purchase Price (or in the case of a Contributed Receivable, the Outstanding Balance of such Receivable (the "CONTRIBUTED VALUE")) with respect to such Receivables shall be reduced by an amount equal to the Outstanding Balance of such Receivable and shall be accounted to Originator as provided in SUBSECTION (C) below; PROVIDED, that if the Company thereafter receives payment on account of Collections due with respect to such Receivable, the Company promptly shall deliver funds to Originator.

(b) If, on any day, the Outstanding Balance of any Receivable (including any Contributed Receivable) purchased (or contributed) hereunder is reduced or adjusted as a result of any defective, rejected, returned goods or services, or any discount or other adjustment made by Originator, the Company or the Servicer or any offset, setoff or dispute between Originator or the Servicer and an Obligor as indicated on the books of the Company (or, for periods prior to the Closing Date, the books of Originator), then the Purchase Price or the Contributed Value, as the case may be, with respect to such Receivable shall be reduced by the amount of such net reduction and shall be accounted to Originator as provided in SUBSECTION (C) below.

(c) Any reduction in the Purchase Price (or Contributed Value) of any Receivable pursuant to SUBSECTION (A) or (B) above shall be applied as a credit for the account of the Company against the Purchase Price of Receivables subsequently purchased by the Company from Originator hereunder; PROVIDED, HOWEVER if there have been no purchases of Receivables from Originator (or insufficiently large purchases of Receivables) to create a Purchase Price sufficient to so apply such credit against, the amount of such credit

(i) shall be paid in cash to the Company by Originator in the manner and for application as described in the following proviso, or

(ii) shall be deemed to be a payment under, and shall be deducted from the principal amount outstanding under, the Company Note payable to Originator to the extent permitted under clause (o) of Exhibit IV of the Receivables Purchase Agreement;

PROVIDED, FURTHER, that at any time (y) when a Termination Event or Unmatured Termination Event exists under the Receivables Purchase Agreement or (z) on or after the Purchase and Sale Termination Date, the amount of any such credit shall be paid by Originator to the Company by deposit in immediately available funds into the Collection Account for application by Servicer to the same extent as if Collections of the applicable Receivable in such amount had actually been received on such date.

(d) Each Purchase Report (other than the Purchase Report delivered on the Closing Date) shall include, in respect of the Receivables previously generated by Originator (including the Contributed Receivables), a calculation of the aggregate reductions described in SUBSECTION (A) or (B) relating to such Receivables since the last Purchase Report delivered hereunder, as indicated on the books of the Company (or, for such period prior to the Closing Date, the books of Originator).

III.5. RECONVEYANCE OF RECEIVABLES.

In the event that Originator has paid to the Company the full Outstanding Balance of any Receivable pursuant to SECTION 3.4, the Company shall reconvey such Receivable to Originator, without representation or warranty, but free and clear of all liens created by the Company.

ARTICLE IV CONDITIONS OF PURCHASES

IV.1. CONDITIONS PRECEDENT TO INITIAL PURCHASE. The initial purchase hereunder is subject to the condition precedent that the Company shall have received, on or before the Closing Date, the following, each (unless otherwise indicated) dated the Closing Date, and each in form, substance and date satisfactory to the Company:

(a) A copy of the resolutions of the Board of Directors of Originator approving the Transaction Documents to be delivered by it and the transactions contemplated hereby and thereby, certified by the Secretary or Assistant Secretary of Originator;

(b) Good standing certificates for Originator issued as of a recent date acceptable to Servicer by the Secretary of State of the jurisdiction of Originator's incorporation and the jurisdiction where Originator's chief executive office is located;

(c) A certificate of the Secretary or Assistant Secretary of Originator certifying the names and true signatures of the officers authorized on Originator's behalf to sign the Transaction Documents to be delivered by it (on which certificate the Company and Servicer (if other than Originator) may conclusively rely until such time as the Company and the Servicer shall receive from Originator a revised certificate meeting the requirements of this SUBSECTION (C));

(d) The articles of incorporation of Originator, duly certified by the Secretary of State of the jurisdiction of Originator's incorporation as of a recent date acceptable to Servicer, together with a copy of the by-laws of Originator, each duly certified by the Secretary or an Assistant Secretary of Originator;

(e) Copies of the proper financing statements (Form UCC-1) that have been duly executed and name Originator as the assignor and the Company as the assignee (and Purchaser as assignee of the Company) of the Receivables generated by Originator and Related Rights or other, similar instruments or documents, as may be necessary or, in Servicer's or the Agent's opinion, desirable under the UCC of all appropriate jurisdictions or any comparable law of all appropriate jurisdictions to perfect the Company's ownership interest in all Receivables and Related Rights in which an ownership interest may be assigned to it hereunder;

(f) A written search report from a Person satisfactory to Servicer and the Agent listing all effective financing statements that name Originator as debtor or assignor and that are filed in the jurisdictions in which filings were made pursuant to the foregoing SUBSECTION (E), together with copies of such financing statements (none of which, except for those described in the foregoing SUBSECTION (E), shall cover any Receivable or any Related Right), and tax and judgment lien search reports from a Person satisfactory to Servicer and the Agent showing no evidence of such liens filed against Originator;

(g) Favorable opinion of Godwin & Carlton, special counsel to Originator, in the forms of EXHIBIT C;

(h) Evidence (i) of the execution and delivery by each of the parties thereto of each of the other Transaction Documents to be executed and delivered in connection herewith and (ii) that each of the conditions precedent to the execution, delivery and effectiveness of such other Transaction Documents has been satisfied to the Company's satisfaction; and

(i) A certificate from an officer of Originator to the effect that Servicer and Originator have placed on the most recent, and have taken all steps reasonably necessary to ensure that there shall be placed on subsequent, summary master control data processing reports the following legend (or the substantive equivalent thereof): "THE RECEIVABLES DESCRIBED HEREIN HAVE BEEN SOLD TO PILGRIM'S PRIDE FUNDING CORPORATION PURSUANT TO A PURCHASE AND CONTRIBUTION AGREEMENT, DATED AS OF June 26, 1998, AMONG PILGRIM'S PRIDE, AND PILGRIM'S PRIDE FUNDING CORPORATION; AND AN INTEREST IN THE RECEIVABLES DESCRIBED HEREIN HAS BEEN GRANTED TO POOLED ACCOUNTS RECEIVABLES CAPITAL CORPORATION, PURSUANT TO A RECEIVABLES PURCHASE AGREEMENT, DATED AS OF June 26, 1998, AMONG PILGRIM'S PRIDE FUNDING CORPORATION, PILGRIM'S PRIDE, POOLED ACCOUNTS RECEIVABLE CAPITAL CORPORATION AND NESBITT BURNS SECURITIES, INC., AS AGENT."

IV.2. CERTIFICATION AS TO REPRESENTATIONS AND WARRANTIES. Originator, by accepting the Purchase Price related to each purchase of Receivables (and Related Rights) generated by Originator, shall be deemed to have certified that the representations and warranties contained in ARTICLE V are true and correct on and as of such day, with the same effect as though made on and as of such day.

ARTICLE V
REPRESENTATIONS AND WARRANTIES OF THE ORIGINATOR

In order to induce the Company to enter into this Agreement and to make purchases and accept contributions hereunder, Originator, hereby makes with respect to itself the representations and warranties set forth in this ARTICLE V.

V.1. ORGANIZATION AND GOOD STANDING. Originator has been duly organized and is validly existing as a corporation in good standing under the laws of the state of its incorporation, with power and authority to own its properties and to conduct its business as such properties are presently owned and such business is presently conducted.

V.2. DUE QUALIFICATION. Originator is duly licensed or qualified to do business as a foreign corporation in good standing in the jurisdiction where its chief executive office and principal place of business are located and in all other jurisdictions in which (a) the ownership or lease of its property or the conduct of its business requires such licensing or qualification and (b) the failure to be so licensed or qualified would reasonably be expected to have a Material Adverse Effect.

V.3. POWER AND AUTHORITY; DUE AUTHORIZATION. Originator has (a) all necessary corporate power, authority and legal right (i) to execute and deliver, and perform its obligations under, each Transaction Document to which it is a party, and (ii) to generate, own, sell, contribute and assign Receivables and Related Rights on the terms and subject to the conditions herein and therein provided; and (b) duly authorized such execution and delivery and such sale, contribution and assignment and the performance of such obligations by all necessary corporate action.

V.4. VALID SALE OR CONTRIBUTION; BINDING OBLIGATIONS. Each sale or contribution, as the case may be, of Receivables and Related Rights made by Originator pursuant to this Agreement shall constitute a valid sale or contribution, as the case may be, transfer, and assignment thereof to the Company, enforceable against creditors of, and purchasers from, Originator; and this Agreement constitutes, and each other Transaction Document to be signed by Originator, when duly executed and delivered, will constitute, a legal, valid, and binding obligation of Originator, enforceable in accordance with its terms; except in each case as enforceability may be limited by bankruptcy, insolvency, reorganization, or other similar laws affecting the enforcement of creditors' rights generally and by general principles of equity, regardless of whether such enforceability is considered in a proceeding in equity or at law.

V.5. NO VIOLATION. The consummation of the transactions contemplated by this Agreement and the other Transaction Documents and the fulfillment of the terms hereof or thereof will not (a) conflict with, result in any breach of any of the terms and provisions of, or constitute (with or without notice or lapse of time or both) a default under (i) Originator's certificate of incorporation or by-laws, or (ii) any indenture, loan agreement, mortgage, deed of trust, or other agreement or instrument to which it is a party or by which it is bound, (b) result in the creation or imposition of any Adverse Claim upon any of its properties pursuant to the terms of any such indenture, loan agreement, mortgage, deed of trust, or other agreement or instrument, other than the Transaction Documents, or (c) violate any law or any order, rule, or regulation applicable to it of any court or of any federal, state or foreign regulatory body, administrative agency, or other governmental instrumentality having jurisdiction over it or any of its properties.

V.6. PROCEEDINGS. There is no litigation or, to Originator's knowledge, any proceeding or investigation pending before any court, regulatory body, arbitrator, administrative agency, or other tribunal or governmental instrumentality (a) asserting the invalidity of any Transaction Document, (b) seeking to prevent the sale or contribution of Receivables and Related Rights to the Company or the consummation of any of the other transactions contemplated by any Transaction Document, or (c) seeking any determination or ruling that could reasonably be expected to have a Material Adverse Effect.

V.7. BULK SALES ACT. No transaction contemplated hereby requires compliance with any bulk sales act or similar law.

V.8. GOVERNMENT APPROVALS. Except for the filing of the UCC financing statements referred to in ARTICLE IV, all of which, at the time required in ARTICLE IV, shall have been duly made and shall be in full force and effect, no authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for Originator's due execution, delivery and performance of any Transaction Document to which it is a party, as seller.

V.9. FINANCIAL CONDITION.

(a) On the date hereof, and on the date of each sale of Receivables by Originator to the Company (both before and after giving effect to such sale), Originator shall be Solvent.

(b) The consolidated balance sheets of Originator and its consolidated subsidiaries as of December 31, 1997, and the related statements of income and shareholders' equity of Originator and its consolidated subsidiaries for the fiscal year then ended certified by Originator's independent accountants, copies of which have been furnished to the Company, present fairly the consolidated financial position of Originator and its consolidated subsidiaries for the period ended on such date, all in accordance with generally accepted accounting principles consistently applied; and since such date no event has occurred that has had, or is reasonably likely to have, a Material Adverse Effect.

V.10. MARGIN REGULATIONS. No use of any funds acquired by Originator under this Agreement will conflict with or contravene any of Regulations G, T, U and X promulgated by the Board of Governors of the Federal Reserve System from time to time.

V.11. QUALITY OF TITLE.

(a) Each Receivable (together with the Related Rights) which is to be sold or contributed to the Company hereunder is or shall be owned by Originator, free and clear of any Adverse Claim. Whenever the Company makes a purchase, or accepts a contribution, hereunder, it shall have acquired a valid and perfected ownership interest (free and clear of any Adverse Claim) in all Receivables generated by Originator and all Collections related thereto, and in Originator's entire right, title and interest in and to the other Related Rights with respect thereto.

(b) No effective financing statement or other instrument similar in effect covering any Receivable generated by Originator or any right related to any such Receivable is on file in any recording office except such as may be filed in favor of the Company or the Originator, as the case may be, in accordance with this Agreement or in favor of the Purchaser in accordance with the Receivables Purchase Agreement.

(c) Unless otherwise identified to the Company in the related Purchase Report, each Receivable purchased or contributed hereunder is on the date of purchase or contribution an Eligible Receivable.

V.12. ACCURACY OF INFORMATION. No factual written information furnished or to be furnished in writing by Originator, to the Company, the Purchaser or the Agent for purposes of or in connection with any Transaction Document or any transaction contemplated hereby or thereby is, and no other such factual written information hereafter furnished (and prepared) by Originator, to the Company, the Purchaser, or the Agent pursuant to or in connection with any Transaction Document, taken as a whole, will be inaccurate in any material respect as of the date it was furnished or (except as otherwise disclosed to the Company at or prior to such time) as of the date as of which such information is dated or certified, or shall contain any material misstatement of fact or omitted or will omit to state any material fact necessary to make such information, in the light of the circumstances under which any statement therein was made, not materially misleading on the date as of which such information is dated or certified.

V.13. OFFICES. Originator's principal place of business and chief executive office is located at the address set forth under Originator's signature hereto, and the offices where Originator keeps all its books, records and documents evidencing the Receivables, the related Contracts and all other agreements related to such Receivables are located at the addresses specified on SCHEDULE 5.13 (or at such other locations, notified to Servicer and the Agent in accordance with SECTION 6.1(F), in jurisdictions where all action required by SECTION 7.3 has been taken and completed).

V.14. TRADE NAMES. Except as disclosed on SCHEDULE 5.14, Originator does not use any trade name other than its actual corporate name. From and after the date that fell five (5) years before the date hereof, Originator has not been known by any legal name other than its corporate name as of the date hereof, nor has Originator been the subject of any merger or other corporate reorganization except as disclosed on SCHEDULE 5.14.

V.15. TAXES. Originator has filed all material tax returns and reports required by law to have been filed by it and has paid all taxes and governmental charges thereby shown to be owing, except any such taxes which are not yet delinquent or are being diligently contested in good faith by appropriate proceedings and for which adequate reserves in accordance with generally accepted accounting principles shall have been set aside on its books.

V.16. LICENSES AND LABOR CONTROVERSIES.

(a) Originator has not failed to obtain any licenses, permits, franchises or other governmental authorizations necessary to the ownership of its properties or to the conduct of its business, which violation or failure to obtain would be reasonably likely to have a Material Adverse Effect; and

(b) There are no labor controversies pending against Originator that have had (or are reasonably likely to have) a Material Adverse Effect.

V.17. COMPLIANCE WITH APPLICABLE LAWS. Originator is in compliance, in all material respects, with the requirements of (i) all applicable laws, rules, regulations, and orders of all governmental authorities (including, without limitation, Regulation Z, laws, rules and regulations relating to usury, truth in lending, fair credit billing, fair credit reporting, equal credit opportunity, fair debt collection practices and privacy and all other consumer laws applicable to the Receivables and related Contracts) (excluding with respect to environmental matters which are covered by CLAUSE (II)), and (ii) to the best of its knowledge, all applicable environmental laws, rules, regulations and orders of all governmental authorities.

V.18. RELIANCE ON SEPARATE LEGAL IDENTITY. Originator is aware that Purchaser and the Agent are entering into the Transaction Documents to which they are parties in reliance upon the Company's identity as a legal entity separate from Originator.

V.19. PURCHASE PRICE. The purchase price payable by the Company to Originator hereunder is intended by Originator and Company to be consistent with the terms that would be obtained in an arm's length sale. The Servicer's Fee payable to Originator is intended to be consistent with terms that would be obtained in an arm's length servicing arrangement.

V.20. CERTAIN DEFINITIONS. With respect to this Agreement, the terms "Material Adverse Effect" and "Solvent" are defined as follows:

"MATERIAL ADVERSE EFFECT" means, with respect to any event or circumstance, a material adverse effect on:

- (i) the business, assets, financial condition of Originator;

(ii) the ability of Originator or the Servicer (if it is the Originator) to perform its obligations under the Receivables Purchase Agreement or any other Transaction Document to which it is a party or the performance of any such obligations;

(iii) the validity or enforceability of the Receivables Purchase Agreement or any other Transaction Document;

(iv) with respect to the Purchase and Contribution Agreement, the status, existence, perfection, priority or enforceability of Company's interest in the Receivables or Related Rights; or

(v) the validity or enforceability of the Receivables.

"SOLVENT" means, with respect to any Person at any time, a condition under which:

(i) the fair value and present fair saleable value of such Person's total assets is, on the date of determination, greater than such Person's total liabilities (including contingent and unliquidated liabilities) at such time;

(ii) such Person is and shall continue to be able to pay all of its liabilities as such liabilities mature; and

(iii) such Person does not have unreasonably small capital with which to engage in its current and in its anticipated business.

For purposes of this definition:

(A) the amount of a Person's contingent or unliquidated liabilities at any time shall be that amount which, in light of all the facts and circumstances then existing, represents the amount which can reasonably be expected to become an actual or matured liability;

(B) the "fair value" of an asset shall be the amount which may be realized within a reasonable time either through collection or sale of such asset at its regular market value;

(C) the "regular market value" of an asset shall be the amount which a capable and diligent business person could obtain for such asset from an interested buyer who is willing to purchase such asset under ordinary selling conditions; and

(D) the "present fair saleable value" of an asset means the amount which can be obtained if such asset is sold with reasonable promptness in an arm's length transaction in an existing and not theoretical market.

ARTICLE VI
COVENANTS OF THE ORIGINATOR

VI.1. AFFIRMATIVE COVENANTS. From the date hereof until the first day following the Final Payout Date, Originator will, unless the Company and the Agent shall otherwise consent in writing:

(a) COMPLIANCE WITH LAWS, ETC. Comply in all material respects with all applicable laws, rules, regulations and orders, including those with respect to the Receivables generated by it and the related Contracts and other agreements related thereto.

(b) PRESERVATION OF CORPORATE EXISTENCE. Preserve and maintain its corporate existence, rights, franchises and privileges in the jurisdiction of its incorporation, and qualify and remain qualified in good standing as a foreign corporation in each jurisdiction where the failure to preserve and maintain such existence, rights, franchises, privileges and qualification could reasonably be expected to have a Material Adverse Effect.

(c) RECEIVABLES REVIEW. (i) At any time and from time to time (but not more than twice during the term of this Agreement so long as no Termination Event has occurred and is continuing) during regular business hours, upon reasonable prior notice, permit the Company and/or the Agent, or their respective agents or representatives, (A) to examine, to audit and make copies of and abstracts from all books, records and documents (including, without limitation, computer tapes and disks) in the possession or under the control of Originator relating to the Receivables and Related Rights, including, without limitation, the Contracts and other agreements related thereto, and (B) to visit Originator's offices and properties for the purpose of examining such materials described in the foregoing CLAUSE (A) and discussing matters relating to the Receivables and Related Rights or Originator's performance hereunder with any of the officers or employees of Originator having knowledge of such matters; and (ii) without limiting the provisions of CLAUSE (I) next above, from time to time on request of the Agent, permit certified public accountants or other auditors acceptable to the Agent to conduct a review of its books and records with respect to the Receivables and Related Rights.

(d) KEEPING OF RECORDS AND BOOKS OF ACCOUNT. Maintain an ability to recreate records evidencing the Receivables in the event of the destruction of the originals thereof.

(e) PERFORMANCE AND COMPLIANCE WITH RECEIVABLES AND CONTRACTS. At its expense timely and fully perform and comply with all provisions, covenants and other promises required to be observed by it under the related Contracts and all other agreements related to the Receivables and Related Rights.

(f) LOCATION OF RECORDS. Keep its principal place of business and chief executive office, and the offices where it keeps its records concerning or related to Receivables and Related Rights, at the address(es) referred to in SCHEDULE 5.13 or, upon 30 days' prior written notice to the Company and the Agent, at such other locations in jurisdictions where all action required by SECTION 7.3 shall have been taken and completed.

(g) CREDIT AND COLLECTION POLICIES. Comply in all material respects with its Credit and Collection Policy in connection with the Receivables and the related Contracts.

(h) SEPARATE CORPORATE EXISTENCE OF THE COMPANY. Take such actions as shall be required in order that:

(i) the Company's operating expenses (other than certain organization expenses and expenses incurred in connection with the preparation, negotiation and delivery of the Transaction Documents) will not be paid by Originator;

(ii) the Company's books and records will be maintained separately from those of Originator;

(iii) all financial statements of Originator that are consolidated to include the Company will contain detailed notes clearly stating that (A) all of the Company's assets are owned by the Company, and (B) the Company is a separate entity with creditors who have received interests in the Company's assets;

(iv) Originator will strictly observe corporate formalities in its dealing with the Company;

(v) Originator shall not commingle its funds with any funds of the Company;

(vi) Originator will maintain arm's length relationships with the Company, and Originator will be compensated at market rates for any services it renders or otherwise furnishes to the Company; and

(vii) Originator will not be, and will not hold itself out to be, responsible for the debts of the Company or the decisions or actions in respect of the daily business and affairs of the Company.

(i) POST OFFICE BOXES. Within 30 days after the date hereof, deliver to the Agent (with a copy for Purchaser) a certificate from an authorized officer of Originator to the effect that (i) the name of the renter of all post office boxes into which Collections may from time to time be mailed have been changed to the name of the Company (unless such post office boxes are in the name of the relevant Lock-Box Banks) and (ii) all relevant postmasters have been notified that each of Servicer and the Agent are authorized to collect mail delivered to such post office boxes (unless such post office boxes are in the name of the relevant Lock-Box Banks).

VI.2. REPORTING REQUIREMENTS. From the date hereof until the first day following the Purchase and Sale Termination Date, Originator shall, unless the Agent and the Company shall otherwise consent in writing, furnish to the Company and the Agent:

(a) PROCEEDINGS. As soon as possible and in any event within three Business Days after Originator has knowledge thereof, written notice to the Company and the Agent of (i) all pending proceedings and investigations of the type described in SECTION 5.6 not previously disclosed to the Company and/or the Agent and (ii) all material adverse developments that have occurred with respect to any previously disclosed proceedings and investigations.

(b) OTHER. Promptly, from time to time, such other information, documents, records or reports respecting the Receivables, the Related Rights or Originator's performance hereunder that the Company or the Agent may from time to time reasonably request in order to protect the interests of the Company, the Purchaser, the Agent or any other Affected Party under or as contemplated by the Transaction Documents.

VI.3. NEGATIVE COVENANTS. From the date hereof until the date following the Final Payout Date, Originator agrees that, unless the Agent and the Company shall otherwise consent in writing, it shall not:

(a) SALES, LIENS, ETC. Except as otherwise provided herein or in any other Transaction Document, sell, assign (by operation of law or otherwise) or otherwise dispose of, or create or suffer to exist any Adverse Claim upon or with respect to, any Receivable or related Contract, Collections or Related Security, or any interest therein, or assign any right to receive income in respect thereof.

(b) EXTENSION OR AMENDMENT OF RECEIVABLES. Except as otherwise permitted in SECTION 4.2(A) of the Receivables Purchase Agreement or in accordance with the Credit and Collection Policy, extend, amend or otherwise modify the terms of any Receivable in any material respect, or amend, modify or waive, in any material respect, any term or condition of any Contract related thereto (which term or condition relates to payments under, or the enforcement of, such Contract).

(c) CHANGE IN BUSINESS OR CREDIT AND COLLECTION POLICY. Make any change in the character of its business or materially alter its Credit and Collection Policy, which change would, in either case, materially change the credit standing required of particular Obligors or potential Obligors or impair, in any material respect, the collectibility of the Receivables generated by it.

(d) RECEIVABLES NOT TO BE EVIDENCED BY PROMISSORY NOTES OR CHATTEL PAPER. Take any action to cause or permit any Receivable generated by it to become evidenced by any "instrument" or "chattel paper" (as defined in the applicable UCC) unless such "instrument" or "chattel paper" shall be delivered to the Company (which in turn shall deliver the same to the Purchaser (or the Agent on its behalf)).

(e) MERGERS, ACQUISITIONS, SALES, ETC. Merge or consolidate with another Person (except pursuant to a merger or consolidation involving Originator where Originator is the surviving corporation), or convey, transfer, lease or otherwise dispose of (whether in one or in a series of transactions), all or substantially all of its assets (whether now owned or hereafter acquired), other than pursuant to this Agreement.

(f) LOCK-BOX BANKS. Make any changes in its instructions to Obligors regarding Collections or add or terminate any Lock-Box Bank unless the requirements of CLAUSE (I) of EXHIBIT IV of the Receivables Purchase Agreement have been met.

(g) ACCOUNTING FOR PURCHASES. Account for or treat (whether in financial statements or otherwise) the transactions contemplated hereby in any manner other than as sales of the Receivables and Related Security by Originator to the Company.

(h) TRANSACTION DOCUMENTS. Enter into, execute, deliver or otherwise become bound by any agreement, instrument, document or other arrangement that restricts the right of Originator to amend, supplement, amend and restate or otherwise modify, or to extend or renew, or to waive any right under, this Agreement or any other Transaction Documents.

ARTICLE VII
ADDITIONAL RIGHTS AND OBLIGATIONS IN
RESPECT OF THE RECEIVABLES

VII.1. RIGHTS OF THE COMPANY. Originator

hereby authorizes the Company and the Servicer or their respective designees to take any and all steps in Originator's name necessary or desirable, in their respective determination, to collect all amounts due under any and all Receivables and Related Rights, including, without limitation, endorsing Originator's name on checks and other instruments representing Collections and enforcing such Receivables and the provisions of the related Contracts that concern payment and/or enforcement of rights to payment.

VII.2. RESPONSIBILITIES OF
ORIGINATOR. Anything herein to the contrary notwithstanding:

(a) Originator agrees, to direct, and hereby grants to each of the Company and the Agent the authority to direct, all Obligors to make payments of Receivables directly to a Lock-Box Account at a Lock-Box Bank. Originator further agrees to transfer any Collections that it receives directly, to Servicer (for deposit to such a Lock-Box Account) within one Business Day of receipt thereof, and agrees that all such Collections shall be deemed to be received in trust for the Company.

(b) Originator shall perform its obligations hereunder, and the exercise by the Company or its designee of its rights hereunder shall not relieve Originator from such obligations.

(c) None of the Company, Servicer, Purchaser or the Agent shall have any obligation or liability to any Obligor or any other third Person with respect to any Receivables, Contracts related thereto or any other related agreements, nor shall the Company, Servicer, Purchaser or the Agent be obligated to perform any of the obligations of Originator thereunder.

(d) Originator hereby grants to Servicer an irrevocable power of attorney, with full power of substitution, coupled with an interest, to take in the name of Originator all steps necessary or advisable to indorse, negotiate or otherwise realize on any writing or other right of any kind held or transmitted by Originator or transmitted or received by the Company (whether or not from Originator) in connection with any Receivable or Related Right.

VII.3. FURTHER ACTION EVIDENCING

PURCHASES. Originator agrees that from time to time, at its expense, it will promptly execute and deliver all further instruments and documents, and take all further action that the Company or Servicer may reasonably request in order to perfect, protect or more fully evidence the Receivables (and the Related Rights) purchased by, or contributed to, the Company hereunder, or to enable the Company to exercise or enforce any of its rights hereunder or under any other Transaction Document. Without limiting the generality of the foregoing, upon the request of the Company, Originator will:

(a) execute and file such financing or continuation statements, or amendments thereto or assignments thereof, and such other instruments or notices, as may be necessary or appropriate; and

(b) mark the summary master control data processing records with the legend set forth in SECTION 4.1(I).

Originator hereby authorizes the Company or its designee to file one or more financing or continuation statements, and amendments thereto and assignments thereof, relative to all or any of the Receivables (and the Related Rights) now existing or hereafter generated by Originator. If Originator fails to perform any of its agreements or obligations under this Agreement, the Company or its designee may (but shall not be required to) itself perform, or cause performance of, such agreement or obligation, and the expenses of the Company or its designee incurred in connection therewith shall be payable by Originator as provided in SECTION 9.1.

VII.4. APPLICATION OF COLLECTIONS.

Any payment by an Obligor in respect of any indebtedness owed by it to Originator shall, except as otherwise specified by such Obligor or otherwise required by contract or law and unless otherwise instructed by the Company or the Agent, be applied FIRST, as a Collection of any Receivables of such Obligor, in the order of the age of such Receivables, starting with the oldest of such Receivables, and SECOND, to any other indebtedness of such Obligor.

ARTICLE VIII

PURCHASE AND SALE TERMINATION EVENTS

VIII.1. PURCHASE AND SALE TERMINATION EVENTS.

Each of the following events or occurrences described in this SECTION 8.1 shall constitute a "PURCHASE AND SALE TERMINATION EVENT":

(a) The Facility Termination Date (as defined in the Receivables Purchase Agreement) shall have occurred; or

(b) Originator shall fail to make any payment or deposit to be made by it hereunder when due and such failure shall remain unremedied for one Business Day after notice; or

(c) Any representation or warranty made or deemed to be made by Originator (or any of its officers) under or in connection with this Agreement, any other Transaction Document or any other information or report delivered pursuant hereto or thereto shall prove to have been false or incorrect in any material respect when made or deemed made; or

(d) Originator shall fail to perform or observe in any material respect any agreement contained in any of SECTIONS 6.1(H) or 6.3; or

(e) Originator shall fail to perform or observe any other term, covenant or agreement contained in this Agreement on its part to be performed or observed and such failure shall remain unremedied for thirty (30) days after written notice thereof shall have been given by Servicer, the Agent or the Company to Originator; or

(f) (i) Originator or any of its subsidiaries shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against Originator or any of its subsidiaries seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, or other similar official for it or for all or any substantial part of its property and, in the case of any such proceeding instituted against it (but not instituted by it), such proceeding shall remain undismissed or unstayed for a period of 30 days; or () Originator or any of its subsidiaries shall take any corporate action to authorize any of the actions set forth in CLAUSE (I) above in this SECTION 8.1(F);

(g) A contribution failure shall occur with respect to any benefit plan sufficient to give rise to a lien under Section 302(f) of ERISA, or the Internal Revenue Service shall, or shall indicate its intention in writing to Originator to, file notice of a lien asserting a claim or claims pursuant to the Code with regard to any of the assets of Originator, or the Pension Benefit Guaranty Corporation shall, or shall indicate its intention in writing to Originator or an ERISA Affiliate to, either file notice of a lien asserting a claim pursuant to ERISA with regard to any assets of Originator or an ERISA Affiliate or terminate any benefit plan that has unfunded benefit liabilities; or

(h) The Internal Revenue Service shall file notice of a lien pursuant to Section 6373 of the Internal Revenue Code with regard to any of assets of Originator and such lien shall not have been released within ten Business Days, or the Pension Benefit Guaranty Corporation shall, or shall indicate its intention to, file notice of a lien pursuant to Section 4068 of ERISA with regard to any of the assets of the Originator.

VIII.2. REMEDIES.

(i) OPTIONAL TERMINATION. Upon the occurrence of a Purchase and Sale Termination Event, the Company (and not Servicer) shall have the option by notice to the Originator (with a copy to the Agent) to declare the Purchase and Sale Termination Date to have occurred.

(ii) REMEDIES CUMULATIVE. Upon any termination of the Purchase Facility pursuant to this SECTION 8.2, the Company shall have, in addition to all other rights and remedies under this Agreement or otherwise, all other rights and remedies provided under the UCC of each applicable jurisdiction and other applicable laws, which rights shall be cumulative. Without limiting the foregoing, the occurrence of the Purchase and Sale Termination Date shall not deny the Company any remedy in addition to termination of the Purchase Facility to which the Company may be otherwise appropriately entitled, whether at law or equity.

ARTICLE IX

INDEMNIFICATION

IX.1. INDEMNITIES BY THE ORIGINATOR. Without limiting any other rights which the Company may have hereunder or under applicable law, the Originator hereby agrees to indemnify the Company and each of its assigns, officers, directors, employees and agents (each of the foregoing Persons being individually called a "PURCHASE AND SALE INDEMNIFIED PARTY"), forthwith on demand, from and against any and all damages, losses, claims, judgments, liabilities and related costs and expenses, including reasonable attorneys' fees and disbursements (all of the foregoing being collectively called "PURCHASE AND SALE INDEMNIFIED AMOUNTS") awarded against or incurred by any of them arising out of or as a result of the following:

(a) the transfer by Originator of an interest in any Receivable or Related Right to any Person other than the Company;

(b) the breach of any representation or warranty made by Originator under or in connection with this Agreement or any other Transaction Document, or any information or report delivered by Originator pursuant hereto or thereto which shall have been false or incorrect in any material respect when made or deemed made;

(c) the failure by Originator to comply with any applicable law, rule or regulation with respect to any Receivable or the related Contract, or the nonconformity of any Receivable or the related Contract with any such applicable law, rule or regulation;

(d) the failure to vest and maintain vested in the Company an ownership interest in the Receivables generated by Originator and Related Rights free and clear of any Adverse Claim, other than an Adverse Claim arising solely as a result of an act of the Company, whether existing at the time of the purchase or contribution of such Receivables or at any time thereafter;

(e) the failure of Originator to file with respect to itself, or any delay by Originator in filing, financing statements or other similar instruments or documents under the UCC of any applicable jurisdiction or other applicable laws with respect to any Receivables or purported Receivables generated by Originator or Related Rights, whether at the time of any purchase or contribution or at any subsequent time;

(f) any dispute, claim, offset or defense (other than discharge in bankruptcy) of an Obligor to the payment of any Receivable or purported Receivable generated by Originator (including, without limitation, a defense based on such Receivables or the related Contracts not being a legal, valid and binding obligation of such Obligor enforceable against it in accordance with its terms), or any other claim resulting from the goods or services related to any such Receivable or the furnishing of or failure to furnish such goods or services;

(g) any product liability claim or any other claim involving health or safety issues, arising out of or in connection with goods or services that are the subject of any Receivable;

(h) any litigation, proceeding or investigation against Originator;

(i) any tax or governmental fee or charge (other than any tax excluded pursuant to the proviso below), all interest and penalties thereon or with respect thereto, and all out-of-pocket costs and expenses, including the reasonable fees and expenses of counsel in defending against the same, which may arise by reason of the purchase, contribution or ownership of the Receivables or any Related Right connected with any such Receivables; and

(j) any failure of Originator to perform its duties or obligations in accordance with the provisions of this Agreement or any other Transaction Document;

EXCLUDING, HOWEVER, (i) Purchase and Sale Indemnified Amounts to the extent resulting from gross negligence or willful misconduct on the part of a Purchase and Sale Indemnified Party, (ii) any indemnification which has the effect of recourse for non-payment of the Receivables due to credit reasons to any indemnitor (except as otherwise specifically provided under this SECTION 9.1) and (iii) any tax based upon or measured by net income or gross receipts.

If for any reason the indemnification provided above in this SECTION 9.1 is unavailable to a Purchase and Sale Indemnified Party or is insufficient to hold such Purchase and Sale Indemnified Party harmless, then the Originator shall contribute to the amount paid or payable by such Purchase and Sale Indemnified Party as a result of such loss, claim, damage or liability to the maximum extent permitted under applicable law.

ARTICLE X

MISCELLANEOUS

X.1. AMENDMENTS, ETC.

(a) The provisions of this Agreement may from time to time be amended, modified or waived, if such amendment, modification or waiver is in writing and consented to by the Company, the Agent and the Originator (with respect to an amendment) or by the Company (with respect to a waiver or consent by it).

(b) No failure or delay on the part of the Company, Servicer, Originator or any third party beneficiary in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such power or right preclude any other or further exercise thereof or the exercise of any other power or right. No notice to or demand on the Company, Servicer, or Originator in any case shall entitle it to any notice or demand in similar or other circumstances. No waiver or approval by the Company or Servicer under this Agreement shall, except as may otherwise be stated in such waiver or approval, be applicable to subsequent transactions. No waiver or approval under this Agreement shall require any similar or dissimilar waiver or approval thereafter to be granted hereunder.

X.2. NOTICES, ETC. All notices and other communications provided for hereunder shall, unless otherwise stated herein, be in writing (including facsimile communication) and shall be personally delivered or sent by express mail or courier or by certified mail, postage-prepaid, or by facsimile, to the intended party at the address or facsimile number of such party set forth under its name on the signature pages hereof or at such other address or facsimile number as shall be designated by such party in a written notice to the other parties hereto. All such notices and communications shall be effective, (i) if personally delivered or sent by express mail or courier or if sent by certified mail, when received, and (ii) if transmitted by facsimile, when sent, receipt confirmed by telephone or electronic means.

X.3. NO WAIVER; CUMULATIVE REMEDIES. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

X.4. BINDING EFFECT; ASSIGNABILITY. This Agreement shall be binding upon and inure to the benefit of the Company and Originator and their respective successors and permitted assigns; PROVIDED, HOWEVER, that Originator may not assign its rights hereunder or any interest herein or delegate its duties hereunder without the prior consent of the Company and the Agent. This Agreement shall create and constitute the continuing obligations of the parties hereto in accordance with its terms, and shall remain in full force and effect until the date after the Purchase and Sale Termination Date on which the Originator has received payment in full for all Receivables and Related Rights purchased pursuant to SECTION 1.1 hereof. The rights and remedies with respect to any breach of any representation and warranty made by Originator pursuant to ARTICLE V and the indemnification and payment provisions of ARTICLE IX and SECTION 10.6 shall be continuing and shall survive any termination of this Agreement.

X.5. GOVERNING LAW. THIS AGREEMENT 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).

X.6. COSTS, EXPENSES AND TAXES. In addition to the obligations of the Originator under ARTICLE IX, Originator agrees to pay on demand:

(a) all reasonable costs and expenses in connection with the enforcement of this Agreement and the other Transaction Documents; and

(b) all stamp and other similar taxes and fees payable or determined to be payable in connection with the execution, delivery, filing and recording of this Agreement or the other Transaction Documents, and agrees to indemnify each Purchase and Sale Indemnified Party against any liabilities with respect to or resulting from any delay in paying or omission to pay such taxes and fees.

X.7. SUBMISSION TO JURISDICTION.

EACH PARTY HERETO HEREBY IRREVOCABLY (a) SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF ANY COURT OF THE STATE OF ILLINOIS OR OF THE UNITED STATES FOR THE NORTHERN DISTRICT OF ILLINOIS, OVER ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO ANY TRANSACTION DOCUMENT; (b) AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH STATE OR UNITED STATES FEDERAL COURT; (c) WAIVES, TO THE FULLEST EXTENT IT MAY EFFECTIVELY DO SO UNDER APPLICABLE LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING; (d) CONSENTS TO THE SERVICE OF ANY AND ALL PROCESS IN ANY SUCH ACTION OR PROCEEDING BY THE MAILING OF COPIES OF SUCH PROCESS TO SUCH PERSON AT ITS ADDRESS SPECIFIED IN SECTION 10.2; AND (e) TO THE EXTENT ALLOWED BY LAW, AGREES THAT A NONAPPEALABLE FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS SECTION 10.7 SHALL AFFECT THE COMPANY'S RIGHT TO SERVE LEGAL PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR TO BRING ANY ACTION OR PROCEEDING AGAINST ORIGINATOR OR ITS PROPERTY IN THE COURTS OF ANY OTHER JURISDICTIONS.

X.8. WAIVER OF JURY TRIAL. EACH PARTY

HERETO EXPRESSLY WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHTS UNDER THIS AGREEMENT, ANY OTHER TRANSACTION DOCUMENT, OR UNDER ANY AMENDMENT, INSTRUMENT OR DOCUMENT DELIVERED OR WHICH MAY IN THE FUTURE BE DELIVERED IN CONNECTION HERewith OR ARISING FROM ANY RELATIONSHIP EXISTING IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER TRANSACTION DOCUMENT, AND AGREES THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY.

X.9. CAPTIONS AND CROSS REFERENCES; INCORPORATION BY REFERENCE.

The various captions (including, without limitation, the table of contents) in this Agreement are included for convenience only and shall not affect the meaning or interpretation of any provision of this Agreement. References in this Agreement to any underscored Section or Exhibit are to such Section or Exhibit of this Agreement, as the case may be. The Exhibits hereto are hereby incorporated by reference into and made a part of this Agreement.

X.10. EXECUTION IN COUNTERPARTS. This

Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same Agreement.

X.11. ACKNOWLEDGMENT AND AGREEMENT. By execution below, Originator expressly acknowledges and agrees that all of the Company's rights, title, and interests in, to, and under this Agreement shall be assigned by the Company to the Purchaser pursuant to the Receivables Purchase Agreement, and Originator consents to such assignment. Each of the parties hereto acknowledges and agrees that the Agent and the Purchaser are third party beneficiaries of the rights of the Company arising hereunder and under the other Transaction Documents to which Originator is a party.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

PILGRIM'S PRIDE FUNDING CORPORATION

By:
Name:
Title:

110 S. Texas Street
Pittsburg, Texas 75686
Attention: Clifford E. Butler
Telephone: (903)855-1000
Facsimile: (903)855-4934

PILGRIM'S PRIDE CORPORATION

By:
Name:
Title:

110 S. Texas Street
Pittsburg, Texas 75686
Attention: Clifford E. Butler
Telephone: (903)855-1000
Facsimile: (903)855-4934

Acknowledged and consented by:

PILGRIM'S PRIDE CORPORATION,
as initial Servicer

By:
Name:
Title:

110 S. Texas Street
Pittsburg, Texas 75686
Attention: Rick Cogdill
Telephone: (903)855-1000
Facsimile: (903)855-4934

RECEIVABLES PURCHASE AGREEMENT

among

PILGRIM'S PRIDE FUNDING CORPORATION,

as Seller,

PILGRIM'S PRIDE CORPORATION,

as Servicer,

POOLED ACCOUNTS RECEIVABLE CAPITAL CORPORATION,

as Purchaser,

and

NESBITT BURNS SECURITIES INC.,

as Agent.

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RECEIVABLES PURCHASE AGREEMENT

This RECEIVABLES PURCHASE AGREEMENT (this "AGREEMENT") is entered into as of June 26, 1998 among PILGRIM'S PRIDE FUNDING CORPORATION, a Delaware corporation, as seller (the "SELLER"), PILGRIM'S PRIDE CORPORATION, a Delaware corporation ("Pilgrim's Pride"), as initial servicer (in such capacity, together with its successors and permitted assigns in such capacity, the "SERVICER"), POOLED ACCOUNTS RECEIVABLE CAPITAL CORPORATION, a Delaware corporation (the "PURCHASER"), and NESBITT BURNS SECURITIES INC., a Delaware corporation ("NESBITT BURNS") as agent for the Purchaser (in such capacity, together with its successors and assigns in such capacity, the "AGENT").

PRELIMINARY STATEMENTS. Certain terms that are capitalized and used throughout this Agreement are defined in EXHIBIT I to this Agreement. References in the Exhibits hereto to "the Agreement" refer to this Agreement, as amended, modified or supplemented from time to time.

The Seller desires to sell, transfer and assign an undivided variable percentage interest in a pool of receivables, and the Purchaser desires to acquire such undivided variable percentage interest, as such percentage interest shall be adjusted from time to time based upon, in part, reinvestment payments which are made by the Purchaser and additional incremental payments made to the Seller.

In consideration of the mutual agreements, provisions and covenants contained herein, the parties hereto agree as follows:

ARTICLE I.

AMOUNTS AND TERMS OF THE PURCHASES.

Section I.1 PURCHASE FACILITY. (a) On the terms and conditions hereinafter set forth, the Purchaser hereby agrees to purchase and make reinvestments of undivided percentage ownership interests with regard to the Participation from the Seller from time to time during the period from the date hereof to the Facility Termination Date. Under no circumstances shall the Purchaser make any such purchase or reinvestment if, after giving effect to such purchase or reinvestment, the aggregate outstanding Investment of the Participation would exceed the Purchase Limit.

(b) The Seller may, upon at least 30 Business Days' notice to the Agent, terminate the purchase facility provided in this SECTION 1 in whole or, from time to time, irrevocably reduce in part the unused portion of the Purchase Limit; PROVIDED that each partial reduction shall be in the amount of at least \$1,000,000, or an integral multiple of \$100,000 in excess thereof.

Section 1.2. MAKING PURCHASES. (a) Each purchase (but not reinvestments) of undivided ownership interests with regard to the Participation hereunder shall be made upon the Seller's irrevocable written notice in the form of Annex B delivered to the Agent in accordance with SECTION 5.2 (which notice must be received by the Agent prior to 11:00 a.m., Chicago time) on the second Business Day next preceding the date of such proposed purchase. Each such notice of any such proposed purchase shall specify the desired amount and date of such purchase and the desired duration of the initial Yield Period for the resulting Participation. The Agent shall select the duration of such initial Yield Period, and each subsequent Yield Period in its discretion; PROVIDED that it shall use reasonable efforts, taking into account market conditions, to accommodate Seller's preferences.

(b) On the date of each purchase (but not reinvestments) of undivided ownership interests with regard to the Participation hereunder, the Purchaser shall, upon satisfaction of the applicable conditions set forth in EXHIBIT II hereto, make available to the Agent at its office at 111 West Monroe Street, Chicago, Illinois 60603, the amount of such purchase (set forth in each notice delivered in accordance with Section 1.2(a)) in same day funds, and after the Agent's receipt of such funds, the Agent shall make such funds immediately available to the Seller at such office.

(c) Effective on the date of each purchase pursuant to this SECTION 1.2 and each reinvestment pursuant to SECTION 1.4, the Seller hereby sells and assigns to the Purchaser an undivided percentage ownership interest in (i) each Pool Receivable then existing, (ii) all Related Security with respect to such Pool Receivables, and (iii) Collections with respect to, and other proceeds of, such Pool Receivables and Related Security.

(d) To secure all of the Seller's obligations (monetary or otherwise) under this Agreement and the other Transaction Documents to which it is a party, whether now or hereafter existing or arising, due or to become due, direct or indirect, absolute or contingent, the Seller hereby grants to the Purchaser a security interest in all of the Seller's right, title and interest (including without limitation any undivided interest of the Seller) in, to and under all of the following, whether now or hereafter owned, existing or arising: (A) all Pool Receivables, (B) all Related Security with respect to each such Pool Receivable, (C) all Collections with respect to each such Pool Receivable, (D) the Lock Box Accounts and all amounts on deposit therein representing proceeds of the Pool Receivables and proceeds of the Related Security with respect thereto, the Collection Account and Liquidation Account and all amounts on deposit therein and all certificates and instruments, if any, from time to time evidencing such Lock Box Accounts, Collection Account and Liquidation Account and such amounts on deposit therein, and (E) all proceeds of, and all amounts received or receivable under any or all of, the foregoing. The Purchaser shall have, with respect to the property described in this SECTION 1.2(D), and in addition to all the other rights and remedies available to the Purchaser, all the rights and remedies of a secured party under any applicable UCC.

Section I.3. PARTICIPATION COMPUTATION.

The Participation shall be initially computed on the date of the initial purchase hereunder. Thereafter until the Termination Date, the Participation shall be automatically recomputed (or deemed to be recomputed) on each Business Day other than a Termination Day. The Participation, as computed (or deemed recomputed) as of the day immediately preceding the Termination Date, shall thereafter remain constant. The Participation shall become zero when the Investment thereof and Discount thereon shall have been paid in full, all the amounts owed by the Seller hereunder to the Purchaser, the Agent, and any other Indemnified Party or Affected Person are paid in full and the Servicer shall have received the accrued Servicing Fee thereon.

Section I.4. SETTLEMENT PROCEDURES.

(a) Collection of the Pool Receivables shall be administered by the Servicer in accordance with the terms of this Agreement. The Seller shall provide to the Servicer on a timely basis all information needed for such administration, including notice of the occurrence of any Termination Day and current computations of the Participation.

(b) The Servicer shall, on each day on which Collections of Pool Receivables are received (or deemed received) by the Seller or Servicer, transfer such Collections from the Lock-Box Account(s) and deposit on such day such Collections into the Collection Account. With respect to all Collections on deposit in the Collection Account on such day, the Servicer shall:

(i) if such day is not a Termination Day, set aside within the Collection Account (or if such day is a Termination Day, transfer to the Liquidation Account) for the benefit of the Purchaser, out of the percentage of such Collections represented by the Participation, FIRST an amount equal to the Discount accrued through such day for each Portion of Investment and not previously set aside and SECOND, to the extent funds are available therefor, an amount equal to the Servicing Fee, the Commitment Fee and the Program Fee accrued through such day for the Participation and not previously set aside; and

(ii) subject to SECTION 1.4(F), if such day is not a Termination Day, remit to the Seller, on behalf of the Purchaser, the remainder of the percentage of such Collections, represented by the Participation, to the extent representing a return on the Investment; such Collections shall be automatically reinvested in Pool Receivables, and in the Related Security and Collections and other proceeds with respect thereto, and the Participation shall be automatically recomputed pursuant to SECTION 1.3; IT BEING UNDERSTOOD, that prior to remitting to the Seller the remainder of such Collections by way of reinvestment in Pool Receivables, the Servicer shall have calculated the Participation on such day, and if such Participation shall exceed 100% of the Net Receivables Pool Balance on such day, such Collections shall not be remitted to the Seller but shall be transferred to the Liquidation Account for the benefit of the Purchaser in accordance with PARAGRAPH (III) below;

(iii) if such day is a Termination Day, (A) transfer to the Liquidation Account for the benefit of the Purchaser (x) the amounts set aside in the Collection Account for the benefit of the Purchaser pursuant to PARAGRAPH (i) above and not so previously transferred to the Liquidation Account, and (y) the entire remainder of the percentage of the Collections represented by the Participation; PROVIDED that so long as the Facility Termination Date has not occurred if any amounts are so transferred to the Liquidation Account on any Termination Day and thereafter the conditions set forth in SECTION 2 of EXHIBIT II are satisfied or are waived by the Agent, such amounts previously transferred to the Liquidation Account shall, to the extent representing a return on the Investment, be reinvested in accordance with the preceding PARAGRAPH (II) on the day of such subsequent satisfaction or waiver of conditions; and (B) transfer to the Liquidation Account for the Purchaser the entire remainder of the Collections in the Collection Account represented by the Seller's share of the Collections, if any; PROVIDED that so long as the Facility Termination Date has not occurred if any amounts are so transferred to the Liquidation Account pursuant to CLAUSE (B) above on any Termination Day and thereafter, the conditions set forth in SECTION 2 of EXHIBIT II are satisfied or are waived by the Agent, such previously set aside amounts shall be distributed to the Seller on the day of such subsequent satisfaction or waiver of conditions; PROVIDED, FURTHER, if any amounts are so transferred to the Liquidation Account on any Termination Day and thereafter the Investment, Program Fees, Discount and Servicing Fees with respect to the Participation and all other amounts payable by the Seller to the Purchaser, the Agent of any other Indemnified Party or Affected Person hereunder shall have been paid in full, any remaining amounts on deposit in the Liquidation Account shall be distributed to the Seller for its own account; and

(iv) during such times as amounts are required to be reinvested in accordance with the foregoing PARAGRAPH (II) or the proviso to PARAGRAPH (III), release to the Seller (subject to SECTION 1.4(F)) for its own account any Collections in excess of such amounts, the amounts that are required to be set aside within the Collection Account pursuant to PARAGRAPH (I) above and (z) in the event the Seller is not the Servicer, all reasonable and appropriate out-of-pocket costs and expenses of such Servicer of servicing, collecting and administering the Pool Receivables.

(c) The Servicer shall deposit into the Purchaser's Account (or such other account designated by the Agent), on the last day of each Settlement Period relating to a Portion of Investment:

(i) Collections held on deposit in the Collection Account and the Liquidation Account for the benefit of the Purchaser pursuant to SECTION 1.4(B)(I) in respect of accrued Discount and the Program Fees and Commitment Fees with respect to such Portion of Investment;

(ii) Collections held on deposit in the Liquidation Account for the benefit of the Purchaser pursuant to SECTION 1.4(F) with respect to such Portion of Investment; and

(iii) the lesser of (x) the amount of Collections then held on deposit in the Liquidation Account for the benefit of the Purchaser pursuant to SECTION 1.4(B)(III) and (y) such Portion of Investment.

The Servicer shall deposit to its own account from Collections held on deposit in the Collection Account and the Liquidation Account pursuant to SECTION 1.4(B)(I) in respect of the accrued Servicing Fee, an amount equal to such accrued Servicing Fee.

(d) Upon receipt of funds deposited into the Purchaser's Account pursuant to SECTION 1.4(C) with respect to any Portion of Investment, the Agent shall cause such funds to be distributed as follows:

(i) if such distribution occurs on a day that is not a Termination Day, FIRST to the Purchaser in payment in full of all accrued Discount with respect to such Portion of Investment, SECOND, to the Purchaser in payment of accrued and unpaid Program Fees and Commitment Fees, and THIRD, if the Servicer has set aside amounts in respect of the Servicing Fee pursuant to SECTION 1.4(B)(I) and has not deposited such amounts to its own account pursuant to SECTION 1.4(C), to the Servicer (payable in arrears on the last day of each calendar month) in payment in full of accrued Servicing Fees so set aside with respect to such Portion of Investment; and

(ii) if such distribution occurs on a Termination Day, FIRST to the Purchaser in payment in full of all accrued Discount with respect to such Portion of Investment, SECOND to the Purchaser in payment in full of such Portion of Investment, THIRD to the Purchaser in payment of accrued and unpaid Program Fees and Commitment Fees, FOURTH, if Seller or any of its Affiliates is not the Servicer, to the Servicer in payment in full of all accrued Servicing Fees with respect to such Portion of Investment, and FIFTH, if the Investment and accrued Discount with respect to each Portion of Investment have been reduced to zero, and all accrued Servicing Fees payable to the Servicer (if other than the Seller) have been paid in full, to the Purchaser, the Agent and any other Indemnified Party or Affected Person in payment in full of any other amounts owed thereto by the Seller hereunder and then to the Servicer (if the Servicer is the Seller) in payment in full of all accrued Servicing Fees.

After the Investment, Program Fees, Discount and Servicing Fees with respect to the Participation, and any other amounts payable by the Seller to the Purchaser, the Agent or any other Indemnified Party or Affected Person hereunder, have been paid in full, all additional Collections with respect to the Participation shall be paid to the Seller for its own account.

(c) For the purposes of this SECTION 1.4:

(i) if on any day the Outstanding Balance of any Pool Receivable is reduced or adjusted as a result of any defective, rejected, returned, repossessed or foreclosed goods or services, or any discount, rebate or other adjustment made by the Seller, the Originator or Servicer, or any setoff or dispute between the Seller, the Originator or the Servicer (if the Servicer is Pilgrim=s Pride or an Affiliate thereof) and an Obligor, the Seller shall be deemed to have received on such day a Collection of such Pool Receivable in the amount of such reduction or adjustment;

(ii) if on any day any of the representations or warranties in PARAGRAPHS (F) or (L) of EXHIBIT III is not true with respect to any Pool Receivable, the Seller shall be deemed to have received on such day a Collection of such Pool Receivable in full;

(iii) except as provided in PARAGRAPH (I) or (II) of this SECTION 1.4(E), or as otherwise required by applicable law or the relevant Contract, all Collections received from an Obligor of any Receivable shall be applied to the Receivables of such Obligor in the order of the age of such Receivables, starting with the oldest such Receivable, unless such Obligor designates in writing its payment for application to specific Receivables; and

(iv) if and to the extent the Agent or the Purchaser shall be required for any reason to pay over to an Obligor (or any trustee, receiver, custodian or similar official in any Insolvency Proceeding) any amount received by it hereunder, such amount shall be deemed not to have been so received but rather to have been retained by the Seller and, accordingly, the Agent or the Purchaser, as the case may be, shall have a claim against the Seller for such amount, payable when and to the extent that any distribution from or on behalf of such Obligor is made in respect thereof.

(f) If at any time the Seller shall wish to cause the reduction of a Portion of Investment (but not to commence the liquidation, or reduction to zero, of the entire Investment of the Participation), the Seller may do so as follows:

(i) the Seller shall give the Agent at least five Business Days' prior written notice thereof (including the amount of such proposed reduction and the proposed date on which such reduction will commence),

(ii) on the proposed date of commencement of such reduction and on each day thereafter, the Servicer shall cause Collections with respect to such Portion of Investment not to be reinvested until the amount thereof not so reinvested shall equal the desired amount of reduction, and

(iii) the Servicer shall hold such Collections in the Liquidation Account for the benefit of the Purchaser, for payment to the Agent on the last day of the current Settlement Period relating to such Portion of Investment, and the applicable Portion of Investment shall be deemed reduced in the amount to be paid to the Agent only when in fact finally so paid;

provided that,

A. the amount of any such reduction shall be not less than \$1,000,000 and shall be an integral multiple of \$500,000, and the entire Investment of the Participation after giving effect to such reduction shall be not less than \$1,000,000 unless the entire Investment shall have been reduced to zero,

B. the Seller shall choose a reduction amount, and the date of commencement thereof, so that to the extent practicable such reduction shall commence and conclude in the same Yield Period, and

C. if two or more Portions of Investment shall be outstanding at the time of any proposed reduction, such proposed reduction shall be applied, unless the Seller shall otherwise specify in the notice given pursuant to SECTION 1.4(F)(I), to the Portion of Investment with the shortest remaining Yield Period.

Section I.5. FEES. The Seller shall pay to the Agent certain fees in the amounts and on the dates set forth in a letter of even date herewith between the Seller and the Agent (as the same may be amended, amended and restated, supplemented or modified, the "FEE LETTER") delivered pursuant to SECTION 1 of EXHIBIT II, as such letter agreement may be amended, supplemented or otherwise modified from time to time.

Section I.6. PAYMENTS AND COMPUTATIONS, ETC

(a) All amounts to be paid or deposited by the Seller or the Servicer hereunder shall be paid or deposited no later than noon (Chicago time) on the day when due in same day funds to the Purchaser's Account. All amounts received after noon (Chicago time) will be deemed to have been received on the immediately succeeding Business Day.

(b) The Seller shall, pay interest on any amount not paid or deposited by the Seller or Servicer when due hereunder, at an interest rate equal to 2.0% PER ANNUM above the Base Rate, payable on demand.

(c) All computations of interest under SUBSECTION (B) above and all computations of Discount, fees, and other amounts hereunder shall be made on the basis of a year of 360 days (other than Discount calculated of the Base Rate which shall be computed on the basis of a year of 365 or 366 days, as the case may be) for the actual number of days elapsed. Whenever any payment or deposit to be made hereunder shall be due on a day other than a Business Day, such payment or deposit shall be made on the next succeeding Business Day and such extension of time shall be included in the computation of such payment or deposit.

(d) Notwithstanding anything to the contrary in this SECTION 1.6, it is the intention of the parties hereto to conform strictly to applicable usury laws and, the obligations of the Seller to the Purchaser under this Agreement shall be subject to the limitation that payments of interest (or of other amounts constituting interest under applicable law) to the Purchaser shall not be required to the extent that receipt thereof would be in excess of the Highest Lawful Rate (as defined below), or otherwise contrary to provisions of law applicable to Purchaser limiting rates of interest which may be charged or collected by Purchaser. Accordingly, if amounts paid in respect of interest under this Agreement would exceed the Highest Lawful Rate or otherwise be usurious under applicable law (including the federal and state laws of the United States of America, or of any other jurisdiction whose laws may be mandatorily applicable) then, notwithstanding anything to the contrary in this Agreement, it is agreed as follows as to Purchaser: (i) the provisions of this SUBSECTION (D) shall govern and control over any other provision in this Agreement; (ii) the aggregate of all consideration which constitutes interest under applicable law that is contracted for, charged or received under this Agreement by Purchaser shall under no circumstances exceed the maximum amount of interest allowed by applicable law (such maximum lawful interest rate, if any, with respect to such Purchaser herein called the "HIGHEST LAWFUL RATE"), and all amounts owed under this Agreement shall be held subject to reduction and (x) the amount of interest which would otherwise be payable to Purchaser hereunder shall be automatically reduced to the amount allowed under applicable law and (y) any unearned interest paid by the Seller in excess of the Highest Lawful Rate shall be credited to the Seller by Purchaser; and (iii) if at any time the interest provided pursuant to this Agreement, together with any other fees, late charges and other sums payable pursuant to or in connection with this Agreement and deemed interest under applicable law, exceeds that amount which would have accrued at the Highest Lawful Rate, the amount of interest and any such fees, charges and sums to accrue to Purchaser pursuant to this Agreement shall be limited, notwithstanding anything to the contrary in this Agreement to that amount which would have accrued at the Highest Lawful Rate for the Purchaser, but any subsequent reductions, as applicable, shall not reduce the interest to accrue pursuant to this Agreement below the Purchaser's Highest Lawful Rate until the total amount of interest payable to Purchaser (including all consideration which constitutes interest) equals the amount of interest which would have been payable to Purchaser (including all consideration which constitutes interest) assuming a varying rate per annum equal to the interest provided pursuant to this Agreement at all times in effect, PLUS the amount of fees which would have been received but for the effect of this SUBSECTION (D). For purposes of Article 5069-1.04, Vernon's Texas Civil Statutes, as amended, to the extent, if any, applicable to the Purchaser, the Seller agrees that the Highest Lawful Rate for Purchaser shall be the "indicated (weekly) rate ceiling" as defined in said Article, provided that Purchaser may also rely, to the extent permitted by applicable laws, on alternative maximum rates of interest under other laws applicable to Purchaser if greater. To the extent that Texas law shall be applicable to the determination of the Highest Lawful Rate of Purchaser, the provisions of Chapter 15 of Subtitle 3, Title 79 of the Revised Civil Statutes of Texas, 1925, as amended, shall not apply to this Agreement.

Section I.7. DIVIDING OR COMBINING PORTIONS OF THE INVESTMENT OF THE PARTICIPATION. The Seller may, on the last day of any Yield Period, either (i) divide the Investment of the Participation into two or more portions (each, a "PORTION OF INVESTMENT") equal, in aggregate, to the Investment of the Participation, PROVIDED that after giving effect to such division the amount of each such Portion of Investment shall be not less than \$1,000,000, or (ii) combine any two or more Portions of Investment outstanding on such last day and having Yield Periods ending on such last day into a single Portion of Investment equal to the aggregate of the Investment of such Portions of Investment.

Section I.8. INCREASED COSTS. (a) If the Agent, the Purchaser, any Liquidity Bank, any other Program Support Provider or any of their respective Affiliates (each an "AFFECTED PERSON") reasonably determines that the existence of or compliance with (i) any law or regulation or any change therein or in the interpretation or application thereof, in each case adopted, issued or occurring after the date hereof or (ii) any request, guideline or directive from any central bank or other Governmental Authority (whether or not having the force of law) issued or occurring after the date of this Agreement affects or would affect the amount of capital required or expected to be maintained by such Affected Person and such Affected Person determines that the amount of such capital is increased by or based upon the existence of any commitment to make purchases of or otherwise to maintain the investment in Pool Receivables related to this Agreement or any related liquidity facility or credit enhancement facility and other commitments of the same type, then, upon demand by such Affected Person (with a copy to the Agent), the Seller shall within 15 days of demand pay to the Agent, for the account of such Affected Person, from time to time as specified by such Affected Person, additional amounts sufficient and reasonably calculated to compensate such Affected Person in the light of such circumstances, to the extent that such Affected Person reasonably determines such increase in capital to be allocable to the existence of any of such commitments. A certificate as to such amounts submitted to the Seller and the Agent by such Affected Person shall be conclusive and binding for all purposes absent manifest error.

(b) If, due to either (i) the introduction of or any change (other than any change by way of imposition or increase of reserve requirements referred to in SECTION 1.9) in or in the interpretation of any law or regulation or (ii) compliance with any guideline or request from any central bank or other Governmental Authority (whether or not having the force of law), there shall be any increase in the cost to any Affected Person of agreeing to purchase or purchasing, or maintaining the ownership of the Participation in respect of which Discount is computed by reference to the Eurodollar Rate, then, upon demand by such Affected Person, the Seller shall immediately pay to such Affected Person, from time to time as specified, additional amounts sufficient to compensate such Affected Person for such increased costs. A certificate as to such amounts submitted to the Seller by such Affected Person shall be conclusive and binding for all purposes absent manifest error.

(c) Each Affected Person will notify Seller and the Agent promptly after it has received official notice of any event occurring after the date hereof which will entitle such Affected Person to such additional amounts as compensation pursuant to this SECTION 1.8. Such additional amounts shall accrue from the date as to which such Affected Person becomes subject to such additional costs as a result of such event (or if such notice of such event is not given to Seller by such Affected Person within 90 days after such Affected Person received such official notice of such event, from the date which is 90 days prior to the date such notice is given to Seller by such Affected Person).

Section I.9. REQUIREMENTS OF LAW. (a) In the event that any Affected Person reasonably determines that the existence of or compliance with (i) any law or regulation or any change therein or in the interpretation or application thereof, in each case adopted, issued or occurring after the date hereof or (ii) any request, guideline or directive from any central bank or other Governmental Authority (whether or not having the force of law) issued or occurring after the date of this Agreement:

(i) does or shall subject such Affected Person to any tax of any kind whatsoever with respect to this Agreement, any increase in the Participation or in the amount of Investment relating thereto, or does or shall change the basis of taxation of payments to such Affected Person on account of Collections, Discount or any other amounts payable hereunder (excluding taxes imposed on the overall net income or gross receipts of such Affected Person, and franchise taxes imposed on such Affected Person, by the jurisdiction under the laws of which such Affected Person is organized or a political subdivision thereof);

(ii) does or shall impose, modify or hold applicable any reserve, special deposit, compulsory loan or similar requirement against assets held by, or deposits or other liabilities in or for the account of, purchases, advances or loans by, or other credit extended by, or any other acquisition of funds by, any office of such Affected Person which are not otherwise included in the determination of the Eurodollar Rate or the Base Rate hereunder; or

(iii) does or shall impose on such Affected Person any other condition;

and the result of any of the foregoing is (x) to increase the cost to such Affected Person of acting as Agent, or of agreeing to purchase or purchasing or maintaining the ownership of undivided ownership interests with regard to the Participation (or interests therein) or any Portion of Investment in respect of which Discount is computed by reference to the Eurodollar Rate or the Base Rate or (y) to reduce any amount receivable hereunder (whether directly or indirectly) funded or maintained by reference to the Eurodollar Rate or the Base Rate, then, in any such case, within 15 days demand by such Affected Person the Seller shall pay such Affected Person any additional amounts sufficient and reasonably calculated to compensate such Affected Person for such additional cost or reduced amount receivable; provided, however, that such amount shall be reduced by the net amount of any offsetting tax benefit which such Affected Person receives as a result of such additional cost. All such amounts shall be payable as incurred. A certificate from such Affected Person to the Seller certifying, in reasonably specific detail, the basis for, calculation of, and amount of such additional costs or reduced amount receivable shall be conclusive in the absence of manifest error; PROVIDED, however, that no Affected Person shall be required to disclose any confidential or tax planning information in any such certificate.

(b) Each Affected Person will notify Seller and the Agent promptly after it has received official notice of any event occurring after the date hereof which will entitle such Affected Person to such additional amounts as compensation pursuant to this SECTION 1.9. Such additional amounts shall accrue from the date as to which such Affected Person becomes subject to such additional costs as a result of such event (or if such notice of such event is not given to Seller by such Affected Person within 90 days after such Affected Person received such official notice of such event, from the date which is 90 days prior to the date such notice is given to Seller by such Affected Person).

Section I.10. INABILITY TO DETERMINE EURODOLLAR RATE. In the event that the Agent shall have determined prior to the first day of any Yield Period (which determination shall be conclusive and binding upon the parties hereto) by reason of circumstances affecting the interbank Eurodollar market, either (a) dollar deposits in the relevant amounts and for the relevant Yield Period are not available, (b) adequate and reasonable means do not exist for ascertaining the Eurodollar Rate for such Yield Period or (c) the Eurodollar Rate determined pursuant hereto does not accurately reflect the cost to the Purchaser (as conclusively determined by the Agent) of maintaining any Portion of Investment during such Yield Period, the Agent shall promptly give telephonic notice of such determination, confirmed in writing, to the Seller prior to the first day of such Yield Period. Upon delivery of such notice (a) no Portion of Investment shall be funded thereafter at the Bank Rate determined by reference to the Eurodollar Rate, unless and until the Agent shall have given notice to the Seller that the circumstances giving rise to such determination no longer exist, and (b) with respect to any outstanding Portions of Investment then funded at the Bank Rate determined by reference to the Eurodollar Rate, such Bank Rate shall automatically be converted to the Bank Rate determined by reference to the Base Rate at the respective last days of the then-current Yield Periods relating to such Portions of Investment.

ARTICLE II.

REPRESENTATIONS AND WARRANTIES; COVENANTS; TERMINATION EVENTS

Section II.1. REPRESENTATIONS AND WARRANTIES; COVENANTS. The Seller hereby makes the representations and warranties, and hereby agrees to perform and observe the covenants, set forth in EXHIBITS III and IV, respectively hereto.

Section II.2. TERMINATION EVENTS. If any of the Termination Events set forth in EXHIBIT V hereto shall occur and be continuing, the Agent may, by notice to the Seller, declare the Facility Termination Date to have occurred (in which case the Facility Termination Date shall be deemed to have occurred); PROVIDED that, automatically upon the occurrence of any event (without any requirement for the passage of time or the giving of notice) described in SUBSECTION (G), (I) or (K) of EXHIBIT V, the Facility Termination Date shall occur. Upon any such declaration, occurrence or deemed occurrence of the Facility Termination Date, the Purchaser and the Agent shall have, in addition to the rights and remedies which they may have under this Agreement, all other rights and remedies provided after default under the UCC and under other applicable law, which rights and remedies shall be cumulative.

ARTICLE III.
INDEMNIFICATION

Section III.1. (a) INDEMNITIES BY THE SELLER. Without limiting any other rights that the Agent or the Purchaser or any of their respective Affiliates, employees, agents, successors, transferees or assigns (each, an "INDEMNIFIED PARTY") may have hereunder or under applicable law, the Seller hereby agrees to indemnify each Indemnified Party from and against any and all claims, damages, expenses, losses and liabilities (including Attorney Costs) (all of the foregoing being collectively referred to as "INDEMNIFIED AMOUNTS") arising out of or resulting from this Agreement or other Transaction Documents (whether directly or indirectly) or the use of proceeds of purchases or reinvestments or the ownership of the Participation, or any interest therein, or in respect of any Receivable or any Contract, excluding, however, (a) Indemnified Amounts to the extent resulting from gross negligence or willful misconduct on the part of such Indemnified Party, (b) recourse (except as otherwise specifically provided in this Agreement) for uncollectible Receivables to be written off consistent with the Credit and Collection Policy, or (c) any overall gross receipts or net income taxes or franchise taxes imposed on such Indemnified Party by the jurisdiction under the laws of which such Indemnified Party is organized or any political subdivision thereof. Without limiting or being limited by the foregoing, and subject to the exclusions set forth in the preceding sentence, the Seller shall pay on demand to each Indemnified Party any and all amounts necessary to indemnify such Indemnified Party from and against any and all Indemnified Amounts relating to or resulting from any of the following:

(i) the failure of any Receivable included in the calculation of the Net Receivables Pool Balance as an Eligible Receivable to be an Eligible Receivable, the failure of any information contained in a Servicer Report to be true and correct, or the failure of any other information provided to the Purchaser or the Agent with respect to Receivables or this Agreement to be true and correct;

(ii) the failure of any representation or warranty or statement made or deemed made by the Seller (or any of its officers) under or in connection with this Agreement to have been true and correct in all respects when made;

(iii) the failure by the Seller to comply with any applicable law, rule or regulation with respect to any Pool Receivable or the related Contract; or the failure of any Pool Receivable or the related Contract to conform to any such applicable law, rule or regulation;

(iv) the failure to vest in the Purchaser a valid and enforceable (A) perfected undivided percentage ownership interest, to the extent of the Participation, in the Receivables in, or purporting to be in, the Receivables Pool and the Related Security and Collections with respect thereto and (B) first priority perfected security interest in the items described in SECTION 1.2(D), in each case, free and clear of any Adverse Claim;

(v) the failure to have filed, or any delay in filing, financing statements or other similar instruments or documents under the UCC of any applicable jurisdiction or other applicable laws with respect to any Receivables in, or purporting to be in, the Receivables Pool and the Related Security and Collections in respect thereof, whether at the time of any purchase or reinvestment or at any subsequent time;

(vi) any dispute, claim, offset or defense (other than discharge in bankruptcy or similar insolvency proceeding of the Obligor) of the Obligor to the payment of any Receivable in, or purporting to be in, the Receivables Pool (including, without limitation, a defense based on such Receivable or the related Contract not being a legal, valid and binding obligation of such Obligor enforceable against it in accordance with its terms), or any other claim resulting from the sale of the goods or services related to such Receivable or the furnishing or failure to furnish such goods or services or relating to collection activities with respect to such Receivable (if such collection activities were performed by the Seller or any of its Affiliates acting as Servicer or by any agent or independent contractor retained by the Seller or any of its Affiliates);

(vii) any failure of the Seller to perform its duties or obligations in accordance with the provisions hereof or to perform its duties or obligations under the Contracts;

(viii) any products liability or other claim, investigation, litigation or proceeding arising out of or in connection with merchandise, insurance or services which are the subject of any Contract;

(ix) the commingling of Collections of Pool Receivables at any time with other funds;

(x) any investigation, litigation or proceeding related to this Agreement or the use of proceeds of purchases or reinvestments or the ownership of the Participation or in respect of any Receivable, Related Security or Contract;

(xi) any reduction in Investment as a result of the distribution of Collections pursuant to SECTION 1.4(E)(IV), in the event that all or a portion of such distributions shall thereafter be rescinded or otherwise must be returned for any reason; or

(xii) any tax or governmental fee or charge (other than any tax upon or measured by net income or gross receipts or franchise tax), all interest and penalties thereon or with respect thereto, and all reasonable out-of-pocket costs and expenses, including the reasonable fees and expenses of counsel in defending against the same, which may arise by reason of the purchase or ownership of the Participation, or other interests in the Receivables Pool or in any Related Security or Contract.

(b) INDEMNITY BY THE SERVICER. Without limiting any other rights which any such person may have hereunder under applicable law, Servicer hereby agrees to indemnify each Indemnified Party, forthwith on demand, from and against any and all Indemnified Amounts awarded against or incurred by any of them arising out of or relating to:

(i) any representation or warranty made by Servicer under or in connection with any Transaction Document or any information or report delivered by or on behalf of Servicer pursuant hereto, which shall have been false, incorrect or misleading in any material respect when made or deemed made;

(ii) the failure by Servicer to comply with any applicable law, rule or regulation (including truth in lending, fair credit billing, usury, fair credit reporting, equal credit opportunity, fair debt collection practices and privacy) with respect to any Pool Receivable or other related Contract; or

(iii) any failure of Servicer to perform its duties, covenants and obligations in accordance with the applicable provisions of this Agreement.

ARTICLE IV.

ADMINISTRATION AND COLLECTIONS

Section IV.1. APPOINTMENT OF SERVICER.

(a) The servicing, administering and collection of the Pool Receivables shall be conducted by the Person so designated from time to time as Servicer in accordance with this SECTION 4.1. Upon (but not prior to), the occurrence of a Termination Event, the Agent may designate as Servicer any Person (including itself) to succeed the Servicer or any successor Servicer, on the condition in each case that any such Person so designated shall agree to perform the duties and obligations of the Servicer pursuant to the terms hereof. Until the Agent gives notice to the Seller and Pilgrim's Pride (in accordance with this SECTION 4.1) of the designation of a new Servicer, Pilgrim's Pride is hereby designated as, and hereby agrees to perform the duties and obligations of, the Servicer pursuant to the terms hereof.

(b) Upon the designation of a successor Servicer as set forth in SECTION 4.1(A) hereof, the Servicer agrees that it will terminate its activities as Servicer hereunder in a manner which the Agent determines will facilitate the transition of the performance of such activities to the new Servicer, and the Servicer shall cooperate with and assist such new Servicer. Such cooperation shall include (without limitation) access to and transfer of records and use by the new Servicer of all licenses or software necessary or desirable to collect the Pool Receivables and the Related Security.

(c) The Servicer acknowledges that, in making their decision to execute and deliver this Agreement, the Agent and the Purchaser have relied on the Servicer's agreement to act as Servicer hereunder. Accordingly, the Servicer agrees that it will not voluntarily resign as Servicer.

(d) The Servicer may delegate its duties and obligations hereunder to any subservicer (each, a "SUB-SERVICER"); provided that, in each such delegation (i) such Sub-Servicer shall agree in writing, to perform the duties and obligations of the Servicer pursuant to the terms hereof, (ii) the Servicer shall remain primarily liable to the Purchaser and the Agent for the performance of the duties and obligations so delegated, (iii) the Seller, the Agent and the Purchaser shall have the right to look solely to the Servicer for performance and (iv) the terms of any agreement with any Sub-Servicer shall provide that the Agent may terminate such agreement upon the termination of the Servicer hereunder by giving notice of its desire to terminate such agreement to the Servicer (and the Servicer shall provide appropriate notice to such Sub-Servicer).

Section IV.2. DUTIES OF SERVICER. (a) The Servicer shall take or cause to be taken all such action as may be necessary or advisable to collect each Pool Receivable from time to time, all in accordance with this Agreement and all applicable laws, rules and regulations, with reasonable care and diligence, and in accordance with the Credit and Collection Policy. The Servicer shall set aside for the accounts of the Seller and the Purchaser the amount of the Collections to which each is entitled in accordance with ARTICLE I hereto. The Servicer may, in accordance with the Credit and Collection Policy, extend the maturity of any Pool Receivable (but not beyond thirty (30) days) and extend the maturity or adjust the Outstanding Balance of any Defaulted Receivable as the Servicer may determine to be appropriate to maximize Collections thereof; PROVIDED, HOWEVER, that (i) such extension or adjustment shall not alter the status of such Pool Receivable as a Delinquent Receivable or a Defaulted Receivable or limit the rights of the Purchaser or the Agent under this Agreement and (ii) if a Termination Event has occurred and is continuing and Pilgrim=s Pride or any of its Affiliates is still serving as Servicer, the Servicer may make such extension or adjustment only upon the prior written approval of the Agent. The Seller shall deliver to the Servicer and the Servicer shall hold for the benefit of the Seller and the Agent (for the benefit of the Purchaser and individually) in accordance with their respective interests, all records and documents (including without limitation computer tapes or disks) with respect to each Pool Receivable. Notwithstanding anything to the contrary contained herein, the Agent may direct the Servicer to commence or settle any legal action to enforce collection of any Pool Receivable or to foreclose upon or repossess any Related Security; PROVIDED, HOWEVER, that no such direction may be given unless a Termination Event has occurred.

(b) The Servicer's obligations hereunder shall terminate on the Final Payout Date. After such termination the Servicer shall promptly deliver to the Seller all books, records and related materials that the Seller previously provided to the Servicer in connection with this Agreement.

Section IV.3. ESTABLISHMENT AND USE OF CERTAIN ACCOUNTS.

(a) LOCK-BOX ACCOUNTS. Prior to the initial purchase hereunder, the Seller shall enter into Lock-Box Agreements establishing the Lock-Box Accounts listed on SCHEDULE II with all of the Lock-Box Banks, and deliver original counterparts thereof to the Agent.

(b) COLLECTION ACCOUNT. The Servicer agrees to establish the Collection Account on or before the date of the first purchase hereunder. The Collection Account shall be used to accept the transfer of Collections of Pool Receivables from the Lock-Box Accounts pursuant to SECTION 1.4(B) and for such other purposes described in the Transaction Documents.

(c) LIQUIDATION ACCOUNT. The Servicer agrees to establish the Liquidation Account on or before the date of the first purchase hereunder. The Liquidation Account shall be used to receive transfers of certain amounts of the Purchaser's share of Collections of Pool Receivables prior to the Settlement Dates and for such other purposes described in the Transaction Documents. No funds other than those transferred in accordance with SECTION 1.4 shall be intentionally transferred into the Liquidation Account.

(d) PERMITTED INVESTMENTS. Any amounts in the Liquidation Account or the Collection Account, as the case may be, may be invested by the Liquidation Account Bank or Collection Account Bank, respectively, at Servicer's direction, in Permitted Investments, so long as Purchaser's interest in such Permitted Investments is perfected and such Permitted Investments are subject to no Adverse Claims other than those of the Purchaser provided hereunder.

(e) CONTROL OF LOCK-BOX ACCOUNTS. The Agent may at any time following the occurrence and during the continuance of a Termination Event give notice to each Lock-Box Bank, the Collection Account Bank and the Liquidation Account Bank that the Agent is exercising its rights under the Lock-Box Agreements, the Collection Account Agreement and the Liquidation Account Agreement to do any or all of the following: (i) to have the exclusive ownership and control of the Lock-Box Accounts to the extent provided in the related Lock-Box Agreement, the Collection Account and the Liquidation Account transferred to the Agent and to exercise exclusive dominion and control over the funds deposited therein, (ii) to have the proceeds that are sent to the respective Lock-Box Accounts be redirected pursuant to its instructions rather than deposited in the applicable Lock-Box Account, and (iii) to take any or all other actions permitted under the applicable Lock-Box Agreement, the Collection Account Agreement and the Liquidation Account Agreement. The Seller hereby agrees that if the Agent at any time takes any action set forth in the preceding sentence, the Agent shall have exclusive control of the proceeds (including Collections) of all Pool Receivables and the Seller hereby further agrees to take any other action that the Agent may reasonably request to transfer such control. Any proceeds of Pool Receivables received by the Seller or the Servicer, thereafter shall be sent immediately to the Agent. The parties hereto hereby acknowledge that if at any time the Agent takes control of any Lock-Box Account, the Collection Account and the Liquidation Account, the Agent shall not have any rights to the funds therein in excess of the unpaid amounts due to the Agent, the Purchaser or any other Person hereunder.

Section IV.4. ENFORCEMENT RIGHTS. (a) At any time following the occurrence and during the continuance of a Termination Event:

(i) the Agent may direct the Obligors that payment of all amounts payable under any Pool Receivable be made directly to the Agent or its designee;

(ii) the Agent may instruct the Seller or the Servicer to give notice of the Purchaser's interest in Pool Receivables to each Obligor, which notice shall direct that payments be made directly to the Agent or its designee, and upon such instruction from the Agent the Seller or the Servicer, as applicable, shall give such notice at the expense of the Seller; PROVIDED, that if the Seller or the Servicer fails to so notify each Obligor, the Agent may so notify the Obligors; and

(iii) the Agent may request the Seller or the Servicer to, and upon such request the Seller or the Servicer, as applicable, shall, (A) assemble all of the records necessary or desirable to collect the Pool Receivables and the Related Security, and transfer or license to any new Servicer the use of all software necessary or desirable to collect the Pool Receivables and the Related Security, and make the same available to the Agent or its designee at a place selected by the Agent, and (B) segregate all cash, checks and other instruments received by it from time to time constituting Collections with respect to the Pool Receivables in a manner acceptable to the Agent and, promptly upon receipt, remit all such cash, checks and instruments, duly endorsed or with duly executed instruments of transfer, to the Agent or its designee.

(b) The Seller hereby authorizes the Agent, and irrevocably appoints the Agent as its attorney-in-fact with full power of substitution and with full authority in the place and stead of the Seller, which appointment is coupled with an interest, to take after the occurrence and during the continuance of a Termination Event any and all steps in the name of the Seller and on behalf of the Seller necessary or desirable, in the determination of the Agent, to collect any and all amounts or portions thereof due under any and all Pool Receivables or Related Security, including, without limitation, endorsing the name of the Seller on checks and other instruments representing Collections and enforcing such Pool Receivables, Related Security and the related Contracts. Notwithstanding anything to the contrary contained in this SUBSECTION (B), none of the powers conferred upon such attorney-in-fact pursuant to the immediately preceding sentence shall subject such attorney-in-fact to any liability if any action taken by it shall prove to be inadequate or invalid, nor shall they confer any obligations upon such attorney-in-fact in any manner whatsoever, except to the extent arising out of the negligence or willful misconduct of such attorney-in-fact.

Section IV.5. RESPONSIBILITIES OF THE SELLER. Anything herein to the contrary notwithstanding, the Seller shall (i) perform all of its obligations, if any, under the Contracts related to the Pool Receivables to the same extent as if interests in such Pool Receivables had not been transferred hereunder, and the exercise by the Agent or the Purchaser of its rights hereunder shall not relieve the Seller from such obligations and (ii) pay when due any taxes, including, without limitation, any sales taxes payable in connection with the Pool Receivables and their creation and satisfaction. The Agent and the Purchaser shall not have any obligation or liability with respect to any Pool Receivable, any Related Security or any related Contract, nor shall any of them be obligated to perform any of the obligations of the Seller under any of the foregoing.

Section IV.6. SERVICING FEE. The Servicer shall be paid a fee, through distributions contemplated by SECTION 1.4(D), equal to 0.50% PER ANNUM of the average outstanding Net Receivables Pool Balance.

ARTICLE V.

MISCELLANEOUS

Section V.1. AMENDMENTS, ETC. No amendment or waiver of any provision of this Agreement or consent to any departure by the Seller or Servicer therefrom shall be effective unless in a writing signed by the Agent, and, in the case of any amendment, by the Seller and the Servicer and then such amendment, waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; PROVIDED, HOWEVER, that no such material amendment shall be effective until the Rating Agencies have notified the Servicer and the Agent in writing that such action will not result in a reduction or withdrawal of the rating of any Notes. No failure on the part of the Purchaser or Agent to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right.

Section V.2. NOTICES, ETC. All notices and other communications hereunder shall, unless otherwise stated herein, be in writing (which shall include facsimile communication) and sent or delivered, to each party hereto, at its address set forth under its name on the signature pages hereof or at such other address as shall be designated by such party in a written notice to the other parties hereto. Notices and communications by facsimile shall be effective when sent (and shall be followed by hard copy sent by first class mail), and notices and communications sent by other means shall be effective when received.

Section V.3. ASSIGNABILITY. (a) This Agreement and the Purchaser's rights and obligations herein (including ownership of the Participation) shall be assignable, in whole or in part, by the Purchaser and its successors and assigns with the prior written consent of the Seller; PROVIDED, HOWEVER, that such consent shall not be unreasonably withheld; and PROVIDED, FURTHER, that no such consent shall be required if the assignment is made to any Affiliate of the Purchaser, any Liquidity Bank or other Program Support Provider or any Person which is (i) in the business of issuing Notes (including, without limitation, PAR) and (ii) associated with or administered by the Agent or any Affiliate of the Agent (each such Person, a "NOTE ISSUER"). Each assignor may, in connection with the assignment, disclose to the applicable assignee any information relating to the Seller or the Pool Receivables furnished to such assignor by or on behalf of the Seller, the Purchaser or the Agent.

Upon the assignment of such rights and obligations by the Purchaser in accordance with this SECTION 5.3, the assignee receiving such assignment shall have all of the rights of the Purchaser with respect to the Transaction Documents and the Investment (or such portion thereof as has been assigned).

(b) The Purchaser may at any time grant to one or more banks or other institutions (each a "LIQUIDITY BANK") party to the Liquidity Agreement or to any other Program Support Provider participating interests or security interests in the Participation. In the event of any such grant by the Purchaser of a participating interest to a Liquidity Bank or other Program Support Provider, the Purchaser shall remain responsible for the performance of its obligations hereunder. The Seller agrees that each Liquidity Bank or other Program Support Provider shall be entitled to the benefits of SECTIONS 1.8, 1.9 and 1.10.

(c) This Agreement and the rights and obligations of the Agent hereunder shall be assignable, in whole or in part, by the Agent and its successors and assigns; PROVIDED HOWEVER, if such assignment is to a Person other than an Affiliate of the Agent or its successors and assigns, then such assignment shall require the prior consent of the Seller (which consent shall not be unreasonably withheld).

(d) Except as provided in SECTION 4.1(D), neither the Seller nor the Servicer may assign its rights or delegate its obligations hereunder or any interest herein without the prior written consent of the Agent.

(e) Without limiting any other rights that may be available under applicable law, the rights of the Purchaser may be enforced through it or by its agents.

Section V.4. COSTS, EXPENSES AND TAXES. () In addition to the rights of indemnification granted under SECTION 3.1 hereof, the Seller agrees to pay on demand all reasonable costs and expenses in connection with the preparation, execution, delivery and administration (including periodic auditing of Pool Receivables) of this Agreement, the Liquidity Agreement, and the other documents and agreements to be delivered hereunder, including all reasonable costs and expenses relating to the amending, amending and restating, modifying or supplementing of this Agreement, the Liquidity Agreement and the other documents and agreements to be delivered hereunder and the waiving of any provisions thereof, and including in all cases, without limitation, Attorney Costs for the Agent, the Purchaser and their respective Affiliates and agents with respect thereto and with respect to advising the Agent, the Purchaser and their respective Affiliates and agents as to their rights and remedies under this Agreement and the other Transaction Documents, and all reasonable costs and expenses, if any (including Attorney Costs), of the Agent, the Purchaser and their respective Affiliates and agents, in connection with the enforcement of this Agreement and the other Transaction Documents.

(b) In addition, the Seller shall pay on demand any and all stamp and other taxes and fees payable in connection with the execution, delivery, filing and recording of this Agreement or the other documents or agreements to be delivered hereunder (other than taxes payable on the gross receipts or income of any Indemnified Party), and agrees to save each Indemnified Party harmless from and against any liabilities with respect to or resulting from any delay in paying or omission to pay such taxes and fees.

Section V.5. NO PROCEEDINGS; LIMITATION ON PAYMENTS. Each of the Seller, the Servicer, the Agent, each assignee of the Participation or any interest therein, and each Person which enters into a commitment to purchase the Participation or interests therein, hereby covenants and agrees that it will not institute against, or join any other Person in instituting against, any Note Issuer (including PAR), any bankruptcy, reorganization, arrangement, insolvency or liquidation proceeding, or other proceeding under any federal or state bankruptcy or similar law, for one year and one day after the latest maturing Note issued by any such Note Issuer is paid in full.

Section V.6. CONFIDENTIALITY. Unless otherwise required by applicable law (including the disclosure requirement of applicable securities laws), the Seller agrees to maintain the confidentiality of this Agreement and the other Transaction Documents (and all drafts thereof) in communications with third parties and otherwise; PROVIDED that this Agreement may be disclosed to (a) third parties to the extent such disclosure is made pursuant to a written agreement of confidentiality in form and substance reasonably satisfactory to the Agent and (b) the Seller's legal counsel and auditors if they agree to hold it confidential; PROVIDED that only the terms and conditions of this agreement may be revealed to such parties and not the details of any fees, pricing or interest rates.

Section V.7. GOVERNING LAW AND JURISDICTION.

(a) THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF TEXAS (WITHOUT GIVING EFFECT TO THE CONFLICT OF LAWS PRINCIPLES THEREOF), EXCEPT TO THE EXTENT THAT THE PERFECTION (OR THE EFFECT OF PERFECTION OR NON-PERFECTION) OF THE INTERESTS OF THE PURCHASER IN THE POOL RECEIVABLES AND THE OTHER ITEMS DESCRIBED IN SECTION 1.2(D) IS GOVERNED BY THE LAWS OF A JURISDICTION OTHER THAN THE STATE OF TEXAS.

(b) ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT MAY BE BROUGHT IN THE COURTS OF THE STATE OF ILLINOIS OR OF THE UNITED STATES FOR THE NORTHERN DISTRICT OF ILLINOIS, AND BY EXECUTION AND DELIVERY OF THIS AGREEMENT, EACH OF THE PURCHASER, THE SELLER, THE SERVICER AND THE AGENT CONSENTS, FOR ITSELF AND IN RESPECT OF ITS PROPERTY, TO THE NON-EXCLUSIVE JURISDICTION OF THOSE COURTS. EACH OF THE PURCHASER, THE SELLER, THE SERVICER AND THE AGENT IRREVOCABLY WAIVES, TO THE MAXIMUM EXTENT PERMITTED BY LAW, ANY OBJECTION, INCLUDING ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY ACTION OR PROCEEDING IN SUCH JURISDICTION IN RESPECT OF THIS AGREEMENT OR ANY DOCUMENT RELATED HERETO. THE PURCHASER, THE SELLER, THE SERVICER AND THE AGENT EACH WAIVE PERSONAL SERVICE OF ANY SUMMONS, COMPLAINT OR OTHER PROCESS, WHICH MAY BE MADE BY ANY OTHER MEANS PERMITTED BY ILLINOIS LAW.

Section V.8. EXECUTION IN COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same agreement.

Section V.9. SURVIVAL OF TERMINATION. The provisions of SECTIONS 1.8, 1.9, 1.10, 3.1, 5.4, 5.5, 5.6, 5.7 and 5.10 shall survive any termination of this Agreement.

Section V.10. WAIVER OF JURY TRIAL. THE PURCHASER, THE SELLER, THE SERVICER AND THE AGENT EACH WAIVE THEIR RESPECTIVE RIGHTS TO A TRIAL BY JURY OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY, IN ANY ACTION, PROCEEDING OR OTHER LITIGATION OF ANY TYPE BROUGHT BY ANY OF THE PARTIES AGAINST ANY OTHER PARTY OR PARTIES, WHETHER WITH RESPECT TO CONTRACT CLAIMS, TORT CLAIMS OR OTHERWISE. THE PURCHASER, THE SELLER, THE SERVICER AND THE AGENT EACH AGREE THAT ANY SUCH CLAIM OR CAUSE OF ACTION SHALL BE TRIED BY A COURT TRIAL WITHOUT A JURY. WITHOUT LIMITING THE FOREGOING, EACH OF THE PARTIES HERETO FURTHER AGREES THAT ITS RESPECTIVE RIGHT TO A TRIAL BY JURY IS WAIVED BY OPERATION OF THIS SECTION AS TO ANY ACTION, COUNTERCLAIM OR OTHER PROCEEDING WHICH SEEKS, IN WHOLE OR IN PART, TO CHALLENGE THE VALIDITY OR ENFORCEABILITY OF THIS AGREEMENT OR ANY PROVISION HEREOF. THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT.

Section V.11. ENTIRE AGREEMENT. THIS AGREEMENT AND THE OTHER TRANSACTION DOCUMENTS EMBODIES THE ENTIRE AGREEMENT AND UNDERSTANDING BETWEEN THE PURCHASER, THE SELLER, THE SERVICER AND THE AGENT, AND SUPERSEDES ALL PRIOR OR CONTEMPORANEOUS AGREEMENTS AND UNDERSTANDINGS OF SUCH PERSONS, VERBAL OR WRITTEN, RELATING TO THE SUBJECT MATTER HEREOF AND THEREOF.

Section V.12. HEADINGS. The captions and headings of this Agreement and in any Exhibit hereto are for convenience of reference only and shall not affect the interpretation hereof or thereof.

Section V.13. PURCHASER'S LIABILITIES. The obligations of the Purchaser under this Agreement are solely the corporate obligations of the Purchaser. No recourse shall be had for any obligation or claim arising out of or based upon this Agreement against any stockholder, employee, officer, director or incorporator of the Purchaser; PROVIDED, HOWEVER, that this SECTION 5.13 shall not relieve any such Person of any liability it might otherwise have for its own gross negligence or willful misconduct. The agreements provided in this SECTION 5.13 shall survive termination of this Agreement.

(continued on following page)

IN WITNESS WHEREOF, the parties have caused this Agreement 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:

Name:
Title:

110 S. Texas Street
Pittsburg, Texas 75686
Attention: Clifford E. Butler
Telephone: (903)855-1000
Facsimile: (903)855-4934

PILGRIM'S PRIDE CORPORATION,
as initial Servicer

By:

Name:
Title:

110 S. Texas Street
Pittsburg, Texas 75686
Attention: Clifford E. Butler
Telephone: (903)855-1000
Facsimile: (903)855-4934

NESBITT BURNS SECURITIES INC., as Agent

By:

Name:
Title:

By:

Name:
Title:

111 West Monroe Street
Chicago, Illinois 60603
Attention: David J. Kucera
Telephone: (312) 461-3893
Facsimile: (312) 461-6327

POOLED ACCOUNTS RECEIVABLE CAPITAL
CORPORATION, as Purchaser

By:

Name:
Title:

c/o Broad Street Contract Services, Inc.
Two Wall Street
New York, New York 10005
Attention: Dwight Jenkins
Telephone: (212) 346-9007
Facsimile: (212) 346-9012

EXHIBIT I

DEFINITIONS

As used in the Agreement (including its Exhibits), the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined). Unless otherwise indicated, all Section, Annex, Exhibit and Schedule references in this Exhibit are to Sections of and Annexes, Exhibits and Schedules to the Agreement.

"ADVERSE CLAIM" means a lien, security interest or other charge or encumbrance, or any other type of preferential arrangement, it being understood that a lien, security interest or other charge or encumbrance, or any other type of preferential arrangement, in favor of the Purchaser shall not constitute an Adverse Claim.

"AFFECTED PERSON" has the meaning set forth in SECTION 1.8.

"AFFILIATE" means, as to any Person, any other Person that, directly or indirectly, is in control of, is controlled by or is under common control with such Person or is a director or officer of such Person, except that with respect to the Purchaser, Affiliate shall mean the holder(s) of its capital stock.

"AGENT" has the meaning set forth in the preamble to the Agreement.

"APPLICABLE MARGIN" has the meaning set forth in the Fee Letter.

"ATTORNEY COSTS" means and includes all fees and disbursements of any law firm or other external counsel, the allocated cost of internal legal services and all disbursements of internal counsel, to be paid as set forth in the Fee Letter.

"AVERAGE MATURITY" means at any time that period of days equal to the average days sales outstanding of the Pool Receivables calculated by the Servicer in the then most recent Servicer Report; PROVIDED, that if the Agent shall disagree with any such calculation, the Agent may reasonably recalculate such Average Maturity, and any such recalculation upon disclosure to Servicer and Seller shall be prima facie evidence of such Average Maturity.

"BANK OF MONTREAL" means Bank of Montreal, a Canadian chartered bank.

"BANK RATE" for any Yield Period for any Portion of Investment of the Participation means an interest rate PER ANNUM equal to the Applicable Margin above the Eurodollar Rate for such Yield Period; provided, further, that in the case of

(i) any Yield Period on or prior to the first day of which the Agent shall have been notified by a Liquidity Bank or the Purchaser that the introduction of or any change in or in the interpretation of any law or regulation makes it unlawful, or any central bank or other Governmental Authority asserts that it is unlawful, for such Liquidity Bank or the Purchaser to fund any Portion of Investment (based on the Eurodollar Rate) set forth above (and such Liquidity Bank or the Purchaser, as applicable, shall not have subsequently notified the Agent that such circumstances no longer exist),

(ii) any Yield Period of one to (and including) 13 days,

(iii) any Yield Period as to which the Agent does not receive notice, by no later than 12:00 noon (Chicago time) on (w) the second Business Day preceding the first day of such Yield Period that the Seller desires that the related Portion of Investment be funded at the CP Rate, (x) the third Business Day preceding the first day of such Yield Period that the Seller desires that the related Portion of Investment be funded at the Bank Rate, or (y) the Seller has given the notice contemplated by clause (w) of this CLAUSE (III) and the Agent shall have notified the Seller that funding the related Portion of Investment at the CP Rate is unacceptable to the Purchaser, or

(iv) any Yield Period relating to a Portion of Investment which is less than \$1,000,000,

the "BANK RATE" for each such Yield Period shall be an interest rate per annum equal to the Base Rate in effect on each day of such Yield Period. Notwithstanding the foregoing, the "BANK RATE" for each day in a Yield Period occurring during the continuance of a Termination Event shall be an interest rate equal to 2% PER ANNUM above the Base Rate in effect on such day.

"BANKRUPTCY CODE" means the United States Bankruptcy Reform Act of 1978 (11 U.S.C. ' 101, ET SEQ.), as amended from time to time.

"BASE RATE" means for any day, a fluctuating interest rate per annum as shall be in effect from time to time, which rate shall be at all times equal to the rate of interest most recently announced by Bank of Montreal at its branch in Chicago, Illinois as its prime commercial rate for United States loans made in the United States.

"BUSINESS DAY" means any day on which (i) both (A) the Agent at its branch office in Chicago, Illinois is open for business and (B) commercial banks in New York City are not authorized or required to be closed for business, and (ii) if this definition of "Business Day" is utilized in connection with the Eurodollar Rate, dealings are carried out in the London interbank market.

"CHANGE IN CONTROL" means the occurrence of any of the following circumstances:

(a) any Person or two or more Persons acting in concert acquire beneficial ownership (within the meaning of Rule 13d-3 of the SEC under the Securities Exchange Act of 1934), directly or indirectly, of Securities of Pilgrim's Pride (or other Securities convertible into such Securities) representing 25% or more of the combined voting power of all Securities of entitled to vote in the election of directors;

(b) during any period of up to 12 consecutive months, whether commencing before or after the date hereof, the membership of the Board of Directors of Pilgrim's Pride changes for any reason (other than by reason of death, disability, or scheduled retirement) so that the majority of the Board of Directors is made up of Persons who were not directors at the beginning of such 12 month period; or

(c) Pilgrim's Pride ceases to own at least 100% of the outstanding capital stock of the Seller.

"CLOSING DATE" has the meaning set forth in SECTION 1.1 of the Purchase and Contribution Agreement.

"COLLECTION ACCOUNT" means that certain bank account maintained at Pilgrim Bank in Pittsburg, Texas which is (i) identified as the "PILGRIM'S PRIDE FUNDING CORPORATION COLLECTION ACCOUNT," (ii) pledged, on a first-priority basis, to the Purchaser pursuant to SECTION 1.2(D), and (iii) is governed by the Collection Account Agreement.

"COLLECTION ACCOUNT AGREEMENT" means a letter agreement, in the form of ANNEX C to the Agreement, among the Seller, the Agent and the Collection Account Bank, as the same may be amended, supplemented, amended and restated, or otherwise modified from time to time in accordance with the Agreement.

"COLLECTION ACCOUNT BANK" means the bank holding the Collection Account.

"COLLECTION DELAY PERIOD" means 0.5 times the Average Maturity or such other number of days as the Agent may from time to time select (after consultation with the Seller) upon three Business Days' notice to the Seller.

"COLLECTIONS" means, with respect to any Pool Receivable, (a) all funds which are received by the Seller or the Servicer in payment of any amounts owed in respect of such Receivable (including, without limitation, purchase price, finance charges, interest and all other charges), or applied to amounts owed in respect of such Receivable (including, without limitation, insurance payments and net proceeds of the sale or other disposition of repossessed goods or other collateral or property of the related Obligor or any other Person directly or indirectly liable for the payment of such Pool Receivable and available to be applied thereon), (b) all Collections deemed to have been received pursuant to SECTION 1.4(E) and (c) all other proceeds of such Receivable.

"COMMITMENT FEE" has the meaning set forth in the Fee Letter.

"COMPANY NOTE" has the meaning set forth in SECTION 3.2 of the Purchase and Contribution Agreement.

"CONCENTRATION PERCENTAGE" means, for any Obligor, the percentage equal to (a) the aggregate Outstanding Balances of all Eligible Receivables of such Obligor DIVIDED BY (b) the aggregate Outstanding Balances of all Eligible Receivables then in the Receivables Pool.

"CONTRACT" means, with respect to any Receivable, any and all contracts, understandings, instruments, agreements, invoices, notes, or other writings pursuant to which such Receivable arises or which evidences such Receivable or under which an Obligor becomes or is obligated to make payment in respect of such Receivable.

"CONTRIBUTED RECEIVABLES" shall have the meaning set forth in SECTION 3.1 of the Purchase and Contribution Agreement.

"CONTRIBUTED VALUE" has the meaning set forth in SECTION 3.4 of the Purchase and Contribution Agreement.

"CP RATE" for any Yield Period for any Portion of Investment of the Participation means, to the extent the Purchaser funds such Portion of Investment for such Yield Period by issuing Notes, a rate PER ANNUM equal to the sum of (i) the rate (or if more than one rate, the weighted average of the rates) at which Notes of the Purchaser having a term equal to such Yield Period and to be issued to fund such Portion of Investment may be sold by any placement agent or commercial paper dealer selected by the Agent on behalf of the Purchaser, as agreed between each such agent or dealer and the Agent and notified by the Agent to the Servicer; PROVIDED, that if the rate (or rates) as agreed between any such agent or dealer and the Agent with regard to any Yield Period for such Portion of Investment is a discount rate (or rates), then such rate shall be the rate (or if more than one rate, the weighted average of the rates) resulting from converting such discount rate (or rates) to an interest-bearing equivalent rate per annum, PLUS (ii) the commissions and charges charged by such placement agent or commercial paper dealer with respect to such Notes, expressed as a percentage of such face amount and converted to an interest-bearing equivalent rate PER ANNUM.

"CREDIT AND COLLECTION POLICY" means those receivables credit and collection policies and practices of the Servicer in effect on the date of the Agreement and described in SCHEDULE I hereto, as modified in compliance with the Agreement.

"DEBT" means (i) indebtedness for borrowed money, (ii) obligations evidenced by bonds, debentures, notes or other similar instruments, (iii) obligations to pay the deferred purchase price of property or services, (iv) obligations as lessee under leases which shall have been or should be, in accordance with generally accepted accounting principles, recorded as capital leases, (v) obligations under direct or indirect guaranties in respect of, and obligations (contingent or otherwise) to purchase or otherwise acquire, or otherwise to assure a creditor against loss in respect of, indebtedness or obligations of others of kinds referred to in CLAUSES (I) through (IV) above, and (vi) liabilities in respect of unfunded vested benefits under plans covered by Title IV of ERISA.

"DEFAULT RATIO" means the ratio (expressed as a percentage and rounded upward to the nearest 1/100 of 1%) computed as of the last day of each Fiscal Month by dividing (i) the aggregate Outstanding Balance of all Pool Receivables that became Defaulted Receivables during such Fiscal Month or that would have been Defaulted Receivables on such day had they not been written off the books of the Seller during such month by (ii) the Outstanding Balance of the Pool Receivables as of such day.

"DEFAULTED RECEIVABLE" means a Receivable:

(i) as to which any payment, or part thereof, remains unpaid for more than 75 days from the invoice date for such Receivable;

(ii) as to which the Obligor thereof or any other Person obligated thereon or owning any Related Security in respect thereof has taken any action, or suffered any event to occur, of the type described in PARAGRAPH (G) of EXHIBIT V hereto; or

(iii) which, consistent with the Credit and Collection Policy, would be written off the Seller's books as uncollectible.

"DELINQUENCY RATIO" means the ratio (expressed as a percentage and rounded upward to the nearest 1/100 of 1%) computed as of the last day of each Fiscal Month by dividing (i) the aggregate Outstanding Balance of all Pool Receivables that were Delinquent Receivables on such day by (ii) the aggregate Outstanding Balance of all Pool Receivables on such day.

"DELINQUENT RECEIVABLE" means a Receivable which is not a Defaulted Receivable and:

(i) as to which any payment, or part thereof, remains unpaid for more than 45 days from the invoice date for such Receivable; or

(ii) which, consistent with the Credit and Collection Policy, would be classified as delinquent by the Seller.

"DESIGNATED OBLIGOR" means, at any time, all Obligors except any Obligor as to which the Agent has given notice to Seller that such Obligor shall not be considered a Designated Obligor, such notice to become effective on the last day of the Fiscal Month in which such notice is given.

"DILUTION RATIO" means, for any Fiscal Month, the ratio (expressed as a percentage and rounded upwards to the nearest 1/100th of 1%) of (a) the extent to which the aggregate Outstanding Balance of all Pool Receivables during such period that have been reduced or adjusted as a result of any defective, rejected, returned, repossessed or foreclosed goods or services, or any discount or adjustment made by Seller or Servicer or any dispute between the Seller or the Servicer and an Obligor, to (b) the aggregate amount of Collections of Pool Receivables actually received during such period.

"DISCOUNT" means:

(i) for the Portion of Investment of the Participation for any Yield Period to the extent the Purchaser will be funding such Portion of Investment on the first day of such Yield Period through the issuance of Notes,

$$\text{CPR} \times \text{I} \times \text{ED} + \text{TF}$$

360

(ii) for the Portion of Investment of the Participation for any Yield Period to the extent the Purchaser will not be funding such Portion of Investment on the first day of such Yield Period through the issuance of Notes,

$$\text{BR} \times \text{I} \times \text{Year} + \text{TF}$$

where:

BR = the Bank Rate for the Portion of Investment of the Participation for such Yield Period

I = the Portion of Investment of the Participation during such Yield Period

CPR = the CP Rate for the Portion of Investment of the Participation for such Yield Period

ED = the actual number of days during such Yield Period

Year = if such Portion of Capital is funded based upon: (i) the Eurodollar Rate, 360 days, and (ii) the Base Rate, 365 or 366 days, as applicable

TF = the Termination Fee, if any, for the Portion of Investment of the Participation for such Yield Period

PROVIDED, HOWEVER, that during the occurrence and continuance of a Termination Event, the CP Rate shall not be available and Discount for each Portion of Capital shall be determined for each day in a Yield Period using a rate equal to the Base Rate in effect on such day plus 2.0%; PROVIDED, FURTHER, that no provision of the Agreement shall require the payment or permit the collection of Discount in excess of the maximum permitted by applicable law; and PROVIDED, FURTHER, that Discount for the Portion of Investment of the Participation shall not be considered paid by any distribution to the extent that at any time all or a portion of such distribution is rescinded or must otherwise be returned for any reason.

"DISCOUNT RESERVE" for the Participation at any time means (a) the sum of (i) the Termination Discount at such time for the Participation, and (ii) the then accrued and unpaid Discount for the Participation, divided by (b) 1 minus the Loss Reserve.

"DIVIDENDS" means any dividend or distribution (in cash or obligations) on any shares of any class of Seller=s capital stock or any warrants, options or other rights with respect to shares of any class of Seller=s capital stock.

"ELIGIBLE RECEIVABLES" means, at any time, Receivables:

(i the Obligor of which is (i) a United States resident, (ii) not a government or a governmental subdivision, affiliate or agency, (iii) not an Affiliate of Pilgrim=s Pride or any Affiliate of Pilgrim=s Pride, and (iv) not subject to an exchange agreement with the Originator;

(ii which are denominated and payable only in U.S. dollars in the United States;

(iii which have a stated maturity and which stated maturity is not more than 60 days after the date on which such Receivable was invoiced;

(iv which arise under a Contract which is in full force and effect and which is a legal, valid and binding obligation of the related Obligor, enforceable against such Obligor in accordance with its terms; except as enforceability may be limited by (i) bankruptcy, insolvency, reorganization or other similar laws affecting the enforcement of creditors' rights generally and by general principles of equity, regardless of whether such enforceability is considered in a proceeding in equity or at law or (ii) the availability of the remedy of specific performance or any other equitable remedies subject to the discretion of the courts;

(v which conform in all material respects with all applicable laws, rulings and regulations in effect;

(vi which are not the subject of any asserted dispute, offset, hold back defense, Adverse Claim or other claim and which do not arise from the sale of inventory which is subject to any Adverse Claim;

(vii which comply with the requirements of the Credit and Collection Policy;

(viii which arise from the sale and delivery of goods or services in the ordinary course of Seller=s business;

(ix which do not require the consent of the related Obligor to be sold or assigned;

(x which have not been modified or restructured since their creation, except as permitted pursuant to SECTION 4.2 of the Agreement;

(xi in which the Seller owns good and valid title and which are freely assignable by the Seller;

(xii for which the Purchaser shall have a valid and enforceable undivided percentage ownership interest, to the extent of the Participation, and a valid and enforceable first priority perfected security interest therein and in the Related Security and Collections with respect thereto, in each case free and clear of any Adverse Claim;

(xiii which constitute accounts (and the Purchaser has not informed the Seller that such account is not acceptable) as defined in the UCC, and which are not evidenced by instruments or chattel paper;

(xiv which are not Defaulted Receivables or Delinquent Receivables;

(xv the Obligor of which is not the Obligor of Defaulted Receivables in an aggregate amount in excess of 10% of the aggregate Outstanding Balance of all Receivables of such Obligor;

(xvi the Obligor of which is a Designated Obligor; and

(xvii which do not constitute "bill and hold" or "goods on consignment" receivables;

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and any successor statute of similar import, together with the regulations thereunder, in each case as in effect from time to time. References to sections of ERISA also refer to any successor sections.

"ERISA AFFILIATE" shall mean with respect to any Person, at any time, each trade or business (whether or not incorporated) that would, at the time, be treated together with such Person as a single employer under Section 4001 of ERISA or Sections 414(b), (c), (m) or (o) of the Code.

"EURODOLLAR RATE" means, for any Yield Period, an interest rate per annum (rounded upward to the nearest 1/100th of 1%) determined pursuant to the following formula:

$$\text{Eurodollar Rate} = \frac{\text{LIBOR}}{1.00 - \text{Eurodollar Reserve Percentage}}$$

Where,

"EURODOLLAR RESERVE PERCENTAGE" means, for any Yield Period, the maximum reserve percentage (expressed as a decimal, rounded upward to the nearest 1/100th of 1%) in effect on the date LIBOR for such Yield Period is determined under regulations issued from time to time by the Federal Reserve Board for determining the maximum reserve requirement (including any emergency, supplemental or other marginal reserve requirement) with respect to "Eurocurrency" funding (currently referred to as "Eurocurrency liabilities") having a term comparable to such Yield Period; and

"FACILITY TERMINATION DATE" means the earlier of (a) June 25, 2003 and (b) the current scheduled termination date of the commitments of the Liquidity Banks under the Liquidity Agreement.

"FEDERAL FUNDS RATE" means, for any period, the PER ANNUM rate set forth in the weekly statistical release designated as H.15(519), or any successor publication, published by the Federal Reserve Board (including any such successor, "H.15(519)") for such day opposite the caption "Federal Funds (Effective)". If on any relevant day such rate is not yet published in H.15(519), the rate for such day will be the rate set forth in the daily statistical release designated as the Composite 3:30 p.m. Quotations for U.S. Government Securities, or any successor publication, published by the Federal Reserve Bank of New York (including any such successor, the "Composite 3:30 p.m. Quotation") for such day under the caption "Federal Funds Effective Rate." If on any relevant day the appropriate rate for such previous day is not yet published in either H.15(519) or the Composite 3:30 p.m. Quotations, the rate for such day will be the arithmetic mean as determined by the Agent of the rates for the last transaction in overnight Federal funds arranged prior to 9:00 a.m. (New York time) on that day by each of three leading brokers of Federal funds transactions in New York City selected by the Agent.

"FEDERAL RESERVE BOARD" means the Board of Governors of the Federal Reserve System, or any entity succeeding to any of its principal functions.

"FEE LETTER" has the meaning set forth in SECTION 1.5.

"FINAL PAYOUT DATE" means the date following the Facility Termination Date on which no Investment or Discount in respect of the Participation under the Agreement shall be outstanding and all other amounts payable by the Originator, the Seller or the Servicer to the Purchaser, the Agent or any other Affected Person under the Transaction Documents shall have been paid in full.

"FISCAL MONTH" means each accounting period listed on SCHEDULE IV hereto, as updated with respect to additional accounting periods by notice from the Servicer to the Agent.

"GOVERNMENTAL AUTHORITY" means any nation or government, any state or other political subdivision thereof, any central bank (or similar monetary or regulatory authority) thereof, any body or entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, including without limitation any court, and any Person owned or controlled, through stock or capital ownership or otherwise, by any of the foregoing.

"HARRIS" means Harris Trust and Savings Bank.

"INDEMNIFIED AMOUNTS" has the meaning set forth in SECTION 3.1.

"INDEMNIFIED PARTY" has the meaning set forth in SECTION 3.1.

"INSOLVENCY PROCEEDING" means (a) any case, action or proceeding before any court or other Governmental Authority relating to bankruptcy, reorganization, insolvency, liquidations, receivership, dissolution, winding-up or relief of debtors, or (b) any general assignment for the benefit of creditors, composition, marshalling of assets for creditors, or other, similar arrangement in respect of its creditors generally or any substantial portion of its creditors; in each case (a) and (b) undertaken under U.S. Federal, state or foreign law, including the Bankruptcy Code.

"INVESTMENT" means the amount paid to the Seller in respect of the Participation by the Purchaser pursuant to the Agreement, or such amount divided or combined in accordance with SECTION 1.7, in each case reduced from time to time by Collections distributed and applied on account of such Investment pursuant to SECTION 1.4(D). If such Investment shall have been reduced by any distribution and thereafter all or a portion of such distribution is rescinded or must otherwise be returned for any reason, such Investment shall be increased by the amount of such rescinded or returned distribution, as though it had not been made.

"INVESTMENT GRADE" means, with respect to any Person's long term public senior debt securities, a rating of at least BBB- by Standard & Poor's or Baa3 by Moody's Investors Service, Inc.; PROVIDED, that if such Person's long term public senior debt securities are rated by more than one of the foregoing rating agencies, then each such rating agency which rates such securities shall have given them a rating at least equal to the categories specified above.

"LIBOR" means the rate of interest per annum (i) for deposits in U.S. dollars for a period equal to such Yield Period which appears on Telerate Page 3750 or (ii) if such rate does not appear on Telerate Page 3750, determined by the Liquidity Agent to be the arithmetic mean (rounded upward, if necessary, to the nearest 1/100th of 1%) of the rates of interest per annum notified to the Liquidity Agent as the rate of interest at which dollar deposits in the approximate amount of the Investment associated with such Yield Period would be offered to major banks in the London interbank market at their request, in each case at or about 11:00 a.m. (London time) on the second Business Day prior to the commencement of such Yield Period.

"LIQUIDATION ACCOUNT" means that certain bank account maintained at Harris Trust and Savings Bank in Chicago, Illinois which is (i) identified as the "PILGRIM=S PRIDE FUNDING CORPORATION LIQUIDATION ACCOUNT," (ii) pledged, on a first-priority basis, to the Purchaser pursuant to SECTION 1.2(D), and (iii) is governed by the Liquidation Account Agreement.

"LIQUIDATION ACCOUNT AGREEMENT" means a letter agreement, in the form of EXHIBIT VII to the Agreement, among the Seller, the Agent and the Liquidation Account Bank, as the same may be amended, supplemented, amended and restated, or otherwise modified from time to time in accordance with the Agreement.

"LIQUIDATION ACCOUNT BANK" means the bank holding the Liquidation Account.

"LIQUIDITY AGENT" means Harris in its capacity as Liquidity Agent pursuant to the Liquidity Agreement.

"LIQUIDITY AGREEMENT" means that certain Liquidity Asset Purchase Agreement dated as of June 26, 1998, in form and substance satisfactory to the Rating Agencies and the Agent and entered into among Harris, such other financial institutions as may be parties thereto, Harris, as Liquidity Agent, Nesbitt Burns, as servicing agent, and PAR, as amended, amended and restated, supplemented or otherwise modified from time to time.

"LIQUIDITY BANK" has the meaning set forth in SECTION 5.3(B).

"LOCK-BOX ACCOUNT" means an account maintained at a bank or other financial institution for the purpose of receiving Collections established pursuant to SECTION 4.3 and as listed on SCHEDULE II.

"LOCK-BOX AGREEMENT" means an agreement, in substantially the form of ANNEX A, between the Seller and each Lock-Box Bank.

"LOCK-BOX BANK" means any of the banks or other financial institutions holding one or more Lock-Box Accounts.

"LOSS PERCENTAGE" means, on any date, 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 highest average of the Dilution Ratios for any three consecutive calendar months during the twelve most recent calendar months, (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) 10%.

"LOSS RESERVE" means, for the Participation, on any date, an amount equal to

$$LP \times NRPB$$

where:

LP = the Loss Percentage for the Participation on such date.

NRPB = Net Receivables Pool Balance.

"LOSS-TO-LIQUIDATION RATIO" means the ratio (expressed as a percentage and rounded upward to the nearest 1/100th of 1%) computed as of the last day of each Fiscal Month by dividing (i) the aggregate Outstanding Balance of all Pool Receivables written off by the Seller, or which should have been written off by the Seller in accordance with the Credit and Collection Policy, during such Fiscal Month by (ii) the aggregate amount of Collections of Pool Receivables actually received during such period.

"MATERIAL ADVERSE EFFECT" has the meaning set forth in SECTION 5.20 of the Purchase and Contribution Agreement.

"MOODY'S" means Moody's Investors Service, Inc.

"NET RECEIVABLES POOL BALANCE" means at any time an amount equal to the sum of (a) the aggregate Outstanding Balances of Eligible Receivables then in the Receivables Pool MINUS (b) the aggregate amount of any accounts payable which are greater than 15 days past the date on which such accounts payable became due, owed by Pilgrim's Pride to any Poultry Grower under any Poultry Growing Arrangement, MINUS (c) the aggregate amount by which the Outstanding Balance of the Eligible Receivables of each Obligor then in the Receivables Pool exceeds the product of (A) the Normal Concentration Percentage for such Obligor multiplied by (B) the Outstanding Balance of the Eligible Receivables then in the Receivables Pool.

"NORMAL CONCENTRATION PERCENTAGE" for any Obligor means at any time 3% if such Obligor is not a Special Obligor, or if such Obligor is a Special Obligor, 6% if such Special Obligor is rated A- or better by S&P and A3 or better by Moody's, and 5% if such Special Obligor is not so rated but is rated at least BBB- by S&P and Baa3 by Moody's.

"NOTE ISSUER" has the meaning set forth in SECTION 5.3(A).

"NOTES" means short-term promissory notes issued or to be issued by any Note Issuer (including, without limitation, PAR) to fund its investments in accounts receivable or other financial assets.

"OBLIGOR" means, with respect to any Receivable, the Person obligated to make payments pursuant to the Contract relating to such Receivable.

"Originator" means Pilgrim's Pride.

"OUTSTANDING BALANCE" of any Receivable at any time means the then outstanding principal balance thereof.

"PAR" means Pooled Accounts Receivable Capital Corporation, a Delaware corporation.

"PARTICIPATION" means, at any time, the undivided percentage ownership interest in (i) each and every Pool Receivable now existing or hereafter arising, other than any Pool Receivable that arises on or after the Facility Termination Date, (ii) all Related Security with respect to such Pool Receivables, and (iii) all Collections with respect to, and other proceeds of, such Pool Receivables and Related Security. Such undivided percentage interest shall be computed as

$$\frac{I + DR + LR + SFR}{NRB}$$

where:

I = the Investment of the Participation at the time of computation.

DR = the Discount Reserve of the Participation at the time of computation.

LR = the Loss Reserve of the Participation at the time of computation.

SFR = the Servicing Fee Reserve of the Participation at the time of computation.

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

The Participation shall be determined from time to time pursuant to the provisions of SECTION 1.3.

"PAYMENT DATE" has the meaning set forth in SECTION 1.4 of the Purchase and Contribution Agreement.

"PERMITTED INVESTMENTS" means (a) certificates of deposit that are not represented by instruments, have a maturity of one week or less and are issued by the Collection Account Bank, Liquidation Account Bank (with respect to the investment of funds in the Collection Account or Liquidation Account, respectively) or Bank of Montreal and (b) the Notes (rated by each Rating Agency not lower than the respective current ratings assigned by the Rating Agencies to the Notes issued by PAR) having maturities not to exceed 60 days; PROVIDED, HOWEVER, that the Agent (on behalf of Purchaser) may, from time to time, upon three Business Days' prior written notice to Servicer, remove from the scope of "Permitted Investments" certificates of deposit of any such Bank(s) and specify to be within such scope, certificates of deposit of any other bank.

"PERSON" means an individual, partnership, corporation (including a business trust), joint stock company, trust, unincorporated association, joint venture, limited liability company or other entity, or a government or any political subdivision or agency thereof.

"PILGRIM'S PRIDE" has the meaning set forth in the preamble to the Agreement.

"POOL RECEIVABLE" means a Receivable in the Receivables Pool.

"PORTION OF INVESTMENT" has the meaning set forth in SECTION 1.7. In addition, at any time when the Investment of the Participation is not divided into two or more portions, "Portion of Investment" means 100% of the Investment of the Participation.

"POULTRY GROWER" means any Person engaged in the business of raising and caring for live poultry.

"POULTRY GROWING ARRANGEMENT" means any growout contract, marketing agreement or any other arrangement under which a Poultry Grower raises and cares for live poultry.

"PRIME RATE" has the meaning set forth in SECTION 2.1 of the Purchase and Contribution Agreement.

"PROGRAM FEE" has the meaning set forth in the Fee Letter.

"PROGRAM SUPPORT PROVIDER" means and includes any Liquidity Bank and any other or additional Person (other than any customer of the Purchaser) now or hereafter extending credit or having a commitment to extend credit to or for the account of, or to make purchases from, the Purchaser or issuing a letter of credit, surety bond or other instrument to support any obligations arising under or in connection with PAR's securitization program.

"PROGRAM SUPPORT AGREEMENT" means and includes the Liquidity Agreement and any other agreement entered into by any Program Support Provider providing for the issuance of one or more letters of credit for the account of the Purchaser, the issuance of one or more surety bonds for which the Purchaser is obligated to reimburse the applicable Program Support Provider for any drawings thereunder, the sale by the Purchaser to any Program Support Provider of the Participation (or portions thereof) and/or the making of loans and/or other extensions of credit to the Purchaser in connection with the Purchaser's securitization program, together with any letter of credit, surety bond or other instrument issued thereunder.

"PURCHASE AND CONTRIBUTION AGREEMENT" means the Purchase and Contribution Agreement, dated as of June 26, 1998, among the Originator, the Servicer and the Seller, as the same may be modified, supplemented, amended and amended and restated from time to time in accordance with the Transaction Documents.

"PURCHASE AND SALE INDEMNIFIED AMOUNT" has the meaning set forth in SECTION 9.1 of the Purchase and Contribution Agreement.

"PURCHASE AND SALE INDEMNIFIED PARTY" has the meaning set forth in SECTION 9.1 of the Purchase and Contribution Agreement.

"PURCHASE AND SALE TERMINATION DATE" has the meaning set forth in SECTION 1.4 of the Purchase and Contribution Agreement.

"PURCHASE AND SALE TERMINATION EVENT" has the meaning set forth in SECTION 8.1 of the Purchase and Contribution Agreement.

"PURCHASE LIMIT" means \$60,000,000, as such amount may be reduced pursuant to SECTION 1.1(B). References to the unused portion of the Purchase Limit shall mean, at any time, the Purchase Limit minus the then outstanding Investment of the Participation under the Agreement.

"PURCHASE FACILITY" has the meaning set forth in SECTION 1.1 of the Purchase and Contribution Agreement.

"PURCHASE PRICE" has the meaning set forth in SECTION 2.1 of the Purchase and Contribution Agreement.

"PURCHASE REPORT" has the meaning set forth in SECTION 2.1 of the Purchase and Contribution Agreement.

"PURCHASER" has the meaning set forth in the preamble to the Agreement.

"PURCHASER'S ACCOUNT" means the special account of the Purchaser maintained at the office of Harris Trust and Savings Bank in Chicago, Illinois, or such other account as may be so designated in writing by the Agent to the Seller and the Servicer.

"RATE VARIANCE FACTOR" means 1.50.

"RATING AGENCIES" means Moody's and S&P.

"RECEIVABLE" means any indebtedness and other obligations owed to the Originator or Seller or any right of the Originator or Seller to payment from or on behalf of an Obligor, whether constituting an account, chattel paper, instrument or general intangible, arising in connection with the sale of goods or the rendering of services by the Originator or the Seller, and includes, without limitation, the obligation to pay any finance charges, fees and other charges with respect thereto. Indebtedness and other obligations arising from any one transaction, including, without limitation, indebtedness and other obligations represented by an individual invoice or agreement, shall constitute a Receivable separate from a Receivable consisting of the indebtedness and other obligations arising from any other transaction.

"RECEIVABLES POOL" means at any time all of the then outstanding Receivables.

"RELATED RIGHTS" has the meaning set forth in SECTION 1.1 of the Purchase and Contribution Agreement.

"RELATED SECURITY" means, with respect to any Receivable:

(i) all of the Seller's interest in any goods (including returned goods), and documentation or title evidencing the shipment or storage of any goods (including returned goods), relating to any sale giving rise to such Receivable;

(ii) all other security interests or liens and property subject thereto from time to time purporting to secure payment of such Receivable, whether pursuant to the Contract related to such Receivable or otherwise, together with all UCC financing statements or similar filings signed by an Obligor relating thereto; and

(iii) all guaranties, indemnities, insurance and other agreements (including the related Contract) or arrangements of whatever character from time to time supporting or securing payment of such Receivable or otherwise relating to such Receivable whether pursuant to the Contract related to such Receivable or otherwise.

"S&P" means Standard and Poor's a division of the McGraw Hill Companies, Inc.

"SELLER" has the meaning set forth in the preamble to the Agreement.

"SERVICER" has the meaning set forth in the preamble to the Agreement.

"SERVICER REPORT" means a report, in substantially the form of ANNEX E hereto, furnished by the Servicer to the Agent pursuant to the Agreement.

"SERVICER REPORT DATE" means the 15th Business Day following the last day of each Fiscal Month.

"SERVICING FEE" shall mean the fee referred to in SECTION 4.6.

"SERVICING FEE RESERVE" for the Participation at any time means the sum of (i) the unpaid Servicing Fee relating to the Participation accrued to such time, plus (ii) an amount equal to (a) the Net Receivables Pool Balance at the time of computation multiplied by (b) the product of (x) the percentage per annum at which the Servicing Fee is accruing on such date and (y) a fraction having the sum of the Average Maturity plus the Collection Delay Period (each as in effect at such date) as its numerator and 360 as its denominator.

"SETTLEMENT PERIOD" for each Portion of Investment means each period commencing on the first day and ending on the last day of each Yield Period for such Portion of Investment and, on and after the Termination Date, such period (including, without limitation, a period of one day) as shall be selected from time to time by the Agent.

"SOLVENT" has the meaning set forth in SECTION 5.20 of the Purchase and Contribution Agreement.

"SPECIAL OBLIGOR" means an Obligor having a long-term public senior debt rating of at least Investment Grade or which has been approved by the Agent and the Surety Bond Provider; PROVIDED, HOWEVER, each of the Rating Agencies shall have provided a notice in writing to the Agent to the effect that the inclusion of such Obligor as a Special Obligor will not result in the downgrading or withdrawal of such Rating Agencies' current rating of the Notes.

"SUB-SERVICER" shall have the meaning set forth in SECTION 4.1(D).

"SURETY BOND PROVIDER" means MBIA Insurance Corporation, a stock insurance company organized under the laws of the State of New York.

"TERMINATION DATE" means the earlier of (i) the Business Day which the Seller so designates by notice to the Agent at least 30 Business Days in advance and (ii) the Facility Termination Date.

"TERMINATION DAY" means (i) each day on which the conditions set forth in SECTION 2 of EXHIBIT II are not satisfied and (ii) each day which occurs on or after the Termination Date.

"TERMINATION DISCOUNT" means, for the Participation on any date, an amount equal to the Rate Variance Factor on such date multiplied by the product of (i) the Investment of the Participation on such date and (ii) the product of (a) the Base Rate for the Participation plus 2% per annum for a 30-day Yield Period deemed to commence on such date and (b) a fraction having as its numerator the sum of the Average Maturity plus the Collection Delay Period (each as in effect at such date) and 360 as its denominator.

"TERMINATION EVENT" has the meaning specified in EXHIBIT V.

"TERMINATION FEE" means, for any Yield Period during which a Termination Day occurs, the amount, if any, by which (i) the additional Discount (calculated without taking into account any Termination Fee or any shortened duration of such Yield Period pursuant to CLAUSE (IV) of the definition thereof) which would have accrued during such Yield Period on the reductions of Investment of the Participation relating to such Yield Period had such reductions remained as Investment, exceeds (ii) the income, if any, received by the Purchaser from the Purchaser investing the proceeds of such reductions of Investment, as determined by the Agent, which determination shall be binding and conclusive for all purposes, absent manifest error.

"TRANSACTION DOCUMENTS" means the Agreement, the Fee Letter, the Purchase and Contribution Agreement, the Lock-Box Agreements, the Collection Account Agreement, the Liquidation Account Agreement and all other certificates, instruments, UCC financing statements, reports, notices, agreements and documents executed or delivered under or in connection with the Agreement, in each case as the same may be amended, supplemented or otherwise modified from time to time in accordance with the Agreement.

"UCC" means the Uniform Commercial Code as from time to time in effect in the applicable jurisdiction.

"UNMATURED TERMINATION EVENT" means an event which, with the giving of notice or lapse of time, or both, would constitute a Termination Event.

"YIELD PERIOD" means, with respect to each Portion of Investment:

(a) initially the period commencing on the date of a purchase pursuant to SECTION 1.2 and ending such number of days as the Seller shall select, subject to the approval of the Agent pursuant to SECTION 1.2, up to 60 days after such date; and

(b) thereafter each period commencing on the last day of the immediately preceding Yield Period for any Portion of Investment of the Participation and ending such number of days (not to exceed 60 days) as the Seller shall select, subject to the approval of the Agent pursuant to SECTION 1.2, on notice by the Seller received by the Agent (including notice by telephone, confirmed in writing) not later than 11:00 a.m. (Chicago time) on such last day, EXCEPT that if the Agent shall not have received such notice or approved such period on or before 11:00 a.m. (Chicago time) on such last day, such period shall be one day; PROVIDED, that

(i) any Yield Period in respect of which Discount is computed by reference to the Bank Rate shall be a period from one to and including 60 days;

(ii) any Yield Period (other than of one day) which would otherwise end on a day which is not a Business Day shall be extended to the next succeeding Business Day; PROVIDED, HOWEVER, if Discount in respect of such Yield Period is computed by reference to the Eurodollar Rate, and such Yield Period would otherwise end on a day which is not a Business Day, and there is no subsequent Business Day in the same calendar month as such day, such Yield Period shall end on the next preceding Business Day;

(iii) in the case of any Yield Period of one day, (A) if such Yield Period is the initial Yield Period for a purchase pursuant to SECTION 1.2, such Yield Period shall be the day of purchase of the Participation; (B) any subsequently occurring Yield Period which is one day shall, if the immediately preceding Yield Period is more than one day, be the last day of such immediately preceding Yield Period, and, if the immediately preceding Yield Period is one day, be the day next following such immediately preceding Yield Period; and (C) if such Yield Period occurs on a day immediately preceding a day which is not a Business Day, such Yield Period shall be extended to the next succeeding Business Day; and

(iv) in the case of any Yield Period for any Portion of Investment of the Participation which commences before the Termination Date and would otherwise end on a date occurring after the Termination Date, such Yield Period shall end on such Termination Date and the duration of each Yield Period which commences on or after the Termination Date shall be of such duration as shall be selected by the Agent.

OTHER TERMS. All accounting terms not specifically defined herein shall be construed in accordance with generally accepted accounting principles. All terms used in Article 9 of the UCC in the State of Texas, and not specifically defined herein, are used herein as defined in such Article 9. Unless the context otherwise requires, "or" means "and/or," and "including" (and with correlative meaning "include" and "includes") means including without limiting the generality of any description preceding such term.

EXHIBIT II

CONDITIONS OF PURCHASES

1. CONDITIONS PRECEDENT TO INITIAL PURCHASE. The initial purchase under the Agreement is subject to the conditions precedent that the Agent shall have received on or before the date of such purchase the following, each in form and substance (including the date thereof) satisfactory to the Agent:

(a A counterpart of this Agreement and the other Transaction Documents duly executed by the parties thereto.

(b Certified copies of (i) the resolutions of the Board of Directors of each of the Seller, the Servicer and the Originator authorizing the execution, delivery, and performance by the Seller, the Servicer and the Originator of the Transaction Documents to which they are a party, (ii) all documents evidencing other necessary corporate action and governmental approvals, if any, with respect to the Agreement and the other Transaction Documents and (iii) the certificate of incorporation and by-laws of the Seller, the Servicer and the Originator.

(c A certificate of the Secretary or Assistant Secretary of each of the Seller, the Servicer and the Originator certifying the names and true signatures of its officers authorized to sign the Agreement and the other Transaction Documents to which it is a party. Until the Agent receives a subsequent incumbency certificate from the Seller, the Servicer and the Originator in form and substance satisfactory to the Agent, the Agent shall be entitled to rely on the last such certificate delivered to it by the Seller, the Servicer and the Originator, as the case may be.

(d Acknowledgment copies, or time-stamped receipt copies of proper financing statements, duly filed on or before the date of such initial purchase under the UCC of all jurisdictions that the Agent may deem necessary or desirable in order to perfect the interests of the Purchaser contemplated by the Agreement and other Transaction Documents.

(e Acknowledgment copies, or time-stamped receipt copies of proper financing statements, if any, necessary to release all security interests and other rights of any Person in the Receivables, Contracts or Related Security previously granted by the Seller.

(f Completed UCC requests for information, dated on or before the date of such initial purchase, listing the financing statements referred to in SUBSECTION (E) above and all other effective financing statements filed in the jurisdictions referred to in SUBSECTION (E) above that name the Seller as debtor, together with copies of such other financing statements (none of which shall cover any Receivables, Contracts or Related Security), and similar search reports with respect to federal tax liens and liens of the Pension Benefit Guaranty Corporation in such jurisdictions as the Agent may request, showing no such liens on any of the Receivables, Contracts or Related Security.

(g Copies of executed (i) Lock-Box Agreements with the Lock-Box Banks, (ii) the Collection Account Agreement with the Collection Account Bank, and (iii) the Liquidation Account Agreement with the Liquidation Account Bank.

(h Favorable opinions of Godwin & Carlton, counsel for the Seller, in form and substance acceptable to the Agent and as to corporate and such other matters as the Agent may reasonably request.

(i Favorable opinions of Godwin & Carlton, counsel for the Seller, substantially in form of any substance acceptable to the Agent and as to bankruptcy matters.

(j a pro-forma Servicer Report.

(k Evidence (i) of the execution and delivery by each of the parties thereto of the Purchase and Contribution Agreement and all documents, agreements and instruments contemplated thereby (which evidence shall include copies, either original or facsimile, of each of such documents, instruments and agreements), (ii) that each of the conditions precedent to the execution and delivery of the Purchase and Contribution Agreement has been satisfied to the Agent's satisfaction, and (iii) that the initial purchases under the Purchase and Contribution Agreement have been consummated.

(l Evidence of payment by the Seller of all accrued and unpaid fees (including those contemplated by the Fee Letter), costs and expenses to the extent then due and payable on the date thereof, together with Attorney Costs of the Agent to the extent invoiced prior to or on such date, plus such additional amounts of Attorney Costs as shall constitute the Agent's reasonable estimate of Attorney Costs incurred or to be incurred by it through the closing proceedings; including any such costs, fees and expenses arising under or referenced in SECTION 5.4.

(m The Fee Letter between the Seller and the Agent contemplated by SECTION 1.5.

(n Good standing certificates with respect to the Seller, the Originator and the Servicer issued by the Secretaries of State of the States of such Person's organization and principal place of business.

(o Such other approvals, opinions or documents as the Agent may reasonably request.

2. CONDITIONS PRECEDENT TO ALL PURCHASES AND REINVESTMENTS. Each purchase (including the initial purchase) and each reinvestment shall be subject to the further conditions precedent that:

(a in the case of each purchase, the Servicer shall have delivered to the Agent on or prior to such purchase, in form and substance satisfactory to the Agent, a completed Servicer Report with respect to the immediately preceding Fiscal Month, dated within 40 days prior to the date of such purchase together with a listing by Obligor of all Receivables and such additional information as may reasonably be requested by the Agent;

(b on the date of such purchase or reinvestment the following statements shall be true (and acceptance of the proceeds of such purchase or reinvestment shall be deemed a representation and warranty by the Seller that such statements are then true):

(i the representations and warranties contained in EXHIBIT III are true and correct on and as of the date of such purchase or reinvestment as though made on and as of such date; and

(ii no event has occurred and is continuing, or would result from such purchase or reinvestment, that constitutes a Termination Event or an Unmatured Termination Event; and

(iii in the case of purchases only, no event of the type described in CLAUSE(E) of EXHIBIT V has occurred and is continuing; and

(c the Agent shall have received such other approvals, opinions or documents as it may reasonably request.

EXHIBIT III

REPRESENTATIONS AND WARRANTIES

REPRESENTATIONS AND WARRANTIES OF THE SELLER. The Seller represents and warrants as follows:

(a The Seller is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware, and is duly qualified to do business, and is in good standing, as a foreign corporation in every jurisdiction where the nature of its business requires it to be so qualified unless any failure to be so qualified would not materially adversely effect the business, operations or financial condition of Seller or the ability of Seller to perform its obligations under this Agreement or the other Transaction Documents or the collectibility of the Receivables or the validity or enforceability of this Agreement or other Transaction Documents.

(b The execution, delivery and performance by the Seller of the Agreement and the other Transaction Documents to which it is a party, including the Seller's use of the proceeds of purchases and reinvestments, (i) are within the Seller's corporate powers, (ii) have been duly authorized by all necessary corporate action, (iii) do not contravene or result in a default under or conflict with (1) the Seller's charter or by-laws, (2) any law, rule or regulation applicable to the Seller, (3) any contractual restriction binding on or affecting the Seller or its property or (4) any order, writ, judgment, award, injunction or decree binding on or affecting the Seller or its property, and (iv) do not result in or require the creation of any Adverse Claim upon or with respect to any of its properties. The Agreement and the other Transaction Documents to which it is a party have been duly executed and delivered by the Seller.

(c No authorization or approval or other action by, and no notice to or filing with, any Governmental Authority or other Person is required for the due execution, delivery and performance by the Seller of the Agreement or any other Transaction Document to which it is a party other than those previously obtained or UCC filings.

(e Each of the Agreement and the other Transaction Documents to which it is a party constitutes the legal, valid and binding obligation of the Seller enforceable against the Seller in accordance with its terms except as enforceability may be limited by bankruptcy, insolvency, reorganization or other similar laws affecting the enforcement of creditors' rights generally and by general principles of equity, regardless of whether such enforceability is considered in a proceeding in equity or at law.

(e) There is no pending or threatened action or proceeding affecting the Seller before any Governmental Authority or arbitrator which could reasonably be expected to materially adversely affect the business, operations, property, financial or other condition or operations of the Seller, the ability of the Seller to perform its obligations under the Agreement or the other Transaction Documents or the collectibility of the Receivables, or which affects or purports to affect the legality, validity or enforceability of the Agreement or the other Transaction Documents.

(f) The Seller is the legal and beneficial owner of the Pool Receivables and Related Security, free and clear of any Adverse Claim; upon each purchase or reinvestment, the Purchaser shall acquire a valid and enforceable perfected undivided percentage ownership interest, to the extent of the Participation, in each Pool Receivable then existing or thereafter arising and in the Related Security and Collections and other proceeds, with respect thereto, free and clear of any Adverse Claim; the Agreement creates a security interest in favor of the Purchaser in the items described in SECTION 1.2(D), and the Purchaser has a first priority perfected security interest in such items, free and clear of any Adverse Claims. No effective financing statement or other instrument similar in effect covering any Contract or any Pool Receivable or the Related Security or Collections with respect thereto or any Lock-Box Account is on file in any recording office, except those filed in favor of the Purchaser relating to the Agreement.

(g) Each Servicer Report, information, exhibit, financial statement, document, book, record or report furnished or to be furnished at any time by or on behalf of the Seller to the Agent in connection with the Agreement is or will be accurate in all material respects as of its date or (except as otherwise disclosed to the Agent at such time) as of the date so furnished, and no such item contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading.

(h) The principal place of business and chief executive office (as such terms are used in the UCC) of the Seller and the office where the Seller keeps its records concerning the Receivables are located at the address referred to in PARAGRAPH (B) of EXHIBIT IV.

(i) The names and addresses of all the Lock-Box Banks, together with the account numbers of the Lock-Box Accounts of the Seller at such Lock-Box Banks, are specified in SCHEDULE II to the Agreement (or at such other Lock-Box Banks and/or with such other Lock-Box Accounts as have been notified to the Agent in accordance with the Agreement) and all Lock-Box Accounts are subject to Lock-Box Agreements. All Obligors have been directed to make all payment with respect to each Contract to a Lock-Box Account.

(j) The Seller is not in violation of any order of any court, arbitrator or Governmental Authority.

(k) No proceeds of any purchase or reinvestment will be used for any purpose that violates any applicable law, rule or regulation, including, without limitation, Regulations G or U of the Federal Reserve Board.

(l) Each Pool Receivable included as an Eligible Receivable in the calculation of the Net Receivables Pool Balance is an Eligible Receivable as of the date of such calculation.

(m) No event has occurred and is continuing, or would result from a purchase in respect of, or reinvestment in respect of, the Participation or from the application of the proceeds therefrom, which constitutes a Termination Event.

(n) The Seller and the Servicer have complied in all material respects with the Credit and Collection Policy with regard to each Receivable.

(o) The Seller has complied with all of the terms, covenants and agreements contained in the Agreement and the other Transaction Documents.

(p) The Seller's complete corporate name is set forth in the preamble to the Agreement, and the Seller does not use and has not during the last six years used any other corporate name, trade name, doing-business name or fictitious name, except as set forth on SCHEDULE III and except for names first used after the date of the Agreement and set forth in a notice delivered to the Agent pursuant to PARAGRAPH (L)(VII) of EXHIBIT IV.

(q) Seller has filed all federal and other tax returns and reports required by law to have been filed by it and has paid all taxes and governmental charges thereby shown to be owing.

(r) The Seller is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

(s) The consolidated balance sheet of Pilgrim=s Pride as at December 31, 1997, a copy of which has been furnished to the Agent, fairly presents the financial condition of Pilgrim=s Pride, as at such date, and since the date of such balance sheet, there has been no material adverse change in the financial condition of the Seller or Pilgrim's Pride or the ability of the Seller or the Originator to perform their obligations under the Agreement or the other Transaction Documents to which it is a party or the collectibility of the Pool Receivables, or which affects the legality, validity or enforceability of the Agreement or the other Transaction Documents.

(t) There is no pending or threatened action or proceeding affecting the Seller, Servicer or the Originator before any Governmental Authority or arbitrator which could reasonably be expected to have a materially adversely affect the business, operations, property, financial or other condition or operations of such Person, the ability of such Person to perform its obligations under the Agreement or the other Transaction Documents or the collectibility of the Pool Receivables, or which affects or purports to affect the legality, validity or enforceability of the Agreement or the other Transaction Documents.

EXHIBIT IV

COVENANTS

COVENANTS OF THE SELLER AND THE SERVICER. Until the latest of the Facility Termination Date, the date on which no Investment of or Discount in respect of the Participation shall be outstanding or the date all other amounts owed by the Seller under the Agreement to the Purchaser, the Agent and any other Indemnified Party or Affected Person shall be paid in full:

(a) COMPLIANCE WITH LAWS, ETC. Each of the Seller and the Servicer shall comply in all material respects with all applicable laws, rules, regulations and orders, and preserve and maintain its corporate existence, rights, franchises, qualifications, and privileges except to the extent that the failure so to comply with such laws, rules and regulations or the failure so to preserve and maintain such existence, rights, franchises, qualifications, and privileges would not materially adversely affect the collectibility of the Receivables or the enforceability of any related Contract or the ability of the Seller or the Servicer to perform its obligations under any related Contract or under the Agreement.

(b) OFFICES, RECORDS AND BOOKS OF ACCOUNT, ETC. The Seller (i) shall keep its principal place of business and chief executive office (as such terms are used in the UCC) and the office where it keeps its records concerning the Receivables at the address of the Seller set forth under its name on the signature page to the Agreement or, upon at least 30 days' prior written notice of a proposed change to the Agent, at any other locations in jurisdictions where all actions reasonably requested by the Agent to protect and perfect the interest of the Purchaser in the Receivables and related items (including without limitation the items described in SECTION 1.2(D)) have been taken and completed and (ii) shall provide the Agent with at least 60 days' written notice prior to making any change in the Seller's name or making any other change in the Seller's identity or corporate structure (including a merger) which could render any UCC financing statement filed in connection with this Agreement "seriously misleading" as such term is used in the UCC; each notice to the Agent pursuant to this sentence shall set forth the applicable change and the effective date thereof. The Seller also will maintain and implement administrative and operating procedures (including, without limitation, an ability to recreate records evidencing Receivables and related Contracts in the event of the destruction of the originals thereof), and keep and maintain all documents, books, records, computer tapes and disks and other information reasonably necessary or advisable for the collection of all Receivables (including, without limitation, records adequate to permit the daily identification of each Receivable and all Collections of and adjustments to each existing Receivable).

(c) PERFORMANCE AND COMPLIANCE WITH CONTRACTS AND CREDIT AND COLLECTION POLICY. The Seller shall, at its expense, timely and fully perform and comply with all material provisions, covenants and other promises required to be observed by it under the Contracts related to the Receivables, and timely and fully comply in all material respects with the Credit and Collection Policy with regard to each Receivable and the related Contract.

(d) OWNERSHIP INTEREST, ETC. The Seller shall, at its expense, take all action necessary or desirable to establish and maintain a valid and enforceable undivided ownership interest, to the extent of the Participation, in the Pool Receivables and the Related Security and Collections and other proceeds with respect thereto, and a first priority perfected security interest in the items described in SECTION 1.2(D), in each case free and clear of any Adverse Claim, in favor of the Purchaser, including, without limitation, taking such action to perfect, protect or more fully evidence the interest of the Purchaser under the Agreement as the Purchaser, through the Agent, may request.

(e) SALES, LIENS, ETC. The Seller shall not sell, assign (by operation of law or otherwise) or otherwise dispose of, or create or suffer to exist any Adverse Claim upon or with respect to, any or all of its right, title or interest in, to or under, any item described in SECTION 1.2(D) (including without limitation the Seller's undivided interest in any Receivable, Related Security, or Collections, or upon or with respect to any account to which any Collections of any Receivables are sent), or assign any right to receive income in respect of any items contemplated by this PARAGRAPH (E).

(f) EXTENSION OR AMENDMENT OF RECEIVABLES. Except as provided in the Agreement, neither the Seller nor the Servicer shall extend the maturity or adjust the Outstanding Balance or otherwise modify the terms of any Pool Receivable, or amend, modify or waive any term or condition of any related Contract.

(g) CHANGE IN BUSINESS OR CREDIT AND COLLECTION POLICY. Neither the Seller nor the Servicer shall make any material change in the character of its business or in the Credit and Collection Policy, or any change in the Credit and Collection Policy that would adversely affect the collectibility of the Receivables Pool or the enforceability of any related Contract or the ability of the Seller or Servicer to perform its obligations under any related Contract or under the Agreement. Neither the Seller nor the Servicer shall make any other material change in the Credit and Collection Policy without the prior written consent of the Agent.

(h) AUDITS. Each of the Seller and the Servicer shall, from time to time during regular business hours upon reasonable notice as requested by the Agent, permit the Agent, or its agents or representatives, (i) to examine and make copies of and abstracts from all books, records and documents (including, without limitation, computer tapes and disks) in the possession or under the control of the Seller or the Servicer relating to Receivables and the Related Security, including, without limitation, the related Contracts, and (ii) to visit the offices and properties of the Seller and the Servicer for the purpose of examining such materials described in clause (i) above, and to discuss matters relating to Receivables and the Related Security or the Seller's or Servicer's performance hereunder or under the Contracts with any of the officers, employees, agents or contractors of the Seller having knowledge of such matters.

(i) CHANGE IN LOCK-BOX BANKS, LOCK-BOX ACCOUNTS AND PAYMENT INSTRUCTIONS TO OBLIGORS. Neither the Seller nor the Servicer shall add or terminate any bank as a Lock-Box Bank or any account as a Lock-Box Account from those listed in Schedule II to the Agreement, or make any change in its instructions to Obligor regarding payments to be made to the Seller or the Servicer or payments to be made to any Lock-Box Account (or related post office box), unless the Agent shall have consented thereto in writing and the Agent shall have received copies of all agreements and documents (including without limitation Lock-Box Agreements) that it may request in connection therewith.

(j) DEPOSITS TO LOCK-BOX ACCOUNTS. The Seller shall, or shall cause the Servicer to, (i) instruct all Obligor to make payments of all Receivables to one or more Lock-Box Accounts or to post office boxes to which only Lock-Box Banks have access (and shall instruct the Lock-Box Banks to cause all items and amounts relating to such Receivables received in such post office boxes to be removed and deposited into a Lock-Box Account on a daily basis), and (ii) deposit, or cause to be deposited, any Collections of Pool Receivables received by it or the Servicer into Lock-Box Accounts not later than one Business Day after receipt thereof. Each Lock-Box Account, the Collection Account and the Liquidation Account shall at all times be subject to a Lock-Box Agreement, Collection Account Agreement or Liquidation Account Agreement, respectively. Neither the Seller nor the Servicer will deposit or otherwise credit, or cause or permit to be so deposited or credited, to any Lock-Box Account cash or cash proceeds other than Collections of Pool Receivables.

(k) MARKING OF RECORDS. At its expense, the Seller (or the Servicer on its behalf) shall mark its master data processing records relating to Pool Receivables and related Contracts, including with a legend evidencing that the undivided percentage ownership interests with regard to the Participation related to such Receivables and related Contracts have been sold in accordance with the Agreement.

(l) REPORTING REQUIREMENTS. The Seller will provide to the Agent (in multiple copies, if requested by the Agent) the following:

(i) as soon as available and in any event within 60 days after the end of the first three quarters of each fiscal year of the Seller and Pilgrim's Pride, balance sheets of the Seller and Pilgrim's Pride and its subsidiaries as of the end of such quarter and statements of income and retained earnings of the Seller and Pilgrim's Pride and its subsidiaries for the period commencing at the end of the previous fiscal year and ending with the end of such quarter, certified by the chief financial officer of the Seller and Pilgrim's Pride, as applicable;

(ii) as soon as available and in any event within 120 days after the end of each fiscal year of the Seller and Pilgrim's Pride, a copy of the annual report for such year for the Seller and Pilgrim's Pride and its subsidiaries, containing financial statements for such year audited by a nationally recognized independent certified public accountants;

(iii) as soon as available and in any event not later than the Servicer Report Date, a Servicer Report as of the Fiscal Month ended immediately prior to such Servicer Report Date;

(iv) as soon as possible and in any event within five Business Days after an officer of the Seller or Servicer obtains knowledge of the occurrence of each Termination Event or event which, with the giving of notice or lapse of time, or both, would constitute a Termination Event, a statement of the chief financial officer of the Seller setting forth details of such Termination Event or event and the action that the Seller has taken and proposes to take with respect thereto;

(v) promptly after the filing or receiving thereof, copies of all reports and notices that the Seller or any Affiliate files under ERISA with the Internal Revenue Service or the Pension Benefit Guaranty Corporation or the U.S. Department of Labor or that the Seller or any Affiliate receives from any of the foregoing or from any multiemployer plan (within the meaning of Section 4001(a)(3) of ERISA) to which the Seller or any Affiliate is or was, within the preceding five years, a contributing employer, in each case in respect of the assessment of withdrawal liability or an event or condition which could, in the aggregate, result in the imposition of liability on the Seller and/or any such Affiliate in excess of \$5,000,000;

(vi) at least thirty days prior to any change in the Seller's name or any other change requiring the amendment of UCC financing statements, a notice setting forth such changes and the effective date thereof;

(vii) such other information respecting the Receivables or the condition or operations, financial or otherwise, of the Seller or any of its Affiliates as the Agent may from time to time reasonably request;

(viii) promptly after the Seller obtains knowledge thereof, notice of any litigation, investigation or proceeding which may exist at any time between the Seller or the Servicer, on the one hand, and any other Person if not cured or if adversely determined, as the case may be, would be reasonably expected to have a material adverse effect on the business, operations, property or financial or other condition of the Seller, the Originator or the Servicer, as the case may be; and

(ix) promptly after the Seller obtains knowledge thereof, notice of a material adverse change in the business, operations, property or financial or other condition of the Seller.

(m) SEPARATE CORPORATE EXISTENCE. Each of the Seller and the Servicer hereby acknowledges that Purchaser and the Agent are entering into the transactions contemplated by the Agreement and the Transaction Documents in reliance upon the Seller's identity as a legal entity separate from the Servicer and the Originator. Therefore, from and after the date hereof, the Seller and the Servicer shall take all reasonable steps to continue the Seller's identity as a separate legal entity and to make it apparent to third Persons that the Seller is an entity with assets and liabilities distinct from those of the Servicer, the Originator and any other Person, and is not a division of the Servicer or the Originator or any other Person. Without limiting the generality of the foregoing and in addition to and consistent with the covenant set forth in PARAGRAPH (A) of this EXHIBIT IV, the Seller and the Servicer shall take such actions as shall be required in order that:

(i) The Seller will be a limited purpose corporation whose primary activities are restricted in its certificate of incorporation to purchasing Receivables from the Originator, entering into agreements for the servicing of such Receivables, selling undivided interests in such Receivables and conducting such other activities as it deems necessary or appropriate to carry out its primary activities;

(ii) Not less than one member of Seller's Board of Directors (the "INDEPENDENT DIRECTORS") shall be individuals who are not direct, indirect or beneficial stockholders, officers, directors, employees, affiliates, associates, customers or suppliers of the Originator or any of its Affiliates. The Seller's Board of Directors shall not approve, or take any other action to cause the commencement of a voluntary case or other proceeding with respect to the Seller under any applicable bankruptcy, insolvency, reorganization, debt arrangement, dissolution or other similar law, or the appointment of or taking possession by, a receiver, liquidator, assignee, trustee, custodian, or other similar official for the Seller unless in each case the Independent Directors shall approve the taking of such action in writing prior to the taking of such action. The Independent Directors' fiduciary duty shall be to the Seller (and creditors) and not to the Seller's shareholders in respect of any decision of the type described in the preceding sentence. In the event an Independent Director resigns or otherwise ceases to be a director of the Seller, there shall be selected a replacement Independent Director who shall not be an individual within the proscriptions of the first sentence of this CLAUSE (II) or any individual who has any other type of professional relationship with the Originator or any of its Affiliates or any management personnel of any such Person or Affiliate and who shall be (x) a tenured professor at a business or law school, (y) a retired judge or (z) an established independent member of the business community, having a sound reputation and experience relative to the duties to be performed by such individual as an Independent Director;

(iii) No Independent Director shall at any time serve as a trustee in bankruptcy for the Originator or any Affiliate thereof;

(iv) Any employee, consultant or agent of the Seller will be compensated from the Seller's own bank accounts for services provided to the Seller except as provided herein in respect of the Servicer's Fee. The Seller will engage no agents other than a servicer for the Receivables, which servicer will be fully compensated for its services to the Seller by payment of the Servicer's Fee;

(v) The Seller will contract with the Servicer to perform for the Seller all operations required on a daily basis to service its Receivables. The Seller will pay the Servicer a monthly fee based on the level of Receivables being managed by the Servicer. The Seller will not incur any material indirect or overhead expenses for items shared between the Seller and the Originator or any Affiliate thereof which are not reflected in the Servicer's Fee. To the extent, if any, that the Seller and the Originator or any Affiliate thereof share items of expenses not reflected in the Servicer's Fee, such as legal, auditing and other professional services, such expenses will be allocated to the extent practical on the basis of actual use or the value of services rendered, and otherwise on a basis reasonably related to the actual use or the value of services rendered, it being understood that Pilgrim's Pride shall pay all expenses relating to the preparation, negotiation, execution and delivery of the Transaction Documents, including, without limitation, legal and other fees;

(vi) The Seller's operating expenses will not be paid by the Originator or any Affiliate thereof unless the Seller shall have agreed in writing with such Person to reimburse such Person for any such payments;

(vii) The Seller will have its own separate mailing address and stationery;

(viii) The Seller's books and records will be maintained separately from those of the Originator or any Affiliate thereof;

(ix) Any financial statements of the Originator or any Affiliate thereof which are consolidated to include the Seller will contain detailed notes clearly stating that the Seller is a separate corporate entity and has sold ownership interests in the Seller's accounts receivable;

(x) The Seller's assets will be maintained in a manner that facilitates their identification and segregation from those of the Originator and any Affiliate thereof;

(xi) The Seller will strictly observe corporate formalities in its dealings with the Originator and any Affiliate thereof, and funds or other assets of the Seller will not be commingled with those of the Originator or any Affiliate thereof. The Seller shall not maintain joint bank accounts or other depository accounts to which the Originator or any Affiliate thereof (other than Pilgrim's Pride in its capacity as Servicer) has independent access. None of the Seller's funds will at any time be pooled with any funds of the Originator or any Affiliate thereof;

(xii) The Seller shall pay to the Originator the marginal increase (or, in the absence of such increase, the market amount of its portion) of the premium payable with respect to any insurance policy that covers the Seller and any Affiliate thereof, but the Seller shall not, directly or indirectly, be named or enter into an agreement to be named, as a direct or contingent beneficiary or loss payee, under any such insurance policy, with respect to any amounts payable due to occurrences or events related to the Originator or any Affiliate thereof; and

(xii) The Seller will maintain arm's length relationships with the Originator and any Affiliate thereof. The Originator or any Affiliate thereof that renders or otherwise furnishes services to the Seller will be compensated by the Seller at market rates for such services. Neither the Seller nor the Originator or any Affiliate thereof will be or will hold itself out to be responsible for the debts of the other or the decisions or actions respecting the daily business and affairs of the other.

(n) MERGERS, ACQUISITIONS, SALES, ETC.

(i) The Seller shall not

(A) be a party to any merger or consolidation, or directly or indirectly purchase or otherwise acquire, whether in one or a series of transactions, all or substantially all of the assets or any stock of any class of, or any partnership or joint venture interest in, any other Person, or sell, transfer, assign, convey or lease any of its property and assets (including, without limitation, any Pool Receivable or any interest therein) other than pursuant to this Agreement;

(B) make, incur or suffer to exist an investment in, equity contribution to, loan, credit or advance to, or payment obligation in respect of the deferred purchase price of property from, any other Person, except for obligations incurred pursuant to the Transaction Documents; or

(C) create any direct or indirect Subsidiary or otherwise acquire direct or indirect ownership of any equity interests in any other Person.

(o) RESTRICTED PAYMENTS.

(i) GENERAL RESTRICTION. Except in accordance with this SUBPARAGRAPH (I), the Seller shall not (A) purchase or redeem any shares of its capital stock, (B) declare or pay any Dividend or set aside any funds for any such purpose, (C) prepay, purchase or redeem any subordinated indebtedness of the Seller, (D) lend or advance any funds or (E) repay any loans or advances to, for or from the Originator. Actions of the type described in this CLAUSE (I) are herein collectively called "RESTRICTED PAYMENTS".

(ii) TYPES OF PERMITTED PAYMENTS. Subject to the limitations set forth in CLAUSE (III) below, the Seller may make Restricted Payments so long as such Restricted Payments are made only to the Originator and only in one or more of the following ways:

(A) Seller may make cash payments (including prepayments) on the Company Notes in accordance with their terms; and

(B) if no amounts are then outstanding under the Company Notes, the Seller may declare and pay Dividends.

(iii) SPECIFIC RESTRICTIONS. The Seller may make Restricted Payments only out of Collections paid or released to the Seller pursuant to SECTIONS 1.4(B). Furthermore, the Seller shall not pay, make or declare

(A) any Dividend if, after giving effect thereto, Seller's Tangible Net Worth would be less than 2.5 Million Dollars (\$2,500,000); or

(B) any Restricted Payment (including any Dividend) if, after giving effect thereto, any Termination Event or Unmatured Termination Event shall have occurred and be continuing.

(p) USE OF SELLER'S SHARE OF COLLECTIONS. The Seller shall apply its share of Collections to make payments in the following order of priority: FIRST, the payment of its expenses (including, without limitation, the obligations payable to Purchaser, the Affected Persons and the Agent under the Transaction Documents), SECOND, the payment of accrued and unpaid interest on the Company Notes, THIRD, the payment of the outstanding principal amount of the Company Notes, and FOURTH, other legal and valid corporate purposes.

(q) AMENDMENTS TO CERTAIN DOCUMENTS.

(i) The Seller shall not amend, supplement, amend and restate, or otherwise modify the Purchase and Contribution Agreement, the Company Notes, any other document executed under the Purchase and Contribution Agreement, the Collection Account Agreement, the Lock-Box Agreements, the Liquidation Account Agreement or the Seller's certificate of incorporation or by-laws, except (A) in accordance with the terms of such document, instrument or agreement and (B) with the advance written consent of the Agent.

(ii) The Seller shall not, and shall not permit the Originator to enter into or otherwise become bound by, any agreement, instrument, document or other arrangement that restricts its right to amend, supplement, amend and restate or otherwise modify, or to extend or renew, or to waive any right under, this Agreement or any other Transaction Document.

(r) INCURRENCE OF INDEBTEDNESS. The Seller shall not (i) create, incur or permit to exist, any Debt or liability or (ii) cause or permit to be issued for its account any letters of credit or bankers' acceptances, except for Debt incurred pursuant to the Company Notes and liabilities incurred pursuant to or in connection with the Transaction Documents or otherwise permitted therein.

EXHIBIT V

TERMINATION EVENTS

Each of the following shall be a "Termination Event":

(a) The Servicer, the Originator or Seller shall fail to make when due any payment or deposit to be made by it under the Agreement or any other Transaction Document and such failure shall continue unremedied for two Business Days; or

(b) Pilgrim's Pride (or any Affiliate thereof) shall fail to transfer to any successor Servicer when required any rights, pursuant to the Agreement, which Pilgrim's Pride (or such Affiliate) then has as Servicer; or

(c) Any representation or warranty made or deemed made by the Seller, the Originator or the Servicer (or any of their respective officers) under or in connection with the Agreement or any information or report delivered by the Seller or the Servicer pursuant to the Agreement shall prove to have been incorrect or untrue in any material respect when made or deemed made or delivered; PROVIDED, HOWEVER, if the violation of this PARAGRAPH (C) by the Seller or Servicer may be cured without any potential or actual detriment to the Purchaser, the Agent, or any Program Support Provider, the Seller or the Servicer as applicable shall have 30 days from the earlier of (i) such Person's knowledge of such failure and (ii) notice to such Person of such failure to cure any such violation, before a Termination Event shall occur so long as such Person is diligently attempting to effect such cure; or

(d) The Seller, the Originator or the Servicer shall fail to perform or observe any other term, covenant or agreement contained in the Agreement or any other Transaction Document on its part to be performed or observed and any such failure shall remain unremedied for 30 days after the Seller, the Originator or Servicer, as applicable, has notice or knowledge thereof (or, with respect to a failure to deliver the Servicer Report pursuant to the Agreement, such failure shall remain unremedied for five Business Days); or

(e) The Seller or the Originator shall fail to pay any principal of or premium or interest on any of its Debt which is outstanding in a principal amount of at least \$5,000,000 in the aggregate when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement, mortgage, indenture or instrument relating to such Debt; or any other event shall occur or condition shall exist under any agreement, mortgage, indenture or instrument relating to any such Debt and shall continue after the applicable grace period, if any, specified in such agreement, mortgage, indenture or instrument, if the effect of such event or condition is to accelerate, or to permit the acceleration of, the maturity of such Debt; or any such Debt shall be declared to be due and payable, or required to be prepaid (other than by a regularly scheduled required prepayment), redeemed, purchased or defeased, or an offer to repay, redeem, purchase or defease such Debt shall be required to be made, in each case prior to the stated maturity thereof; or

(f) The Agreement or any purchase or any reinvestment pursuant to the Agreement shall for any reason (other than pursuant to the terms hereof) (i) cease to create, or the Participation shall for any reason cease to be, a valid and enforceable perfected undivided percentage ownership interest to the extent of the Participation in each Pool Receivable and the Related Security and Collections and other proceeds with respect thereto, free and clear of any Adverse Claim or (ii) cease to create with respect to the items described in SECTION 1.2(D), or the interest of the Purchaser with respect to such items shall cease to be, a valid and enforceable first priority perfected security interest, free and clear of any Adverse Claim; or

(g) The Seller or the Originator shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against the Seller or the Originator seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property and, in the case of any such proceeding instituted against it (but not instituted by it), either such proceeding shall remain undismissed or unstayed for a period of 30 days, or any of the actions sought in such proceeding (including, without limitation, the entry of an order for relief against, or the appointment of a receiver, trustee, custodian or other similar official for, it or for any substantial part of its property) shall occur; or Seller or the Originator shall take any corporate action to authorize any of the actions set forth above in this PARAGRAPH (G); or

(h) As of the last day of any Fiscal Month (i) the arithmetic average for the most recent three Fiscal Months of (A) the Default Ratios shall exceed 4.0% or (B) the Delinquency Ratios shall exceed 7.0% or (ii) the arithmetic average of the Loss-to-Liquidation Ratios for the most recent twelve Fiscal Months shall exceed 1.0%; or

(i) The Participation shall exceed 100% and such condition shall continue unremedied for five Business Days; or

(j) A Change in Control shall occur; or

(k) The Internal Revenue Service shall file notice of a lien pursuant to Section 6323 of the Internal Revenue Code with regard to any assets of Seller or the Originator and such lien shall not have been released within ten Business Days, or the Pension Benefit Guaranty Corporation shall, or shall indicate its intention to, file notice of a lien pursuant to Section 4068 of ERISA with regard to any of the assets of Seller; or

(1) Seller's Tangible Net Worth shall be less than 2.5 million dollars (\$2,500,000).

ANNEX A
FORM OF LOCK-BOX AGREEMENT

[Letterhead of Seller]

LOCK-BOX AGREEMENT

_____, 199__

[Name and Address of
Lock-Box Bank]

Gentlemen:

Reference is made to our [lock-box]1/ account[s] no[s]. maintained with you (the "Account[S]"). Pursuant to a Receivables Purchase Agreement dated as of June 26, 1998 among us, as Seller, [_____] as Servicer, [Pooled Accounts Receivable Capital Corporation], as purchaser together with its successors and assigns in such capacity, the "Purchaser"), and Nesbitt Burns Securities Inc., as agent for the Purchaser (the "Agent"), we have assigned and/or may hereafter assign to the Purchaser one or more undivided percentage ownership interests in accounts, chattel papers, instruments or general intangibles (collectively, "Receivables") with respect to which payments are or may hereafter be made to the Account[s], and have granted to the Purchaser a security interest in such Receivables, the Account[s], amounts on deposit therein and related property. Your execution of this letter agreement is a condition precedent to our continued maintenance of the Account[s] with you.

We hereby transfer exclusive ownership and control of the Account[s] to the Agent on behalf of the Purchaser, subject only to the condition subsequent that the Agent shall have given you notice of its election to assume such ownership and control, which notice may be in the form attached hereto as Exhibit A or in any other form that gives you reasonable notice of such election.

FOOTNOTES

1/ Delete in the case of direct wire transfer accounts.

We hereby irrevocably instruct you, at all times from and after the date of your receipt of notice from the Agent as described above, to make all payments to be made by you out of or in connection with the Account[s] directly to the Agent, at its address set forth below its signature hereto or as the Agent otherwise notifies you, for the account of the Purchaser (account #_____, ABA #_____), or otherwise in accordance with the instructions of the Agent.

We also hereby notify you that, at all times from and after the date of your receipt of notice from the Agent as described above, the Agent shall be irrevocably entitled to exercise in our place and stead any and all rights in respect of or in connection with the Account[s], including, without limitation, (a) the right to specify when payments are to be made out of or in connection with the Account[s] and (b) the right to require preparation of duplicate monthly bank statements on the Account[s] for the Agent's audit purposes and mailing of such statements directly to an address specified by the Agent.

Notice from the Agent may be personally served or sent by Telex, facsimile or U.S. mail, certified return receipt requested, to the address, [Telex] or facsimile number set forth under your signature to this letter agreement (or to such other address, [Telex] or facsimile number as to which you shall notify the Agent in writing). If notice is given by [Telex] or facsimile, it will be deemed to have been received when the notice is sent [and the answerback is received (in the case of Telex)] or receipt is confirmed by telephone or other electronic means (in the case of facsimile). All other notices will be deemed to have been received when actually received or, in the case of personal delivery, delivered.

By executing this letter agreement, you acknowledge and consent to the existence of the Agent's right to ownership and control of the Account[s] and the Purchaser's security interest in the Account[s] and amounts from time to time on deposit therein and agree that from the date hereof the Account[s] shall be maintained by you for the benefit of, and amounts from time to time therein held by you as agent for, the Agent on the terms provided herein. The Account[s] [is/are] to be titled "[Name of Seller] and Nesbitt Burns Securities Inc. as the Agent for the Purchaser, its successors and assigns, as their interests may appear." Except as otherwise provided in this letter agreement, payments to the Account[s] are to be processed in accordance with the standard procedures currently in effect. All service charges and fees with respect to the Account[s] shall continue to be payable by us as under the arrangements currently in effect.

By executing this letter agreement, you irrevocably waive and agree not to assert, claim or endeavor to exercise, irrevocably bar and estop yourself from asserting, claiming or exercising, and acknowledge that you have not heretofore received a notice, writ, order or any form of legal process from any other person or entity asserting, claiming or exercising, any right of set-off, banker's lien or other purported form of claim with respect to [any of] the Account[s] or any funds from time to time therein. Except for your right to payment of your service charges and fees and to make deductions for returned items, you shall have no rights in the Account[s] or funds therein. To the extent you may ever have such rights, you hereby expressly subordinate all such rights to all rights of the Agent.

You may terminate this letter agreement by canceling the Account[s] maintained with you, which cancellation and termination shall become effective only upon thirty days' prior written notice thereof from you to the Agent. Incoming [mail addressed to] [wire transfers to] the Account[s] received after such cancellation shall be forwarded in accordance with the Agent's instructions. This letter agreement may also be terminated upon written notice to you by the Agent stating that the Receivables Purchase Agreement pursuant to which this letter agreement was obtained is no longer in effect. Except as otherwise provided in this paragraph, this letter agreement may not be terminated or amended without the prior written consent of the Agent. This letter agreement may be executed in any number of counterparts, and by the parties hereto 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 one and the same agreement.

Please acknowledge your agreement to the terms set forth in this letter agreement by signing the two copies of this letter agreement enclosed herewith in the space provided below, sending one such signed copy to the Agent at its address provided above and returning the other signed copy to us.

Very truly yours,

[NAME OF SELLER]

By: _____
Name: _____
Title: _____

Acknowledged and agreed to as of the date
first written above:

NESBITT BURNS SECURITIES INC.,
as Agent

By: _____
Name: _____
Title: _____

Address for notice:

111 West Monroe Street
Floor 20 East

Chicago, Illinois 60603

Attention: James P. Walsh, Director
Telephone:
Facsimile: (312) 461-6327

[NAME OF LOCK-BOX BANK]

By: _____
Name: _____
Title: _____

Address for notice:

Attention:
Telex No.:
(Answerback:)
Telephone:
Facsimile:

EXHIBIT A to
Lock-Box Agreement

[Nesbitt Burns Securities Inc.]

[Name and Address
of Lock-Box Bank]

Re: [Name of Seller]
[Lock-Box]*2/ ACCOUNT NO[s]. [and]

Gentlemen:

Reference is made to the letter agreement dated [_____, 199_](the "Letter Agreement") among [Name of Seller], as Servicer, [Pooled Accounts Receivable Capital Corporation] (or any successors and assigns thereof, the "Purchaser"), the undersigned, as Agent and you concerning the above described [lock-box]* account[s] (the "Account[s]"). We hereby give you notice of our assumption of ownership and control of the Account[s] as provided in the Letter Agreement.

We hereby instruct you to make all payments to be made by you out of or in connection with the Account[s] [directly to the undersigned, at [our address set forth above], for the account of the Purchaser (account no.)].

[other instructions]

Very truly yours,

NESBITT BURNS SECURITIES INC.,
as Agent

By: _____
Name: _____
Title: _____

FOOTNOTES

2*/ Delete in the case of direct wire transfer accounts.