

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

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

FOR THE FISCAL YEAR ENDED SEPTEMBER 29, 2001

Commission File number 1-9273

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

DELAWARE 75-1285071

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

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

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

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

TITLE OF EACH CLASS	Name of each exchange on WHICH REGISTERED
Class A Common Stock, Par Value \$0.01	New York Stock Exchange
Class B Common Stock, Par Value \$0.01	New York Stock Exchange

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

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

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

The aggregate market value of the Registrant's Class B Common Stock, \$0.01 par value, and Class A Common Stock, \$0.01 par value, held by non-affiliates of the Registrant as of November 15, 2001, was \$133,152,552 and \$41,760,798, respectively. For purposes of the foregoing calculation only, all directors, executive officers and 5% beneficial owners have been deemed affiliates.

27,589,250 shares of the Registrant's Class B Common Stock, \$.01 par value, were outstanding as of November 15, 2001.

13,523,429 shares of the Registrant's Class A Common Stock, \$.01 par value, were outstanding as of November 15, 2001.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's proxy statement for the annual meeting of stockholders to be held January 30, 2002 are incorporated by reference into Part III.

PILGRIM'S PRIDE CORPORATION
FORM 10-K
TABLE OF CONTENTS

PART I

PAGE		
Item 1.	Business.....	4
Item 2.	Properties.....	22
Item 3.	Legal Proceedings.....	26
Item 4.	Submission of Matters to a Vote of Security Holders.....	27

PART II

Item 5.	Market for Registrant's Common Stock and Related Security Holder Matters.....	28
Item 6.	Selected Financial Data.....	29
Item 7.	Management's Discussion and Analysis of Results of Operations and Financial Condition.....	31
Item 7a.	Quantitative and Qualitative Disclosures About Market Risk.....	38
Item 8.	Financial Statements and Supplementary Data (see Index to Financial Statements and Schedules below).....	40
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.....	40

PART III

Item 10.	Directors and Executive Officers of Registrant.....	41
Item 11.	Executive Compensation.....	41
Item 12.	Security Ownership of Certain Beneficial Owners and Management..	41
Item 13.	Certain Relationships and Related Transactions.....	41

PART IV

Item 14.	Exhibits, Financial Statement Schedules and Reports on Form 8-K.	41
	Signatures.....	48

INDEX TO FINANCIAL STATEMENTS AND SCHEDULES

Report of Ernst & Young LLP, Independent Auditors.....	49
Consolidated Balance Sheets as of September 29, 2001 and September 30, 2000.....	50
Consolidated Statements of Income for the years ended September 29, 2001, September 30, 2000 and October 2, 1999.....	51
Consolidated Statements of Stockholders' Equity for the years ended September 29, 2001, September 30, 2000 and October 2, 1999.....	52
Consolidated Statements of Cash Flows for the years ended September 29, 2001, September 30, 2000 and October 2, 1999.....	53
Notes to Consolidated Financial Statements.....	54
Schedule II - Valuation and Qualifying Accounts for the years ended September 29, 2001, September 30, 2000 and October 2, 1999.....	67

PART I

ITEM 1. BUSINESS

GENERAL

We are the second largest producer of poultry in both the United States and Mexico and have one of the best known brand names in the poultry industry. In the United States, WE PRODUCE BOTH PREPARED AND FRESH CHICKEN AND TURKEY, WHILE IN MEXICO, WE PRODUCE EXCLUSIVELY FRESH CHICKEN. THROUGH VERTICAL INTEGRATION, WE CONTROL THE BREEDING, HATCHING AND GROWING OF CHICKENS AND TURKEYS AND THE PROCESSING, PREPARATION, PACKAGING AND SALE OF OUR PRODUCT LINES, WHICH WE BELIEVE HAS MADE US ONE OF THE HIGHEST QUALITY, LOWEST-COST PRODUCERS OF POULTRY IN NORTH AMERICA. WE HAVE CONSISTENTLY APPLIED A LONG-TERM BUSINESS STRATEGY OF FOCUSING OUR GROWTH EFFORTS ON THE HIGHER-VALUE, HIGHER-MARGIN PREPARED FOODS PRODUCTS AND HAVE BECOME A RECOGNIZED INDUSTRY LEADER IN THIS MARKET SEGMENT. ACCORDINGLY, OUR SALES EFFORTS HAVE TRADITIONALLY BEEN TARGETED TO THE FOODSERVICE INDUSTRY, PRINCIPALLY CHAIN RESTAURANTS AND FOOD PROCESSORS. SOME OF OUR LARGEST CUSTOMERS INCLUDE WENDY'S(TM), STOUFFERS(TM), ARBY'S(TM), KFC(TM) AND WAL-MART(TM). WE HAVE CONTINUALLY MADE INVESTMENTS TO ENSURE THAT OUR PREPARED FOODS CAPABILITIES REMAIN STATE-OF-THE-ART AND HAVE COMPLEMENTED THESE INVESTMENTS WITH A SUBSTANTIAL AND SUCCESSFUL RESEARCH AND DEVELOPMENT EFFORT. IN FISCAL 2001, WE SOLD 2.6 BILLION POUNDS OF DRESSED CHICKEN AND 296.1 MILLION POUNDS OF DRESSED TURKEY AND GENERATED NET SALES OF \$2.2 BILLION AND EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION,

("EBITDA") OF \$147.7 MILLION. IN FISCAL 2001, OUR U.S. OPERATIONS ACCOUNTED FOR 85.4% OF OUR NET SALES, WITH THE REMAINING 14.6% ARISING FROM OUR MEXICO OPERATIONS.

On January 27, 2001, we acquired WLR Foods, Inc. (formerly Nasdaq: WLRF) for \$239.5 million and the assumption of \$45.5 million of indebtedness. WLR FOODS WAS THE SEVENTH LARGEST POULTRY COMPANY IN THE UNITED STATES WITH \$836.9 MILLION OF REVENUE IN CALENDAR YEAR 2000. THE ACQUISITION WAS ACCOUNTED FOR AS A PURCHASE. THE WLR FOODS ACQUISITION PROVIDED US WITH (1) CHICKEN PROCESSING FACILITIES IN THE EASTERN UNITED STATES, WHERE WE PREVIOUSLY HAD NO FACILITIES, WHICH CAN DELIVER POULTRY PRODUCTS WITHIN ONE DAY TO MARKETS ACCOUNTING FOR APPROXIMATELY 40% OF THE U.S. POPULATION; (2) SIGNIFICANT OPPORTUNITIES TO REALIZE SYNERGIES BETWEEN WLR FOODS AND OUR PRE-EXISTING CHICKEN OPERATIONS; AND (3) DIVERSIFICATION OF OUR REVENUE STREAM INTO THE \$8 BILLION TURKEY INDUSTRY, WHERE WE CAN CAPITALIZE ON OUR PREPARED FOODS PROCESSING EXPERTISE. TO DATE, WE ARE ACTIVELY INTEGRATING THE WLR FOODS OPERATIONS AND HAVE REALIZED SIGNIFICANT ANNUALIZED COST SAVINGS AND BELIEVE OPPORTUNITIES FOR SIGNIFICANT ADDITIONAL COST SAVINGS EXIST AS OUR INTEGRATION EFFORTS CONTINUE. CURRENTLY, WLR FOODS' CHICKEN SALES MIX CONSISTS MOSTLY OF LOWER MARGIN FRESH CHICKEN PRODUCTS. HOWEVER, WE INTEND TO CONVERT WLR FOODS' CHICKEN SALES INTO HIGHER MARGIN, FRESH AND PREPARED CHICKEN PRODUCTS. BY CONSISTENT AND CONTINUED APPLICATION OF OUR LONG-TERM BUSINESS STRATEGY TO BOTH OUR RECENTLY ACQUIRED AND OUR EXISTING FRESH CHICKEN MIX, WE BELIEVE THAT OUR OVERALL PRODUCT MIX WILL RETURN TO THE LEVELS EXISTING PRIOR TO THE WLR FOODS ACQUISITION WITHIN THREE YEARS.

OUR OBJECTIVES ARE (1) TO INCREASE SALES, PROFIT MARGINS AND EARNINGS AND (2) OUTPACE THE GROWTH OF, AND MAINTAIN OUR LEADERSHIP POSITION IN, THE POULTRY INDUSTRY. TO ACHIEVE THESE GOALS, WE PLAN TO CONTINUE TO PURSUE THE FOLLOWING STRATEGIES AND APPLY THESE STRATEGIES TO THE RECENTLY ACQUIRED WLR FOODS OPERATIONS:

- CAPITALIZE ON ATTRACTIVE U.S. PREPARED FOODS MARKET. We focus our U.S. growth initiatives on sales of prepared foods to the foodservice market because it continues to be one of the fastest growing and most profitable segments in the poultry industry. Products sold to this market segment require further processing, which enables us to charge a premium for our products, reduces the impact of feed ingredient costs on our profitability and improves and stabilizes our profit margins. Feed ingredient costs typically decrease from approximately 30-50% of total production cost for fresh chicken products to approximately 16-25% for prepared chicken products. Our sales of prepared chicken products to the foodservice market grew from \$349.0 million in fiscal 1997 to \$642.2 million in fiscal 2001, a compounded annual growth rate of 16.5%. In addition, these sales increased as a percentage of our total U.S. chicken revenues from 40.5% to 43.6% during the same five-year period. As a result of the acquisition of WLR Foods, whose operations were focused primarily on fresh chicken products, this percentage has decreased to 43.6% from 56.5% in fiscal 2000. Over the last 24 months, we have invested approximately \$79 million to expand our prepared foods operations, which increased our prepared foods production capacity by approximately 50%. We believe that we will realize the benefits from this additional production capacity over the next 18 to 24 months and that these investments will be the primary investments necessary to enable us to return the percentage of our overall product mix derived from prepared foods products to the levels existing before the acquisition of WLR Foods.

- EMPHASIZE CUSTOMER-DRIVEN RESEARCH AND TECHNOLOGY. We have a long-standing reputation for customer-driven research and development in designing new products and implementing advanced processing technology. This enables us to better meet our customers' changing needs for product innovation, consistent quality and cost efficiency. In particular, customer-driven research and development is integral to our growth strategy for the prepared foods market in which customers continue to place greater importance on value-added services. Our research and development personnel often work directly with institutional customers in developing products for these customers, which we believe helps promote long-term relationships. Approximately \$248.0 million, or 24.1%, of our chicken sales to foodservice customers in fiscal 2001 consisted of products that we did not sell in fiscal 1997.

- ENHANCE U.S. FRESH CHICKEN PROFITABILITY THROUGH VALUE-ADDED, BRANDED PRODUCTS. Our U.S. fresh chicken sales accounted for \$612.5 million, or 41.6%, of our U.S. chicken sales for fiscal 2001. In addition to maintaining the sales of mature, traditional fresh chicken products, our strategy is to shift the mix of our U.S. fresh chicken products by continuing to increase sales of higher margin, faster growing products, such as marinated chicken and chicken parts. Most of our fresh chicken products are sold under the Pilgrim's

Pride brand name, which is one of the best known brands in the chicken industry.

- IMPROVE OPERATING EFFICIENCIES AND INCREASE CAPACITY ON A COST-EFFECTIVE BASIS. As production and sales grow, we continue to focus on improving operating efficiencies by investing in state-of-the-art technology, processes and training and our total quality management program. Specific initiatives include:

- standardizing lowest-cost production processes across our various facilities;
- centralizing purchasing and other shared services; and
- upgrading technology where appropriate.

In addition, we have a proven history of increasing capacity while improving operating efficiencies at acquired properties both in the U.S. and Mexico. As a result, according to industry data, since 1993 we have consistently been one of the lowest cost producers of chicken in the U.S., and we also believe we are one of the lowest cost producers of chicken in Mexico. With respect to our WLR Foods acquisition, we have already begun realizing significant operating efficiencies by reducing administrative expenses and focusing on live production and plant operations, sales, marketing, freight and procurement. To date, we have realized significant annualized cost savings with WLR Foods and believe additional opportunities for significant cost savings exist.

- CONTINUE TO PENETRATE THE GROWING MEXICAN MARKET. We seek to leverage our leading market position and reputation for freshness and quality in Mexico by focusing on the following four objectives:

- to be one of the most cost-efficient producers and processors of chicken in Mexico by applying technology and expertise utilized in the U.S.;
- to continually increase our distribution of higher margin, more value-added products to national retail stores and restaurants;
- to continue to build and emphasize brand awareness and capitalize on Mexican consumers' preference for branded products and their insistence on freshness and quality; and
- to ensure that, as Mexican tariffs on imported chicken are eliminated by 2003, a significant portion of the chicken imported from the U.S. will be distributed through our existing and planned distribution facilities. The location of our U.S. operations in the Southwest gives us a strategic advantage to capitalize on exports of U.S. chicken to Mexico.

- LEVERAGE OUR RECENTLY ACQUIRED TURKEY OPERATIONS. We seek to take advantage of our leading market position and reputation as a high quality, high service provider of chicken products to purchasers of turkey products by focusing on the following four objectives:

- to cross-sell prepared turkey products to existing chicken customers;
- to develop new and innovative prepared turkey products by capitalizing on our research and development expertise;
- to improve operating efficiencies in our turkey operations by applying proven management methodologies and techniques employed historically in our chicken operations; and
- to capitalize on the unique opportunity to establish, develop and market turkey products under the Pilgrim's Pride brand name.

- CAPITALIZE ON EXPORT OPPORTUNITIES. We intend to continue to focus on international opportunities to complement our U.S. poultry operations and capitalize on attractive export markets. According to the USDA, the export of U.S. poultry products has grown 25.5% and 4.6% for chicken and turkey, respectively, from 1996 through 2000. We believe that U.S. poultry exports will continue to grow as worldwide demand increases for high-grade, low-cost protein sources. According to USDA data, the export market is expected to grow at 57.7% and 8.1% for chicken and turkey, respectively, from 2000 to 2005. Historically, we have targeted international markets to generate additional demand for our chicken and turkey dark meat, which is a natural by-product of

our U.S. operations given our concentration on prepared foods products and the U.S. customers' general preference for white meat. As part of this initiative, we have created a significant international distribution network into several markets, including Mexico, which we now utilize not only for dark meat distribution, but also for various higher margin prepared foods and other poultry products. Historically, WLR Foods has utilized a direct international sales force compared to our primary use of export brokers. Our key international markets include Canada, Mexico, Eastern Europe and the Far East. We believe that we have substantial opportunities to expand our sales to these markets by capitalizing on WLR Foods' direct international distribution channels supplemented by our existing export broker relationships. Exports accounted for approximately 5.1% of our net sales in fiscal 2001.

Our chicken products consist primarily of:

(1) Prepared chicken products, which are products such as portion-controlled breast fillets, tenderloins and strips, delicatessen products, frankfurters, salads, formed nuggets and patties and bone-in chicken parts. These products are sold either refrigerated or frozen and may be fully cooked, partially cooked or raw. In addition, these products are breaded or non-breaded and either pre-marinated or non-marinated.

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

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

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

Our turkey products consist primarily of:

(1) Prepared turkey products, which are products such as turkey sausages, ground turkey, turkey hams and roasts, ground turkey breast products, frankfurters, salads and flavored turkey burgers. We also have an array of cooked, further processed deli products.

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

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

Our chicken and turkey products are sold primarily to:

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

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

The following table sets forth, for the periods since fiscal 1997, net sales attributable to each of our primary product lines and markets served with those products. Consistent with our long-term strategy, we have emphasized our U.S. growth initiatives on sales of prepared foods products, primarily to the foodservice market, because this product and market segment has experienced, and we believe will continue to experience, greater growth than fresh chicken products. We based the table on our internal sales reports and their classification of product types and customers.

	FISCAL YEAR ENDED				
	Sept. 29 2001(a) (52 WEEKS)	Sept. 30, 2000 (52 WEEKS)	Oct. 2, 1999 (53 WEEKS)	Sept. 26 1998 (52WEEKS)	Sept. 27, 1997 (52WEEKS)
	(IN THOUSANDS)				
U.S. Chicken Sales:					
Prepared Foods:					
Foodservice	\$642,220	\$593,586	\$528,566	\$420,396	\$348,961
Retail	111,969	48,059	28,275	46,400	42,289
Total Prepared Foods	754,189	641,645	556,841	466,796	391,250
Fresh Chicken:					
Foodservice	387,836	202,297	205,997	220,804	259,349
Retail	224,693	148,977	163,387	162,283	153,554
Total Fresh Chicken	612,529	351,274	369,384	383,087	412,903
Export and Other	105,622	57,468	37,271	64,469	56,784
Total U.S. Chicken	1,472,340	1,050,387	963,496	914,352	860,937
MEXICO CHICKEN SALES	323,678	307,362	254,500	278,087	274,997
Total Chicken Sales	1,796,018	1,357,749	1,217,996	1,192,439	1,135,934
U.S. TURKEY SALES:					
Prepared Foods:					
Foodservice	90,777	--	--	--	--
Retail	48,407	--	--	--	--
Total	139,184	--	--	--	--
Prepared Foods					
Fresh Turkey:					
Foodservice	18,614	--	--	--	--
Retail	69,557	--	--	--	--
Total Fresh Turkey	88,171	--	--	--	--
Export and Other	11,480	--	--	--	--
Total U.S. Turkey Sales	238,835	--	--	--	--
SALES OF OTHER					
U.S. PRODUCTS	179,859	141,690	139,407	139,106	141,715
Total Net Sales	\$2,214,712	\$1,499,439	\$1,357,403	\$1,331,545	\$1,277,649

(a) The acquisition of WLR Foods on January 27, 2001 has been accounted for as a purchase, and the results of operations for this acquisition have been included in our consolidated results of operations since the acquisition date.

The following table sets forth, since fiscal 1997, the percentage of net U.S. chicken and turkey sales attributable to each of our primary product lines and the markets serviced with those products. We based the table and related discussion on our internal sales reports and their classification of product types and customers.

	FISCAL YEAR ENDED				
U.S. Chicken Sales:					
Prepared Foods:					
Foodservice	43.6%	56.5%	54.9%	46.0%	40.5%
Retail	7.6	4.6	2.9	5.1	4.9
Total Prepared Foods	51.2	61.1	57.8	51.1	45.4
Fresh Chicken:					
Foodservice	26.3	19.2	21.3	24.2	30.1
Retail	15.3	14.2	17.0	17.7	17.9
Total Fresh Chicken	41.6	33.4	38.3	41.9	48.0
Export and Other	7.2	5.5	3.9	7.0	6.6
Total U.S. Chicken Sales Mix	100.0%	100.0%	100.0%	100.0%	100.0%

	FISCAL YEAR ENDED				
	Sept. 29 2001(a)	Sept. 30, 2000	Oct. 2, 1999	Sept. 26 1998	Sept. 27, 1997
U.S. Turkey Sales:					
Prepared Foods:					
Foodservice	38.0%	--	--	--	--
Retail	20.3	--	--	--	--
Total Prepared Foods	58.3	--	--	--	--
Fresh Turkey:					
Foodservice	7.8	--	--	--	--
Retail	29.1	--	--	--	--
Total Fresh Turkey	36.9	--	--	--	--
Export and Other	4.8	--	--	--	--
Total U.S. Turkey Sales Mix	100.0%	--	--	--	--

(a) The acquisition of WLR Foods on January 27, 2001 has been accounted for as a purchase, and the results of operations for this acquisition have been included in our consolidated results of operations since the acquisition date.

UNITED STATES

PRODUCT TYPES

CHICKEN PRODUCTS

PREPARED FOODS OVERVIEW. During fiscal 2001, \$754.2 million of our net U.S. chicken sales were in prepared foods products to foodservice customers and retail distributors, as compared to \$391.3 million in fiscal 1997. These numbers reflect the strategic focus for our growth. The market for prepared chicken products has experienced, and we believe will continue to experience, greater growth, higher average sales prices and higher margins than fresh chicken products. Also, the production and sale in the U.S. of prepared foods products reduce the impact of the costs of feed ingredients on our profitability. Feed ingredient costs are the single largest component of our chicken cost of goods sold, representing approximately 29.9% of our U.S. cost of goods sold for the year ended September 29, 2001. The production of feed ingredients is positively or negatively affected primarily by weather patterns throughout the world, the global level of supply inventories and demand for feed ingredients, and the agricultural policies of the United States and foreign governments. As further processing is performed, feed ingredient costs become a decreasing percentage of a product's total production cost, thereby reducing their impact on our profitability. Products sold in this form enable us to charge a premium, reduce the impact of feed ingredient costs on our profitability and improve and stabilize our profit margins.

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

FRESH CHICKEN OVERVIEW. Our fresh chicken business is an important component of our sales and accounted for \$612.5 million, or 41.6%, of our total U.S. chicken sales for fiscal 2001. In addition to maintaining sales of mature, traditional fresh chicken products, our strategy is to shift the mix of our U.S. fresh chicken products by continuing to increase sales of higher margin, faster growing products, such as marinated chicken and chicken parts.

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

EXPORT AND OTHER CHICKEN PRODUCTS OVERVIEW. Our export and other products consist of whole chickens and chicken parts sold primarily in bulk, non-branded form either refrigerated to distributors in the U.S. or frozen for distribution to export markets. In fiscal 2001, approximately \$105.6 million of our sales were attributable to U.S. chicken export and other. These exports and other products have historically been characterized by lower prices and greater price volatility than our more value-added product lines.

TURKEY PRODUCTS

PREPARED FOODS OVERVIEW. During fiscal 2001, \$139.2 million, or 58.3%, of our total turkey sales were prepared turkey products sold to foodservice customers and retail distributors. Like the U.S. chicken markets, the market for prepared turkey products has experienced greater growth and higher margins than fresh turkey products and the production and sale of prepared turkey products reduce the impact of the costs of feed ingredients on our profitability. Feed ingredient costs are the single largest component of our turkey division cost of goods sold, representing approximately 29.5% of our turkey cost of goods sold in fiscal 2001. Similarly with the chicken business, as further processing is performed, feed ingredient costs become a decreasing percentage of a product's total production cost, thereby reducing their impact on our profitability.

We establish prices for our prepared turkey products based primarily upon perceived value to the customer, production costs and prices of

competing products. The majority of these products are sold pursuant to agreements with varying terms that either set a fixed price or are subject to a market driven formula.

FRESH TURKEY OVERVIEW. Our fresh turkey business is an important component of our sales and accounted for \$88.2 million, or 36.9%, of our total turkey sales in fiscal 2001. As is typical for the industry, a significant portion of the sales of fresh and frozen whole turkeys is seasonal in nature, with the height of sales occurring during the Thanksgiving and Christmas holidays. In addition to maintaining sales of mature, traditional fresh turkey products, our strategy is to shift the mix of our fresh turkey products by continuing to increase sales of higher margin, faster growing value-added turkey products, such as deli meats, ground turkey, turkey burgers and sausage, roasted turkey, frankfurters and salads and a new line of flavored turkey burgers.

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

EXPORT AND OTHER TURKEY PRODUCTS OVERVIEW. Our export and other products consist primarily of turkey parts sold primarily in bulk, non-branded form frozen for distribution to export markets and refrigerated and frozen frankfurters sold in a branded form. In fiscal 2001, approximately \$11.5 million, or 5.1%, of our total turkey sales were attributable to export and other sales. These exports and other products have historically been characterized by lower prices and greater price volatility than our more value-added product lines.

MARKETS FOR CHICKEN PRODUCTS

FOODSERVICE. The majority of our U.S. chicken sales are derived from products sold to the foodservice market. This market principally consists of chain restaurants, food processors and certain other institutions located throughout the continental United States. We are the largest supplier of chicken to Wendy's and Stouffers, and we are a major supplier of chicken to Burger King, Arby's, and KFC. We supply chicken products ranging from portion-controlled refrigerated chicken parts to fully cooked and frozen, breaded or non-breaded chicken parts or formed products.

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

We believe we have significant competitive strengths in terms of full-line product capabilities, high-volume production capacities, research and development expertise and extensive distribution and marketing experience relative to smaller and to non-vertically integrated producers. While the overall chicken market has grown consistently, we believe the majority of this growth in recent years has been in the foodservice market. According to the National Chicken Council, during the 1996 through 2000 period, sales of chicken products to the foodservice market grew at a compounded annual growth rate of approximately 7.8%, versus 3.3% growth for the chicken industry overall. Foodservice growth is anticipated to continue as food-away-from-home expenditures continue to outpace overall industry rates. According to the National Restaurant Association, food-away-from-home expenditures grew at a compounded annual growth rate of approximately 5.3% during the 1996 through 2000 period and are projected to grow at a 4.3% compounded annual growth rate from 2000 through 2010. As a result, the food-away-from-home category is projected by the National Restaurant Association to account for 53% of total food expenditures by 2010, as compared with 46% in 2000. Our sales to the foodservice market from fiscal 1997 through fiscal 2001 grew at a compounded annual growth rate of 14.1% and represented 70.0% of the net sales of our U.S. chicken operations in fiscal 2001.

FOODSERVICE - PREPARED FOODS. THE majority of our sales to the foodservice market consist of prepared foods products. Our prepared chicken products sales to the foodservice market were \$642.2 million in fiscal 2001 compared to \$349.0 million in fiscal 1997, a compounded annual growth rate

of approximately 16.5%. We attribute this growth in sales of prepared chicken products to the foodservice market to a number of factors:

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

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

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

- We are vertically integrated, giving us control over supply of chicken and chicken parts;
- Our further processing facilities are particularly well suited to the high-volume production runs necessary to meet the capacity and quality requirements of the foodservice market; and
- We have established a reputation for dependable quality, highly responsive service and excellent technical support.

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

FIFTH, our in-house product development group follows a customer-driven research and development focus designed to develop new products to meet customers' changing needs. Our research and development personnel often work directly with institutional customers in developing products for these customers. Approximately \$248.0 million, or 24.1%, of our sales to foodservice customers in fiscal 2001 consisted of new products which were not sold by us in fiscal 1997.

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

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

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

We utilize numerous marketing techniques, including advertising, to develop and strengthen trade and consumer awareness and increase brand loyalty for consumer products marketed under the Pilgrim's Pride brand. Our founder, Lonnie "Bo" Pilgrim, is the featured spokesman in our television, radio and print advertising, and a trademark cameo of a person wearing a Pilgrim's hat serves as the logo on all of our primary branded products. As a result of this marketing strategy, Pilgrim's Pride is a well-known brand name in several southwestern markets, including Dallas/Fort Worth, Houston and San Antonio, Texas, Oklahoma City, Oklahoma, Denver, Colorado, Phoenix, Arizona and Los Angeles and San Diego, California. We believe our efforts to achieve and maintain brand awareness and loyalty help to provide more secure

distribution for our products. We also believe our efforts at brand awareness generate greater price premiums than would otherwise be the case in certain southwestern markets. We also maintain an active program to identify consumer preferences. The program primarily consists of testing new product ideas, packaging designs and methods through taste panels and focus groups located in key geographic markets.

RETAIL - PREPARED FOODS. We sell retail-oriented prepared chicken products primarily to grocery store chains located in the midwestern, southwestern, western and, since the acquisition of WLR Foods, eastern regions of the U.S. We believe that our growth in this market segment will remain relatively modest, however, as we concentrate our efforts primarily on the faster-growing, higher-margin foodservice market segment.

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

EXPORT AND OTHER CHICKEN PRODUCTS. Our export and other chicken products consist of whole chickens and chicken parts sold primarily in bulk, non-branded form either refrigerated to distributors in the U.S. or frozen for distribution to export markets. In the U.S., prices of these products are negotiated daily or weekly and are generally related to market prices quoted by the USDA or other public price reporting services. We also sell U.S.-produced chicken products for export to Canada, Mexico, Eastern Europe, the Far East and other world markets. Historically, we have targeted international markets to generate additional demand for our chicken dark meat which is a natural by-product of our U.S. operations given our concentration on prepared foods products and the U.S. customers' general preference for white meat. We have also begun selling prepared chicken products for export to the international divisions of our U.S. chain restaurant customers. We believe that U.S. chicken exports will continue to grow as worldwide demand increases for high-grade, low-cost protein sources. We also believe that worldwide demand for higher margin prepared foods products will increase over the next five years. Accordingly, we believe we are well positioned to capitalize on such growth. Also included in this categories are chicken and turkey by-products, which are converted into protein products sold primarily to manufacturers of pet foods.

MARKETS FOR TURKEY PRODUCTS

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

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

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

FOODSERVICE - PREPARED FOODS. The majority of our turkey sales to the foodservice market consist of prepared turkey products. Our prepared turkey sales to the foodservice market were \$90.8 million of our sales in fiscal 2001. We believe that future growth in this segment will be attributable to the same six factors described above relating to the growth of prepared chicken sales to the foodservice market.

FOODSERVICE - FRESH TURKEY. We produce and market fresh, refrigerated and frozen turkey for sale to foodservice distributors, restaurant chains and other customers. These turkeys are usually of specific weight ranges, and are usually whole birds to customer specifications. They are often marinated to enhance value and product differentiation. Our semi-boneless turkey, unique to Pilgrim's Pride, is becoming very popular with cruiselines and other customers where visual presentation of the whole turkey is critical.

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

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

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

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

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

MARKETS FOR OTHER U.S. PRODUCTS

We market fresh eggs under the Pilgrim's Pride brand name as well as private labels in various sizes of cartons and flats to U.S. retail grocery and institutional foodservice customers located primarily in Texas. We have a housing capacity for approximately 2.3 million commercial egg laying hens which can produce approximately 42 million dozen eggs annually. U.S. egg prices are determined weekly based upon reported market prices. The U.S. egg industry has been consolidating over the last few years, with the 25 largest producers accounting for more than 54% of the total number of egg laying hens in service during 2000. We compete with other U.S. egg producers primarily on the basis of product quality, reliability, price and customer service.

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

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

BACKGROUND

The Mexican market represented approximately 14.6% of our net sales in fiscal 2001. Recognizing favorable long-term demographic trends and improving economic conditions in Mexico, we began exploring opportunities to produce and market chicken in Mexico. In fiscal 1988, we acquired four vertically integrated chicken production operations in Mexico for approximately \$15.1 million. From fiscal 1988 through fiscal 2001, we made acquisitions and capital expenditures in Mexico totaling \$240.5 million to modernize our production technology, improve our distribution network and expand our operations. In addition, we have transferred experienced management personnel from the U.S. and developed a strong local management team. As a result of these expenditures, we have increased weekly production in our Mexican operations by over 400% since our original investment in fiscal 1988. We are now the second largest producer of chicken in Mexico. We believe our facilities are among the most technologically advanced in Mexico and that we are one of the lowest cost producers of chicken in Mexico.

PRODUCT TYPES

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

MARKETS

We sell our Mexico chicken products primarily to large wholesalers and retailers. Our customer base in Mexico covers a broad geographic area from Mexico City, the capital of Mexico with a population estimated to be over 20 million, to Saltillo, the capital of the State of Coahuila, about 500 miles north of Mexico City, and from Tampico on the Gulf of Mexico to Acapulco on the Pacific, which region includes the cities of San Luis Potosi and Queretaro, capitals of the states of the same name.

In Mexico, where product differentiation has traditionally been limited, product quality and price have been the most critical competitive factors. The North American Free Trade Agreement, which went into effect on January 1, 1994, requires annual reductions in tariffs for chicken and chicken products in order to eliminate those tariffs by January 1, 2003.

While the extent of the impact of the elimination of tariffs is uncertain, we believe we are uniquely positioned to benefit from this elimination. We have an extensive distribution network in Mexico which distributes products to 19 of the 32 Mexican states, encompassing approximately 74% of the total population of Mexico. Our distribution network is comprised of eight distribution centers utilizing approximately 126 company-owned vehicles. We believe this distribution network will be an important asset in distributing our own, as well as other companies', U.S.-produced chicken into Mexico.

COMPETITION

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

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

In Mexico, where product differentiation has traditionally been

limited, product quality and price have been the most critical competitive factors. The North American Free Trade Agreement, which went into effect on January 1, 1994, requires annual reductions in tariffs for chicken and chicken products in order to eliminate those tariffs by January 1, 2003. As such tariffs are reduced, we expect greater amounts of chicken to be imported into Mexico from the U.S., which could negatively affect the profitability of Mexican chicken producers and positively affect the profitability of U.S. exporters of chicken to Mexico.

While the extent of the impact of the elimination of tariffs is uncertain, we believe we are uniquely positioned to benefit from this elimination for two reasons. First, we have an extensive distribution network in Mexico which distributes products to 19 of the 32 Mexican states, encompassing approximately 74% of the total population of Mexico. We believe this distribution network will be an important asset in distributing our own, as well as other companies', U.S.-produced chicken into Mexico. Second, we have the largest U.S. production and distribution capacities near the Mexican border, which will provide us with cost advantages in exporting U.S. chicken into Mexico. These facilities include our processing facilities in Mt. Pleasant, Pittsburg, Lufkin, Nacogdoches, Dallas and Waco, Texas, and distribution facilities in San Antonio and El Paso, Texas and Phoenix, Arizona.

OTHER ACTIVITIES

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

REGULATION AND ENVIRONMENTAL MATTERS

The chicken and turkey industries are subject to government regulation, particularly in the health and environmental areas, including provisions relating to the discharge of materials into the environment, by the Centers for Disease Control, the United States Department of Agriculture, the Food and Drug Administration and the Environmental Protection Agency in the United States and by similar governmental agencies in Mexico. Our chicken processing facilities in the U.S. are subject to on-site examination, inspection and regulation by the USDA. The FDA inspects the production of our feed mills in the U.S. Our Mexican food processing facilities and feed mills are subject to on-site examination, inspection and regulation by a Mexican governmental agency, which performs functions similar to those performed by the USDA and FDA. Since commencement of operations by our predecessor in 1946, compliance with applicable regulations has not had a material adverse effect upon our earnings or competitive position and such compliance is not anticipated to have a materially adverse effect in the future. We believe that we are in substantial compliance with all applicable laws and regulations relating to the operations of our facilities.

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

EMPLOYEES AND LABOR RELATIONS

As of September 29, 2001, we employed approximately 19,900 persons in the U.S. and 4,600 persons in Mexico. Approximately 2,500 employees at our Lufkin and Nacogdoches, Texas facilities are members of collective bargaining units represented by the United Food and Commercial Workers Union. However, our Lufkin employees have recently filed a de-certification petition, which is presently being reviewed by the National Labor Relations Board. None of our other U.S. employees have union representation. Collective bargaining agreements with the United Food and Commercial Workers Union expired on August 10, 2001 with respect to our Lufkin employees, where we are currently operating without a contract, and expires in October 2004 with respect to our Nacogdoches employees. We believe that the terms of the Nacogdoches agreement are no more favorable than those provided to our non-union U.S. employees. In Mexico, most of our hourly employees are covered by collective bargaining agreements, as are most employees in Mexico. We have not experienced any work stoppage since a two-day work stoppage, with no significant operation disruption, at our

Lufkin facility in May 1993. We believe our relations with our employees are satisfactory.

FORWARD-LOOKING STATEMENTS

Statements of our intentions, beliefs, expectations or predictions for the future, denoted by the words "anticipate," "believe," "estimate," "expect," "project," "imply," "intend," "foresee" and similar expressions, are forward-looking statements that reflect our current views about future events and are subject to risks, uncertainties and assumptions. Such risks, uncertainties and assumptions include the following:

- Matters affecting the poultry industry generally, including fluctuations in the commodity prices of feed ingredients, chicken and turkey;
- Management of our cash resources, particularly in light of our substantial leverage;
- Restrictions imposed by, and as a result of, our substantial leverage;
- Currency exchange rate fluctuations, trade barriers, exchange controls, expropriation and other risks associated with foreign operations;
- Changes in laws or regulations affecting our operations, as well as competitive factors and pricing pressures;
- Inability to effectively integrate WLR Foods or realize the associated cost savings and operating synergies currently anticipated; and
- The impact of uncertainties of litigation as well as other risks described in our filings with the Securities and Exchange Commission.

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

ITEM 2. PROPERTIES

Chicken Operations

BREEDING AND HATCHING

We supply all of our chicks in the U.S. by producing our own hatching eggs from domestic breeder flocks in the U.S. These flocks are owned by us, and approximately 13.9% of them are maintained on 43 company-owned breeder farms. In the U.S., we currently own or contract for approximately 14.2 million square feet of breeder housing on approximately 417 breeder farms. In Mexico, all of our breeder flocks are maintained on company-owned farms totaling approximately 4.1 million square feet.

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

GROW-OUT

We place our U.S. grown chicks on approximately 1,500 contract grow-out farms located in Texas, Arkansas, Virginia, West Virginia, North Carolina and Oklahoma, some of which are owned by our affiliates. These contract grow-out farms contain approximately 5,360 chicken houses with approximately 78.4 million square feet of growing facilities. Additionally, we own and operate grow-out farms containing approximately 390 chicken houses with approximately 4.4 million square feet of growing facilities in the U.S., which account for approximately 5% of our total annual U.S. chicken capacity. On the contracted grow-out farms, the farmers provide the facilities, utilities and labor. We supply the chicks, the feed and all

veterinary and technical services. Contract grow-out farmers are paid based on live weight under an incentive arrangement. In Mexico, we place our grown chicks on contract grow-out farms containing approximately 732 chicken houses with approximately 10.2 million square feet of growing facilities. Additionally, we own and operate grow-out farms containing approximately 632 chicken houses with approximately 9.2 million square feet of growing facilities in Mexico, which account for approximately 56.5% of our total annual Mexican chicken capacity. Arrangements with independent farmers in Mexico are similar to our arrangements with contractors in the United States. The average grow-out cycle of our chickens is six to seven weeks.

FEED MILLS

An important factor in the production of chicken is the rate at which feed is converted into body weight. The quality and composition of the feed is critical to the conversion rate. Accordingly, we formulate and produce our own feed. We purchase feed ingredients on the open market. The primary feed ingredients include corn, milo and soybean meal, which historically have been the largest component of our total production costs. In the U.S., we operate nine feed mills located in Nacogdoches, Tenaha and Pittsburg, Texas, Nashville and Hope, Arkansas, Harrisonburg, Virginia, Wingate, North Carolina and Moorefield, West Virginia. In the U.S., we currently have annual feed requirements of approximately 3.4 million tons and the capacity to produce approximately 6.1 million tons. We own four feed mills in Mexico, which produce all of the requirements of our Mexico operations. Mexico's annual feed requirements are approximately 0.7 million tons with a capacity to produce approximately 1.0 million tons. In fiscal 2001, approximately 67% of the feed ingredients used by us in Mexico were imported from the United States, but this percentage fluctuates based on the availability and cost of local feed ingredient supplies.

PROCESSING

Once the chickens reach processing weight, they are transported in our trucks to our processing plants. These plants utilize modern, highly automated equipment to process and package the chickens. We periodically review possible application of new processing technologies in order to enhance productivity and reduce costs. We have ten U.S. processing plants, two of which are located in Mt. Pleasant, Texas, and the remainder of which are located in Dallas, Nacogdoches and Lufkin, Texas, DeQueen, Arkansas, Broadway and Alma, Virginia, Marshville, North Carolina and Moorefield, West Virginia. These processing plants have the capacity, under present USDA inspection procedures, to slaughter approximately 11.9 million head of chicken per week, assuming a five-day work week. Our three processing plants located in Mexico have the capacity to slaughter approximately 3.3 million head of chicken per week, assuming a six-day work week, which is typical in Mexico.

TURKEY OPERATIONS

BREEDING AND HATCHING

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

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

GROW-OUT

We place our turkey poults on approximately 350 contract grow-out farms located in Virginia, West Virginia, Pennsylvania, Maryland and North and South Carolina. These contract grow-out farms contain approximately 1,260 turkey houses with approximately 23.6 million square feet of growing facilities. In addition, we own and operate a grow-out farm containing 20 turkey houses with approximately 251,000 square feet of growing facilities in the U.S., which accounts for approximately 1.1% of our total annual

turkey capacity. On the contracted grow-out farms, the farmers provide the facilities, utilities and labor. We supply the poults, the feed and all veterinary and technical services. Contract grow-out farmers are paid based on live weight under an incentive arrangement. The average grow-out cycle of our turkeys is 20 to 26 weeks.

FEED MILLS

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

PROCESSING

Once the poults reach processing weight, they are transported in our trucks to our processing plants. These plants utilize modern, highly automated equipment to process and package the turkeys. We periodically review possible application of new processing technologies in order to enhance productivity and reduce costs. Our three turkey processing plants, located in Harrisonburg and Hinton, Virginia and New Oxford, Pennsylvania, have the capacity, under present USDA inspection procedures, to process approximately 450,000 turkeys per week, assuming a five-day work week.

PREPARED FOODS OPERATIONS

We operate five prepared foods plants. Four of these plants process primarily chicken prepared foods products and are located in Mt. Pleasant, Waco, Dallas and Nacogdoches, Texas. Substantially all of our turkey prepared foods products are processed in our plant located in Franconia, Pennsylvania. In line with our stated business strategy to capitalize on the attractive U.S. prepared foods market, we have increased our prepared foods production capacity through expansion and acquisitions. The U.S. prepared foods market continues to be one of the fastest growing and most profitable segments in the poultry industry. Further processed prepared foods products include items such as portion-controlled breast fillets, tenderloins and strips, formed nuggets and patties, turkey hams and roasts, salads and bone-in chicken parts. Prepared foods are sold frozen and may be either fully cooked, partially cooked or raw, breaded or non-breaded, pre-marinated or non-marinated or smoked. We measure our operating capacity of our prepared foods plants on the basis of running two shifts per day, six days per week.

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

Our Waco, Texas prepared foods plant was purchased in 1999 and expanded in fiscal year 2000 and again in fiscal 2001. It is functionally equivalent to the Mt. Pleasant plant and includes 150,146 square feet and employs approximately 700 people. This state of the art facility has marinating systems, batter/breading systems, fryers, ovens, both mechanical and cryogenic freezers, a variety of packaging systems and cold storage including two fully-cooked lines and two ready-to-cook lines and four spiral freezers. This facility has capacity to produce approximately 270 million pounds of further processed product annually and is currently operating at approximately 80% of capacity.

Our Franconia, Pennsylvania prepared foods plant was acquired in January 2001 and further processes chicken and turkey products, including grinding, marinating, spicing and cooking, producing premium delicatessen, foodservice and retail products, including roast turkey, frankfurters and salads. This facility includes approximately 170,000 square feet and employs approximately 775 people. Our Franconia facility employs the batching system of production as opposed to line-production used in our other plants. This plant has approximately 95 million annual pounds of oven capacity, 26 million annual pounds of frankfurter capacity and 17 million

annual pounds of salad capacity for a total capacity of approximately 138 million pounds of further processed product annually and is currently operating at approximately 80% of capacity.

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

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

EGG PRODUCTION

We produce table eggs at three farms near Pittsburg, Texas. One farm is owned by us, while two farms are leased from an entity owned by our major stockholder. The eggs are cleaned, sized, graded and packaged for shipment at processing facilities located on the egg farms. The farms have a housing capacity for approximately 2.3 million producing hens and are currently housing approximately 1.9 million hens.

OTHER FACILITIES AND INFORMATION

We operate three rendering plants that convert by-products into protein products, located in Mt. Pleasant, Texas, Broadway, Virginia and Moorefield, West Virginia. These rendering plants currently process by-products from approximately 13.1 million chickens and 0.6 million turkeys weekly into protein products. These products are used in the manufacture of poultry and livestock feed and pet foods. We operate a commercial feed mill in Mt. Pleasant, Texas, which produces various bulk and sacked livestock feed sold to area dairies, ranches and farms. We also operate a feed supply store in Pittsburg, Texas, from which we sell various bulk and sacked livestock feed products, a majority of which is produced in our Mt. Pleasant commercial feed mill. We own an office building in Pittsburg, Texas, which houses our executive offices, an office building in Mexico City, which houses our Mexican marketing offices, and an office building in Broadway, Virginia, which houses our Eastern Division sales and marketing, research and development, and corporate activities.

Substantially all of our U.S. property, plant and equipment is pledged as collateral on our secured debt.

ITEM 3. LEGAL PROCEEDINGS

SINCE MARCH 23, 1999, THE COMPANY HAS BEEN A PLAINTIFF IN TWO ANTITRUST LAWSUITS IN U.S. DISTRICT COURT IN WASHINGTON, D.C. ALLEGING A WORLD-WIDE CONSPIRACY TO CONTROL PRODUCTION CAPACITY AND RAISE PRICES OF COMMON VITAMINS SUCH AS A, B-4, C AND E. ON NOVEMBER 3, 1999, A SETTLEMENT, WHICH WAS ENTERED INTO AS PART OF A CLASS ACTION LAWSUIT TO WHICH THE COMPANY WAS A MEMBER, WAS AGREED TO AMONG THE DEFENDANTS AND THE CLASS, WHICH WOULD PROVIDE FOR A RECOVERY OF BETWEEN 18-20% OF VITAMINS PURCHASED FROM THE DEFENDANTS FROM 1990 THROUGH 1998. ON MARCH 28, 2000, THE JUDGE PRESIDING OVER THE CASE ACCEPTED THE NEGOTIATED SETTLEMENT BETWEEN THE PARTIES; HOWEVER, APPEALS FROM VARIOUS SOURCES ARE IN PROCESS. THE COMPANY HAS FILED DOCUMENTATION SHOWING THAT VITAMIN PURCHASES MADE DURING THE RECOVERY PERIOD TOTALED APPROXIMATELY \$14.9 MILLION. DURING FISCAL 2001, THE COMPANY RECEIVED \$3.3 MILLION IN FINAL SETTLEMENT OF ITS CLAIM.

IN JANUARY OF 1998, SEVENTEEN OF OUR CURRENT AND/OR FORMER EMPLOYEES FILED THE CASE OF "OCTAVIUS ANDERSON, ET AL. V. PILGRIM'S PRIDE CORPORATION" IN THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF TEXAS, LUFKIN DIVISION CLAIMING PILGRIM'S PRIDE VIOLATED REQUIREMENTS OF THE FAIR LABOR STANDARDS ACT. THE SUIT ALLEGED PILGRIM'S PRIDE FAILED TO PAY EMPLOYEES FOR ALL HOURS WORKED. THE SUIT GENERALLY ALLEGED THAT (1) EMPLOYEES SHOULD BE PAID FOR TIME SPENT TO PUT ON, TAKE OFF, AND CLEAN CERTAIN PERSONAL GEAR AT THE BEGINNING AND END OF THEIR SHIFTS AND BREAKS AND (2) THE USE OF A MASTER TIME CARD OR PRODUCTION "LINE" TIME FAILS TO PAY EMPLOYEES FOR ALL TIME ACTUALLY WORKED. PLAINTIFFS SOUGHT TO RECOVER UNPAID WAGES PLUS LIQUIDATED DAMAGES AND LEGAL FEES. APPROXIMATELY 1,700

CONSENTS TO JOIN AS PLAINTIFFS WERE FILED WITH THE COURT BY CURRENT AND/OR FORMER EMPLOYEES. DURING MARCH 2001, THE CASE WAS TRIED IN THE FEDERAL COURT OF THE EASTERN DISTRICT OF TEXAS, LUFKIN, TEXAS. THE COMPANY PREVAILED AT THE TRIAL WITH A JUDGMENT ISSUED BY THE JUDGE, WHICH FOUND NO EVIDENCE PRESENTED TO SUPPORT THE PLAINTIFFS' ALLEGATIONS. THE PLAINTIFFS HAVE FILED AN APPEAL IN THE FIFTH CIRCUIT COURT OF APPEALS TO REVERSE THE JUDGE'S DECISION. THE PLAINTIFF'S BRIEF WAS SUBMITTED TO THE COURT ON NOVEMBER 5, 2001. PILGRIM'S PRIDE'S RESPONSE TO THE PLAINTIFF'S BRIEF TO THE FIFTH CIRCUIT COURT OF APPEALS IS DUE ON DECEMBER 5, 2001. NEITHER THE LIKELIHOOD OF AN UNFAVORABLE OUTCOME NOR THE AMOUNT OF ULTIMATE LIABILITY, IF ANY, WITH RESPECT TO THIS CASE CAN BE DETERMINED AT THIS TIME. THE COMPANY DOES NOT EXPECT THIS MATTER, INDIVIDUALLY OR COLLECTIVELY, TO HAVE A MATERIAL IMPACT ON OUR FINANCIAL POSITION, OPERATIONS OR LIQUIDITY. SUBSTANTIALLY SIMILAR SUITS HAVE BEEN FILED AGAINST FOUR OTHER INTEGRATED POULTRY COMPANIES, INCLUDING WLR FOODS, ONE OF WHICH RESULTED IN A FEDERAL JUDGE DISMISSING MOST OF THE PLAINTIFFS' CLAIMS IN THAT ACTION WITH FACTS SIMILAR TO OUR CASE.

IN AUGUST OF 2000, FOUR OF OUR CURRENT AND/OR FORMER EMPLOYEES FILED THE CASE OF "BETTY KENNEL, ET AL. V. WAMPLER FOODS, INC." IN THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF WEST VIRGINIA, CLAIMING WE VIOLATED REQUIREMENTS OF THE FAIR LABOR STANDARDS ACT. THE SUIT GENERALLY MAKES THE SAME ALLEGATIONS AS ANDERSON V. PILGRIM'S PRIDE DISCUSSED ABOVE. PLAINTIFFS SEEK TO RECOVER UNPAID WAGES PLUS LIQUIDATED DAMAGES AND LEGAL FEES. APPROXIMATELY 150 CONSENTS TO JOIN AS PLAINTIFFS WERE FILED WITH THE COURT BY CURRENT AND/OR FORMER EMPLOYEES. NO TRIAL DATE HAS BEEN SET. TO DATE, ONLY LIMITED DISCOVERY HAS BEEN PERFORMED. NEITHER THE LIKELIHOOD OF AN UNFAVORABLE OUTCOME NOR THE AMOUNT OF ULTIMATE LIABILITY, IF ANY, WITH RESPECT TO THIS CASE CAN BE DETERMINED AT THIS TIME. WE DO NOT EXPECT THIS MATTER, INDIVIDUALLY OR COLLECTIVELY, TO HAVE A MATERIAL IMPACT ON OUR FINANCIAL POSITION, OPERATIONS OR LIQUIDITY.

THE COMPANY IS SUBJECT TO VARIOUS OTHER LEGAL PROCEEDINGS AND CLAIMS, WHICH ARISE IN THE ORDINARY COURSE OF ITS BUSINESS. IN THE OPINION OF MANAGEMENT, THE AMOUNT OF ULTIMATE LIABILITY WITH RESPECT TO THESE ACTIONS WILL NOT MATERIALLY AFFECT THE FINANCIAL POSITION OR RESULTS OF OPERATIONS OF THE COMPANY.

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

Not Applicable

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED SECURITY HOLDER MATTERS

QUARTERLY STOCK PRICES AND DIVIDENDS

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

QUARTER	Prices 2001		Prices 2000		DIVIDENDS	
	HIGH	LOW	HIGH	LOW	2001	2000
Class B Common Stock						
First	\$8.15	\$6.03	\$9.00	\$6.25	\$.01	\$.01
Second	12.33	7.67	8.56	6.25	.01	.01
Third	12.55	9.43	8.31	6.75	.01	.01
Fourth	15.35	11.90	7.81	6.63	.01	.01
Class A Common Stock						
First	5.72	4.46	7.00	4.63	.01	.01
Second	8.42	5.47	6.63	4.50	.01	.01
Third	8.74	6.63	6.13	4.06	.01	.01
Fourth	\$10.98	\$7.50	\$5.69	\$4.81	\$.01	\$.01

The Company's Class B common stock (ticker symbol "CHX") and Class A common stock (ticker symbol "CHX.A") are traded on the New York Stock Exchange. The Company estimates there were approximately 21,800 and 23,925 holders (including individual participants in security position listings) of the Company's Class A and Class B common stock, respectively, as of November 8, 2001. See Note F-Common Stock, of the Notes to Consolidated Financial Statements for additional discussion of the Company's common stock.

ITEM 6.

SELECTED FINANCIAL DATA

(IN THOUSANDS, EXCEPT PER SHARE DATA) TEN YEARS ENDED SEPTEMBER 29, 2001

	2001(a)	2000	1999(b)	1998	1997
INCOME STATEMENT DATA:					
Net Sales	\$2,214,712	\$1,499,439	\$1,357,403	\$1,331,545	\$1,277,649
Gross margin	213,950	165,828	185,708	136,103	114,467
Operating income					
(loss)	94,542	80,488	109,504	77,256	63,894
Income (loss) before income taxes and extraordinary charge	63,294	62,786	90,904	56,522	43,824
Interest expense, net	30,775	17,779	17,666	20,148	22,075
Income tax expense (benefit)	21,263	10,442	25,651	6,512	2,788
Income (loss) before extraordinary charge	42,031	52,344	65,253	50,010	41,036
Extraordinary charge-- early repayment of debt, net of tax	(894)	--	--	--	--
Net income (loss)	41,137	52,344	65,253	50,010	41,036
PER COMMON SHARE DATA(C)					
Income (loss) before extraordinary charge	\$ 1.02	\$ 1.27	\$ 1.58	\$ 1.21	\$ 0.99
Extraordinary charge - early repayment of debt	(0.02)	--	--	--	--
Net income (loss)	1.00	1.27	1.58	1.21	0.99
Cash dividends	0.06	0.06	0.045	0.04	0.04
Book Value	9.27	8.33	7.11	5.58	4.41
BALANCE SHEET SUMMARY:					
Working capital	\$ 203,450	\$124,531	\$154,242	\$147,040	\$133,542
Total assets	1,215,695	705,420	655,762	601,439	579,124
Notes payable and current maturities of long-term debt	5,099	4,657	4,353	5,889	11,596
Long-term debt, less current maturities	467,242	165,037	183,753	199,784	224,743
Total stockholders' equity	380,932	342,559	294,259	230,871	182,516
CASH FLOW SUMMARY:					
Operating cash flow	\$87,833	\$130,803	\$81,452	\$85,016	\$49,615
Depreciation & amortization(d)	55,390	36,027	34,536	32,591	29,796
Capital expenditures	112,632	92,128	69,649	53,518	50,231
Business acquisitions	239,539	--	--	--	--
Financing activities, net	254,382	(22,619)	(19,634)	(32,498)	348
CASHFLOW RATIOS:					
EBITDA(e)	147,666	115,356	142,043	108,268	94,782
EBITDA/interest expense, net	4.80x	6.49x	8.04x	5.37x	4.29x
Senior secured debt/EBITDA	1.84x	.69x	.67x	1.02x	1.45x
Total debt/EBITDA	3.20x	1.47x	1.32x	1.90x	2.49x
KEY INDICATORS (AS A PERCENTAGE OF NET SALES):					
Gross margin	9.7%	11.1%	13.7%	10.2%	9.0%
Selling, general and					

administrative expenses	5.4%	5.7%	5.6%	4.4%	4.0%
Operating income (loss)	4.3%	5.4%	8.1%	5.8%	5.0%
Interest expense, net	1.4%	1.2%	1.3%	1.5%	1.7%
Net income (loss)	1.9%	3.5%	4.8%	3.8%	3.2%

(See page 30 for footnotes.)

(IN THOUSANDS, EXCEPT PER SHARE DATA)	1996	1995	TEN YEARS ENDED SEPTEMBER 1994	1993(b)	29, 2001 1992
Income Statement Data:					
Net sales	\$1,139,310	\$931,806	\$922,609	\$887,843	\$817,361
Gross margin	70,640	74,144	110,827	106,036	32,802
Operating income (loss)	21,504	24,930	59,698	56,345	(12,475)
Income (loss) before income taxes and extraordinary charge	47	2,091	42,448	32,838	(33,712)
Interest expense, net	21,539	17,483	19,175	25,719	22,502
Income tax expense (benefit)	4,551	10,058	11,390	10,543	(4,048)
Income (loss) before extraordinary charge	(4,504)	(7,967)	31,058	22,295	(29,664)
Extraordinary charge--early repayment of debt, net of tax	(2,780)	--	--	(1,286)	--
Net income (loss)	(7,284)	(7,967)	31,058	21,009	(29,664)
Per Common Share Data(c)					
Income (loss) before extraordinary charge	\$ (0.11)	\$ (0.19)	\$ 0.75	\$ 0.54	\$(0.83)
Extraordinary charge--early repayment of debt	(0.07)	--	--	(0.03)	--
Net income (loss)	(0.18)	(0.19)	0.75	0.51	(0.83)
Cash dividends	0.04	0.04	0.04	0.02	0.04
Book value	3.46	3.67	3.91	3.20	2.71
Balance Sheet Summary:					
Working capital	88,455	88,395	99,724	72,688	11,227
Total assets	\$536,722	\$497,604	\$438,683	\$422,846	\$434,566
Notes payable and current maturities of long-term debt	35,850	18,187	4,493	25,643	86,424
Long-term debt, less current maturities	198,334	182,988	152,631	159,554	131,534
Total stockholders' equity	143,135	152,074	161,696	132,293	112,112
Cash Flow Summary:					
Operating cash flow	\$11,391	\$32,712	\$60,664	\$44,970	\$(1,573)
Depreciation & ammortization(d)	28,024	26,127	25,177	26,034	24,090
Capital expenditures	34,314	35,194	25,547	15,201	18,043
Business acquisitions	--	36,178	--	--	--
Financing activities, net	27,313	40,173	(30,291)	(40,339)	25,110
Cashflow Ratios:					
EBITDA(e)	47,849	49,811	83,658	79,222	10,955
EBITDA/interest expense, net	2.22x	2.85x	4.36x	3.08x	.48x
Senior secured debt/EBITDA	2.26x	1.79x	.70x	.94x	9.40x

Total debt/EBITDA	4.89x	4.04x	1.88x	2.34x	20.17x
Key Indicators (as a percentage of net sales):					
Gross margin	6.2%	8.0%	12.0%	11.9%	4.0%
Selling, general and administrative expenses	4.3%	5.3%	5.5%	5.6%	5.7%
Operating income (loss)	1.9%	2.7%	6.5%	6.3%	(1.6%)
Interest expense, net	1.9%	1.9%	2.1%	2.9%	2.8%
Net income (loss)	(0.6%)	(0.9%)	3.4%	2.4%	(3.6%)

- (A) THE COMPANY ACQUIRED WLR FOODS ON JANUARY 27, 2001 FOR \$239.5 MILLION AND THE ASSUMPTION OF \$45.5 MILLION OF INDEBTEDNESS. THE ACQUISITION HAS BEEN ACCOUNTED FOR AS A PURCHASE, AND THE RESULTS OF OPERATIONS FOR THIS ACQUISITION HAVE BEEN INCLUDED IN OUR CONSOLIDATED RESULTS OF OPERATIONS SINCE THE ACQUISITION DATE.
- (B) FISCAL 1999 AND 1993 HAD 53 WEEKS
- (C) HISTORICAL PER SHARE AMOUNTS REPRESENT BOTH BASIC AND DILUTED AND HAVE BEEN RESTATED TO GIVE EFFECT TO A STOCK DIVIDEND ISSUED ON JULY 30, 1999. SEE NOTE F OF THE CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY.
- (D) INCLUDES AMORTIZATION OF CAPITALIZED FINANCING COSTS OF APPROXIMATELY \$0.9 MILLION, \$1.2 MILLION, \$1.1 MILLION, \$1.0 MILLION, \$0.9 MILLION, \$1.8 MILLION, \$1.1 MILLION, \$1.3 MILLION, \$1.6 MILLION AND \$0.5 MILLION IN FISCAL YEARS 2001, 2000, 1999, 1998, 1997, 1996, 1995, 1994, 1993 AND 1992, RESPECTIVELY.
- (E) "EBITDA" IS DEFINED AS THE SUM OF NET INCOME (LOSS) BEFORE EXTRAORDINARY CHARGES, INTEREST, TAXES, DEPRECIATION AND AMORTIZATION. EBITDA IS PRESENTED BECAUSE WE BELIEVE IT IS FREQUENTLY USED BY SECURITIES ANALYSTS, INVESTORS AND OTHER INTERESTED PARTIES IN THE EVALUATION OF COMPANIES. EBITDA IS NOT A MEASUREMENT OF FINANCIAL PERFORMANCE UNDER GENERALLY ACCEPTED ACCOUNTING PRINCIPLES AND SHOULD NOT BE CONSIDERED AS AN ALTERNATIVE TO CASH FLOW FROM OPERATING ACTIVITIES OR AS A MEASURE OF LIQUIDITY OR AN ALTERNATIVE TO NET INCOME AS INDICATORS OF OUR OPERATING PERFORMANCE OR ANY OTHER MEASURES OF PERFORMANCE DERIVED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

FORWARD-LOOKING STATEMENTS

Statements of our intentions, beliefs, expectations or predictions for the future, denoted by the words "anticipate," "believe," "estimate," "expect," "project," "imply," "intend," "foresee" and similar expressions, are forward-looking statements that reflect our current views about future events and are subject to risks, uncertainties and assumptions. Such risks, uncertainties and assumptions include the following:

- Matters affecting the poultry industry generally, including fluctuations in the commodity prices of feed ingredients, chicken and turkey;
- Management of our cash resources, particularly in light of our substantial leverage;
- Restrictions imposed by, and as a result of, our substantial leverage;
- Currency exchange rate fluctuations, trade barriers, exchange controls, expropriation and other risks associated with foreign operations;
- Changes in laws or regulations affecting our operations, as well as competitive factors and pricing pressures;
- Inability to effectively integrate WLR Foods or realize the associated cost savings and operating synergies currently anticipated; and
- The impact of uncertainties of litigation as well as other risks described in our filings with the Securities and Exchange Commission.

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

GENERAL

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

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

In an effort to reduce price volatility and to generate higher, more consistent profit margins, we have concentrated on the production and marketing of prepared foods products. Prepared foods products generally have higher profit margins than our other products. Also, the production and sale in the U.S. of prepared foods products reduce the impact of the costs of feed ingredients on our profitability. Feed ingredient purchases are the single largest component of our cost of goods sold, representing approximately 30.1% of our consolidated cost of goods sold in fiscal 2001. The production of feed ingredients is positively or negatively affected primarily by weather patterns throughout the world, the global level of supply inventories and demand for feed ingredients, and the agricultural policies of the United States and foreign governments. As further processing is performed, feed ingredient costs become a decreasing percentage of a product's total production cost, thereby reducing their impact on our profitability. Products sold in this form enable us to charge a premium, reduce the impact of feed ingredient costs on our profitability and improve and stabilize our profit margins.

BUSINESS SEGMENTS

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

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

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

The following table presents certain information regarding our segments:

	FISCAL YEAR ENDED		
	SEPTEMBER 29, 2001(A)	SEPTEMBER 30, 2000	OCTOBER 2, 1999
	(52 WEEKS)	(52 WEEKS) (IN THOUSANDS)	(53 WEEKS)
NET SALES TO CUSTOMERS:			
Chicken and Other Products:			
United States	\$1,652,199	\$1,192,077	\$1,102,903
Mexico	323,678	307,362	254,500
Sub-total	1,975,877	1,499,439	1,357,403
Turkey	238,835	--	--
Total	\$2,214,712	\$1,499,439	\$1,357,403

OPERATING INCOME:

Chicken and Other Products:			
United States	\$ 78,096	\$ 45,928	\$ 88,177
Mexico	12,157	34,560	21,327
Sub-total	90,253	80,488	109,504
Turkey	4,289	--	--
Total	\$ 94,542	\$ 80,488	\$ 109,504

Depreciation and Amortization(b)

Chicken and Other Products:			
United States	\$ 38,155	\$ 24,444	\$ 23,185
Mexico	11,962	11,583	11,351
Sub-total	50,117	36,027	34,536
Turkey	5,273	--	--
Total	\$ 55,390	\$ 36,027	\$ 34,536

(a) The acquisition of WLR Foods has been accounted for as a purchase, and the results of operations for this acquisition have been included in our consolidated results of operating since January 27, 2001, the acquisition date.

(b) INCLUDES AMORTIZATION OF CAPITALIZED FINANCING COSTS OF APPROXIMATELY \$0.9 MILLION, \$1.2 MILLION AND \$1.1 MILLION IN FISCAL YEARS 2001, 2000 AND 1999, RESPECTIVELY.

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

	2001 (a)	2000	1999
Net sales	100.0 %	100.0 %	100.0 %
Cost of sales	90.3	88.9	86.3
Gross profit	9.7	11.1	13.7
Selling, general and administrative expense	5.4	5.7	5.6
Operating income	4.3	5.4	8.1
Interest expense, net	1.4	1.2	1.3
Income before income taxes	2.9	4.2	6.7
Net income	1.9	3.5	4.8

(a) The acquisition of WLR Foods has been accounted for as a purchase, and the results of operations for this acquisition have been included in our consolidated results of operating since January 27, 2001, the acquisition date.

RESULTS OF OPERATIONS

FISCAL 2001 COMPARED TO FISCAL 2000

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

CONSOLIDATED NET SALES. Consolidated net sales were \$2.2 billion for fiscal 2001, an increase of \$715.3 million, or 47.7%, from fiscal 2000. The increase in consolidated net sales resulted from a \$422.0 million increase in U.S. chicken sales to \$1.5 billion, a \$238.8 million increase in turkey sales, a \$38.2 million increase in sales of other U.S. products to \$179.9 million and by a \$16.3 million increase in Mexico chicken sales to \$323.7 million. The increase in U.S. chicken sales was primarily due to a 35.6% increase in dressed pounds produced, which resulted primarily from the acquisition of WLR Foods, and to a 3.4% increase in total revenue per dressed pound produced. The increase in turkey sales was due to the acquisition of WLR Foods. The \$38.2 million increase in sales of other U.S. products to \$179.9 million was primarily due to the acquisition of WLR Foods and higher prices in our commercial egg operations. The \$16.3 million increase in Mexico chicken sales was primarily due to a 13.4% increase in dressed pounds produced offset partially by a 7.1% decrease in average revenue per dressed pound produced, primarily due to lower prices caused by an over supply of chicken.

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

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

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

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

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

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

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

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

FISCAL 2000 COMPARED TO FISCAL 1999:

NET SALES. Consolidated net sales were \$1.5 billion for fiscal 2000, an increase of \$142.0 million, or 10.5%, from fiscal 1999. The increase in consolidated net sales resulted from an \$86.9 million increase in U.S. chicken sales to \$1.1 billion, a \$52.9 million increase in Mexico chicken sales to \$307.4 million and a \$2.3 million increase of sales of other U.S. products to \$141.7 million. The increase in U.S. chicken sales was primarily due to an 8.6% increase in dressed pounds produced. The increase in Mexico chicken sales was primarily due to a 13.7% increase in revenue per dressed pound and to a 6.2% increase in dressed pounds produced. The \$2.3 million increase in sales of other U.S. products was primarily due to higher selling prices in our Poultry By-Products division.

COST OF SALES. Consolidated cost of sales was \$1.3 billion in fiscal 2000, an increase of \$161.9 million, or 13.8%, compared to fiscal 1999. The increase resulted primarily from a \$125.9 million increase in the cost of

sales of our U.S. operations and from a \$36.0 million increase in the cost of sales in our Mexico operations.

The cost of sales increase in our U.S. operations of \$125.9 million was due primarily to an 8.6% increase in dressed pounds produced, a 4.0% increase in feed ingredient costs, increased production of higher-cost prepared food products, losses associated with the late January 2000 ice storm and a \$5.8 million write-off of accounts receivable from AmeriServe, which filed bankruptcy on January 31, 2000. AmeriServe was a significant distributor of products to fast food and casual dining restaurant chains, several of which are customers of the Company. The \$36.0 million cost of sales increase in our Mexico operations was primarily due to a 6.2% increase in dressed pounds produced and a 9.8% increase in average costs of sales per dressed pound produced caused primarily by the continued shift of production to a higher-valued product mix.

GROSS PROFIT. Gross profit was \$165.8 million for fiscal 2000, a decrease of \$19.9 million, or 10.7%, over the same period last year. Gross profit as a percentage of sales decreased to 11.1% in fiscal 2000 from 13.7% in fiscal 1999. The lower gross profit resulted from lower net margins in our U.S. operations primarily due to lower selling prices realized for fresh chicken products, higher feed ingredient costs, losses associated with the late January 2000 ice storm and the AmeriServe write-off, discussed above, offset in part by increased volume of prepared food chicken sales.

Beginning in the fourth quarter of fiscal 1999, commodity chicken margins in the U.S. have been under pressure due, in part, to increased levels of chicken production in the U.S. To the extent that these trends continue, subsequent periods' gross margins could be negatively affected to the extent not offset by other factors such as those discussed under "-General" above.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Consolidated selling, general and administrative expenses were \$85.3 million in fiscal 2000 and \$76.2 million in fiscal 1999. Consolidated selling, general and administrative expenses as a percentage of sales remained relatively stable in fiscal 2000 at 5.7% compared to 5.6% in fiscal 1999. The \$9.1 million increase in consolidated selling, general and administrative expenses was due to increased costs relating to our higher sales volumes.

OPERATING INCOME. Consolidated operating income was \$80.5 million for fiscal 2000, a decrease of \$29.0 million, or 26.5%, when compared to fiscal 1999, resulting primarily from lower net U.S. margins due to lower selling prices realized for fresh chicken products, higher feed ingredient costs, losses associated with the late January 2000 ice storm and the AmeriServe write-off, discussed above, offset in part by increased volume of prepared food chicken sales.

INTEREST EXPENSE. Consolidated net interest expense increased 0.6% to \$17.8 million in fiscal 2000, when compared to \$17.7 million for fiscal 1999, due to higher interest rates experienced in fiscal 2000 on lower outstanding debt levels.

INCOME TAX EXPENSE. Consolidated income tax expense in fiscal 2000 decreased to \$10.4 million compared to an expense of \$25.7 million in fiscal 1999. This decrease resulted from lower U.S. earnings in fiscal 2000 than in fiscal 1999.

LIQUIDITY AND CAPITAL RESOURCES

WE MAINTAIN \$130.0 MILLION IN REVOLVING CREDIT FACILITIES AND \$400.0 MILLION IN A SECURED REVOLVING/TERM BORROWING FACILITY. THE \$400.0 MILLION REVOLVING/TERM BORROWING FACILITY PROVIDES FOR \$285.0 MILLION AND \$115.0 MILLION OF 10-YEAR AND 7-YEAR COMMITMENTS, RESPECTIVELY. BORROWINGS UNDER THESE FACILITIES ARE SPLIT PRO RATA BETWEEN THE 10-YEAR AND 7-YEAR MATURITIES AS THEY OCCUR. THE CREDIT FACILITIES PROVIDE FOR INTEREST AT RATES RANGING FROM LIBOR PLUS FIVE-EIGHTHS PERCENT TO LIBOR PLUS TWO AND THREE-QUARTERS PERCENT, DEPENDING UPON OUR TOTAL DEBT TO CAPITALIZATION RATIO. INTEREST RATES ON DEBT OUTSTANDING UNDER THESE FACILITIES AS OF SEPTEMBER 29, 2001 RANGED FROM LIBOR PLUS ONE AND ONE-QUARTER PERCENT TO LIBOR PLUS TWO AND ONE-QUARTER PERCENT. THESE FACILITIES ARE SECURED BY INVENTORY AND FIXED ASSETS OR ARE UNSECURED.

AT SEPTEMBER 29, 2001, \$86.0 MILLION WAS AVAILABLE UNDER THE REVOLVING CREDIT FACILITIES AND \$225.0 MILLION WAS AVAILABLE UNDER THE REVOLVING/TERM BORROWING FACILITY.

ON SEPTEMBER 7, 2001, WE AMENDED AND RESTATED OUR REVOLVING CREDIT AGREEMENT FOR MEXICO, INCREASING THE COMMITMENT FROM \$20.0 MILLION TO \$30.0

MILLION. OUTSTANDING BORROWINGS UNDER THIS FACILITY ARE PRESENTLY \$30.0 MILLION, THE PROCEEDS OF WHICH WERE USED TO REDUCE CERTAIN OTHER DEBT.

ON JUNE 26, 1998, WE ENTERED INTO AN ASSET SALE AGREEMENT TO SELL UP TO \$60 MILLION OF ACCOUNTS RECEIVABLE. IN CONNECTION WITH THE ASSET SALE AGREEMENT, WE SELL, ON A REVOLVING BASIS, CERTAIN OF OUR TRADE RECEIVABLES (THE "POOLED RECEIVABLES") TO A SPECIAL PURPOSE CORPORATION WHOLLY OWNED BY US, WHICH IN TURN SELLS A PERCENTAGE OWNERSHIP INTEREST TO THIRD PARTIES. AT SEPTEMBER 29, 2001 AND SEPTEMBER 30, 2000, AN INTEREST IN THESE POOLED RECEIVABLES OF \$58.5 MILLION AND \$35.4 MILLION, RESPECTIVELY, HAD BEEN SOLD TO THIRD PARTIES AND IS REFLECTED AS A REDUCTION IN ACCOUNTS RECEIVABLE. THESE TRANSACTIONS HAVE BEEN RECORDED AS SALES IN ACCORDANCE WITH FINANCIAL ACCOUNTING STANDARDS BOARD STATEMENT NO. 140, ACCOUNTING FOR TRANSFERS AND SERVICING OF FINANCIAL ASSETS AND EXTINGUISHMENTS OF LIABILITIES. THE GROSS PROCEEDS RESULTING FROM THE SALE ARE INCLUDED IN CASH FLOWS FROM OPERATING ACTIVITIES IN OUR CONSOLIDATED STATEMENTS OF CASH FLOWS. LOSSES ON THESE SALES WERE IMMATERIAL.

ON JUNE 29, 1999, THE CAMP COUNTY INDUSTRIAL DEVELOPMENT CORPORATION ISSUED \$25.0 MILLION OF VARIABLE-RATE ENVIRONMENTAL FACILITIES REVENUE BONDS SUPPORTED BY LETTERS OF CREDIT OBTAINED BY PILGRIM'S PRIDE. WE MAY DRAW FROM THESE PROCEEDS OVER THE CONSTRUCTION PERIOD FOR NEW SEWAGE AND SOLID WASTE DISPOSAL FACILITIES AT A POULTRY BY-PRODUCTS PLANT TO BE BUILT IN CAMP COUNTY, TEXAS. WE ARE NOT REQUIRED TO BORROW THE FULL AMOUNT OF THE PROCEEDS FROM THE BONDS. ALL AMOUNTS BORROWED FROM THESE FUNDS WILL BE DUE IN 2029. THE AMOUNTS THAT WE BORROW WILL BE REFLECTED AS DEBT WHEN RECEIVED FROM THE CAMP COUNTY INDUSTRIAL DEVELOPMENT CORPORATION. THE INTEREST RATES ON AMOUNTS BORROWED WILL CLOSELY FOLLOW THE TAX-EXEMPT COMMERCIAL PAPER RATES. PRESENTLY, THERE ARE NO BORROWINGS OUTSTANDING UNDER THE BONDS.

ON AUGUST 9, 2001, PILGRIM'S PRIDE ISSUED \$200.0 MILLION IN SENIOR UNSECURED NOTES WITH AN INTEREST RATE OF 9 5/8% MATURING ON SEPTEMBER 15, 2011. THE PROCEEDS FROM THE NOTES OFFERING WERE USED TO REDEEM THE REMAINING \$90.8 MILLION OUTSTANDING OF OUR 10 7/8% SENIOR SUBORDINATED NOTES DUE 2003. THE BALANCE OF THE PROCEEDS WAS USED TO REDUCE INDEBTEDNESS UNDER OUR \$400.0 MILLION REVOLVING/TERM BORROWING FACILITY.

AT SEPTEMBER 29, 2001, OUR WORKING CAPITAL INCREASED TO \$203.5 MILLION AND OUR CURRENT RATIO INCREASED TO 1.85 TO 1, COMPARED WITH WORKING CAPITAL OF \$124.5 MILLION AND A CURRENT RATIO OF 1.86 TO 1 AT SEPTEMBER 30, 2000 AND WAS PRIMARILY DUE TO THE ACQUISITION OF WLR FOODS.

TRADE ACCOUNTS AND OTHER RECEIVABLES WERE \$95.0 MILLION AT SEPTEMBER 29, 2001, COMPARED TO \$50.3 MILLION AT SEPTEMBER 30, 2000. THE 89.0% INCREASE IN TRADE ACCOUNTS AND OTHER RECEIVABLES WAS PRIMARILY DUE TO THE ACQUISITION OF WLR FOODS' TRADE RECEIVABLES AND OTHER ACCOUNTS PARTIALLY OFFSET BY THE SALE OF RECEIVABLES UNDER THE ASSET SALE AGREEMENT DISCUSSED ABOVE. EXCLUDING THE SALE OF RECEIVABLES, TRADE ACCOUNTS AND OTHER RECEIVABLES WOULD HAVE INCREASED TO \$153.5 MILLION IN FISCAL 2001 FROM \$85.7 MILLION IN FISCAL 2000.

INVENTORIES WERE \$314.4 MILLION AT SEPTEMBER 29, 2001, COMPARED TO \$181.2 MILLION AT SEPTEMBER 30, 2000. THE \$133.2 MILLION, OR 73.5%, INCREASE IN INVENTORIES WAS PRIMARILY DUE TO THE ACQUISITION OF WLR FOODS.

ACCOUNTS PAYABLE AND ACCRUED EXPENSES WERE \$229.9 MILLION AT SEPTEMBER 29, 2001, COMPARED TO \$139.8 MILLION AT SEPTEMBER 30, 2000. THE 64.5% INCREASE IN ACCOUNTS PAYABLE AND ACCRUED EXPENSES WAS PRIMARILY DUE TO THE ACQUISITION OF WLR FOODS.

CAPITAL EXPENDITURES OF \$112.6 MILLION, \$92.1 MILLION AND \$69.6 MILLION, FOR FISCAL YEARS 2001, 2000 AND 1999, RESPECTIVELY, WERE PRIMARILY INCURRED TO ACQUIRE AND EXPAND CERTAIN FACILITIES, IMPROVE EFFICIENCIES, REDUCE COSTS AND FOR THE ROUTINE REPLACEMENT OF EQUIPMENT. WE ANTICIPATE SPENDING APPROXIMATELY \$65.0 MILLION IN FISCAL 2002 TO IMPROVE EFFICIENCIES AND FOR THE ROUTINE REPLACEMENT OF EQUIPMENT. WE EXPECT TO FINANCE SUCH EXPENDITURES WITH AVAILABLE OPERATING CASH FLOWS AND EXISTING CREDIT FACILITIES.

CASH FLOWS PROVIDED BY OPERATING ACTIVITIES WERE \$87.8 MILLION, \$130.8 MILLION AND \$81.5 MILLION FOR THE FISCAL YEARS 2001, 2000 AND 1999, RESPECTIVELY. THE DECREASE IN CASH FLOWS PROVIDED BY OPERATING ACTIVITIES IN FISCAL 2001 COMPARED TO FISCAL 2000, WAS PRIMARILY DUE TO AN OVERALL INCREASE OF ACCOUNTS RECEIVABLE, DUE PRIMARILY TO A HIGHER LEVEL OF SALES ACTIVITY; INCREASED INVENTORIES, DUE PRIMARILY TO HIGHER LEVELS OF LIVE POULTRY AND FROZEN TURKEY INVENTORIES RESULTING PRIMARILY FROM SEASONAL VARIATIONS IN THE LIVE PRODUCTION CYCLE AND SALES OF TURKEY PRODUCTS, BOTH OF WHICH WERE PRIMARILY A RESULT OF THE WLR FOODS ACQUISITION AND LOWER NET INCOME FOR FISCAL 2001. THE \$24.0 MILLION DECREASE IN CASH FLOWS PROVIDED BY OPERATING ACTIVITIES THAT RESULTED FROM ACCOUNTS RECEIVABLE WAS PARTIALLY OFFSET BY A \$23.1 INCREASE IN SALES OF ACCOUNTS RECEIVABLE FROM

\$35.4 MILLION AT FISCAL 2000 YEAR END TO \$58.5 MILLION AT FISCAL 2001 YEAR END. THE INCREASE IN CASH FLOWS PROVIDED BY OPERATING ACTIVITIES FOR FISCAL 2000, COMPARED TO FISCAL 1999, WAS PRIMARILY DUE TO THE SALE OF \$35.4 MILLION IN ACCOUNTS RECEIVABLE UNDER THE ASSET SALE AGREEMENT MENTIONED ABOVE AND INCREASES IN ACCOUNTS PAYABLE AND ACCRUED EXPENSES OFFSET PARTIALLY BY AN INCREASE IN INVENTORIES AND A DECREASE IN OPERATING INCOME.

CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES WERE \$254.2 MILLION, (\$22.6) MILLION AND (\$19.6) MILLION FOR THE FISCAL YEARS 2001, 2000 AND 1999, RESPECTIVELY. THE INCREASE IN CASH FLOWS PROVIDED BY FINANCING ACTIVITIES FOR FISCAL 2001, WHEN COMPARED TO FISCAL 2000, REFLECTS THE NET PROCEEDS FROM BORROWINGS TO FINANCE THE ACQUISITION OF WLR FOODS. THE INCREASE IN CASH USED IN FINANCING ACTIVITIES FOR FISCAL 2000, WHEN COMPARED TO FISCAL 1999 PRIMARILY REFLECTS THE NET PAYMENTS ON NOTES PAYABLE AND LONG-TERM FINANCING AND DEBT RETIREMENTS.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

MARKET RISK SENSITIVE INSTRUMENTS AND POSITIONS

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

FEED INGREDIENTS

We purchase certain commodities, primarily corn and soybean meal. As a result, our earnings are affected by changes in the price and availability of such feed ingredients. As market conditions dictate, we will from time to time lock-in future feed ingredient prices using various hedging techniques, including forward purchase agreements with suppliers and futures contracts. We do not use such financial instruments for trading purposes and are not a party to any leveraged derivatives. Market risk is estimated as a hypothetical 10% increase in the weighted-average cost of our primary feed ingredients as of September 29, 2001. Based on our feed consumption during fiscal 2001, such an increase would have resulted in an increase to cost of sales of approximately \$60.2 million, excluding the impact of any hedging in that period. As of September 29, 2001, we had hedged 9.1% of our 2002 feed requirements.

FOREIGN CURRENCY

Our earnings are affected by foreign exchange rate fluctuations related to the Mexican peso net monetary position of our Mexico subsidiaries denominated in Mexican pesos. We manage this exposure primarily by attempting to minimize our Mexican peso net monetary position, but from time to time we have also considered executing hedges to help minimize this exposure. Such instruments, however, have historically not been economically feasible. We are also exposed to the effect of potential exchange rate fluctuations to the extent that amounts are repatriated from Mexico to the United States. However, we currently anticipate that the cash flows of our Mexico subsidiaries will continue to be reinvested in our Mexico operations. In addition, the Mexican peso exchange rate can directly and indirectly impact our results of operations and financial position in several manners, including potential economic recession in Mexico resulting from a devalued peso. The impact on our financial position and results of operations of a hypothetical change in the exchange rate between the U.S. dollar and the Mexican peso cannot be reasonably estimated. Foreign currency exchange gains and losses, representing the change in the U.S. dollar value of the net monetary assets of our Mexico subsidiaries denominated in Mexican pesos, was a loss of \$0.1 million in fiscal 2001 and a gain of \$0.1 million and \$0.2 million in fiscal 1999 and 2000, respectively. On November 15, 2001, the Mexican peso closed at 9.20 to 1 U.S. dollar, strengthening from 9.54 at September 29, 2001. No assurance can be given as to how future movements in the peso could affect our future earnings.

INTEREST RATES

Our earnings are also affected by changes in interest rates due to the impact those changes have on our variable-rate debt instruments. The acquisition of WLR Foods substantially increased our outstanding balances of variable rate debt. We have variable-rate debt instruments representing approximately 39.6% of our long-term debt at September 29, 2001. Holding other variables constant, including levels of indebtedness, a 25 basis points increase in interest rates would have increased our interest expense

by \$0.5 million for fiscal 2001. These amounts are determined by considering the impact of the hypothetical interest rates on our variable-rate long-term debt at September 29, 2001.

Market risk for fixed-rate long-term debt is estimated as the potential increase in fair value resulting from a hypothetical 25 basis points decrease in interest rates and amounts to approximately \$3.3 million as of September 29, 2001, using discounted cash flow analysis.

NEW ACCOUNTING PRONOUNCEMENTS

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 142 "GOODWILL AND OTHER INTANGIBLE ASSETS" ("SFAS No. 142"). SFAS No. 142 is effective for fiscal years beginning after December 15, 2001 and requires that goodwill and certain intangible assets will no longer be amortized upon adoption. SFAS No. 142 also establishes new standards for evaluating impairment of goodwill and certain intangible assets. The adoption of this statement is not expected to have a material effect on the Company.

On October 1, 2000, we adopted Financial Accounting Standards Board Statement ("SFAS") No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended. This statement requires us to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through earnings. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives will either be offset against the change in fair value of the hedged assets, liabilities or firm commitments through earnings, or recognized in other comprehensive income (loss) until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value is recognized in earnings. The adoption of SFAS No. 133 had no impact on the Company as of October 1, 2000.

IMPACT OF INFLATION

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

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements together with the report of independent auditors, and financial statement schedule are included on pages 49 through 68 of this document. Financial statement schedules other than those included herein have been omitted because the required information is contained in the consolidated financial statement or related notes, or such information is not applicable.

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

Not Applicable

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF REGISTRANT

Reference is made to "Election of Directors" on pages 3 through 5 of the Company's Proxy Statement for its 2001 Annual Meeting of Stockholders, which section is incorporated herein by reference.

Reference is made to "Compliance with Section 16(a) of the Exchange Act" on page 9 of the Company's Proxy Statement for its 2001 Annual Meeting of Stockholders, which section is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information responsive to Items 11, 12 and 13 is incorporated by reference from the sections entitled "Security Ownership", "Election of Directors", "Executive Compensation" and "Certain Transactions" of the Company's Proxy Statement for its 2001 Annual Meeting of Stockholders.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) Financial Statements

(1) The financial statements listed in the accompanying index to financial statements and schedules are filed as part of this report.

(2) All other schedules for which provision is made in the applicable accounting regulations of the SEC are not required under the related instructions or are not applicable and therefore have been omitted.

(3) The financial statements schedule entitled "Valuation and Qualifying Accounts and Reserves" is filed as part of this report on page 67.

(4) Exhibits

(b) Reports on Form 8-K

(1) Pilgrim's Pride filed a Form 8-K on July 23, 2001, to report the proposed offering of \$200,000,000 aggregate principal amount of its senior unsecured notes due in 2011 (the "Notes") under its registration statement on Form S-3 (No. 333-84861), (The "Registration Statement"), and for the purpose of filing as an exhibit the Form T-1 of The Chase Manhattan Bank in connection with the Registration Statement and the public offering of the Notes.

(2) Pilgrim's Pride filed a Form 8-K on August 9, 2001, to report the sale of \$200,000,000 aggregate principal amount of its 9 5/8% Notes (the "9 5/8% Notes") due September 15, 2011 under the Registration Statement, and to file as exhibits the Underwriting Agreement, the Indenture, the First Supplemental Indenture, the form of Note and the opinion of Baker & McKenzie in connection with the Registration Statement and the public offering of the 9 5/8% Notes.

(c) Exhibits

EXHIBIT NUMBER

- 2.1 Agreement and Plan of Reorganization dated September 15, 1986, by and among Pilgrim's Pride Corporation, a Texas corporation; Pilgrim's Pride Corporation, a Delaware corporation; and Doris Pilgrim Julian, Aubrey Hal Pilgrim, Paulette Pilgrim Rolston, Evanne Pilgrim, Lonnie "Bo" Pilgrim, Lonnie Ken Pilgrim, Greta Pilgrim Owens and Patrick Wayne Pilgrim (incorporated by reference from Exhibit 2.1 to the Company's Registration Statement on Form S-1 (No. 33-8805) effective November 14, 1986).
- 2.2 Agreement and Plan of Merger dated September 27, 2000 (incorporated by reference from Exhibit 2 of WLR Foods, Inc.'s Current Report on Form 8-K (No. 000-17060) dated September 28, 2000).
- 3.1 Certificate of Incorporation of the Company (incorporated by reference from Exhibit 3.1 of the Company's Registration Statement on Form S-1 (No. 33-8805) effective November 14, 1986).
- 3.2 Amended and Restated Corporate Bylaws of Pilgrim's Pride Corporation, a Delaware Corporation, effective May 14, 1999 (incorporated by reference from Exhibit 3.2 of the Company's Quarterly Report on Form 10-Q for the three months ended July 3, 1999).
- 3.3 Certificate of Amendment to Certificate of Incorporation of the Company (incorporated by reference to Exhibit 1 of the Company's Form 8-A, filed with the SEC on July 20, 1999).
- 4.1 Certificate of Incorporation of the Company (incorporated by reference from Exhibit 3.1 of the Company's Registration Statement on Form S-1 (No. 33-8805) effective November 14, 1986).
- 4.2 Amended and Restated Corporate Bylaws of Pilgrim's Pride Corporation, a Delaware Corporation, effective May 14, 1999, (incorporated by reference from Exhibit 3.2 of the Company's Quarterly Report on Form 10-Q for the three months ended July 3, 1999).
- 4.3 Form of Indenture between the Company and Ameritrust Texas National Association relating to the Company's 10 7/8% Senior Subordinated Notes Due 2003 (incorporated by reference from Exhibit 4.6 of the Company's Registration Statement on Form S-1 (No. 33-59626) filed on March 16, 1993).

- 4.4 Form of 10 7/8% Senior Subordinated Note Due 2003 (incorporated by reference from Exhibit 4.8 of the Company's Registration Statement on Form S-1 (No. 33-61160) filed on June 16, 1993).
- 4.5 Certificated of Amendment to Certificate of Incorporation of the Company (incorporated by reference to Exhibit 1 of the Company's Form 8-A, filed with the SEC on July 20, 1999).
- 4.6 Indenture dated as of August 9, 2001 by and between Pilgrim's Pride Corporation and The Chase Manhattan Bank relating to Pilgrim's Pride's 9 5/8% Senior Notes Due 2011 (incorporated by reference from Exhibit 4.1 to Pilgrim's Pride's Current Report on Form 8-K (No. 001-09273) dated August 9, 2001).
- 4.7 First Supplemental Indenture dated as of August 9, 2001 by and between Pilgrim's Pride Corporation and The Chase Manhattan Bank relating to Pilgrim's Pride's 9 5/8% Senior Notes Due 2011 (incorporated by reference from Exhibit 4.2 to Pilgrim's Pride's Current Report on Form 8-K (No. 001-09273) dated August 9, 2001).
- 4.8 Form of 9 5/8% Senior Note Due 2011 (incorporated by reference from Exhibit 4.3 to Pilgrim's Pride's Current Report on Form 8-K (No. 001-09273) dated August 9, 2001).
- 10.1 Pilgrim's Industries, Inc. Profit Sharing Retirement Plan, restated as of July 1, 1987 (incorporated by reference from Exhibit 10.1 of the Company's Form 8 filed on July 1, 1992).
- 10.2 Bonus Plan of the Company (incorporated by reference from Exhibit 10.2 to the Company's Registration Statement on Form S-1 (No. 33-8805) effective November 14, 1986).
- 10.3 Employee Stock Investment Plan of the Company (incorporated by reference from Exhibit 10.28 of the Company's Registration Statement on Form S-1 (No. 33-21057) effective May 2, 1988).
- 10.4 Second Amended and Restated Loan and Security Agreement dated July 31, 1995, by and among the Company, the banks party thereto and Creditanstalt-Bankverein, as agent (incorporated by reference from Exhibit 10.38 of the Company's Annual Report on Form 10-K for the fiscal year ended September 28, 1996).
- 10.5 Revolving Credit Loan Agreement dated March 27, 1995 by and among the Company and Agricultural Production Credit Association (incorporated by reference from Exhibit 10.39 of the Company's Annual Report on Form 10-K for the fiscal year ended September 28, 1996).
- 10.6 First Supplement to Revolving Credit Loan Agreement dated July 6, 1995 by and among the Company and Agricultural Production Credit Association (incorporated by reference from Exhibit 10.40 of the Company's Annual Report on Form 10-K for the fiscal year ended September 28, 1996).
- 10.7 Second Supplement to Revolving Credit Loan Agreement dated June 28, 1996 by and among the Company and Agricultural Production Credit Association (incorporated by reference from Exhibit 10.44 of the Company's Annual Report on Form 10-K for the fiscal year ended September 28, 1996).
- 10.8 Third Supplement to Revolving Credit Loan Agreement dated August 22, 1996 by and among the Company and Agricultural Production Credit Association (incorporated by reference from Exhibit 10.45 of the Company's Annual Report on Form 10-K for the fiscal year ended September 28, 1996).
- 10.9 Note Purchase Agreement dated April 14, 1997 by and between John Hancock Mutual Life Insurance Company and Signature 1A (Cayman), Ltd. And the Company (incorporated by reference from Exhibit 10.46 of the Company's Quarterly Report on Form 10-Q for the three months ended March 29, 1997).
- 10.10 Aircraft Lease Extension Agreement between B.P. Leasing Co., (L.A. Pilgrim, Individually) and Pilgrim's Pride Corporation (formerly Pilgrim's Industries, Inc.) effective November 15, 1992 (incorporated by reference from Exhibit 10.48 of the Company's Quarterly Report on Form 10-Q for the three months ended March 29, 1997).
- 10.11 Broiler Grower Contract dated May 6, 1997 between Pilgrim's Pride

- Corporation and Lonnie "Bo" Pilgrim (Farm 30) (incorporated by reference from Exhibit 10.49 of the Company's Quarterly Report on Form 10-Q for the three months ended March 29, 1997).
- 10.12 Commercial Egg Grower Contract dated May 7, 1997 between Pilgrim's Pride Corporation and Pilgrim Poultry G.P. (incorporated by reference from Exhibit 10.50 of the Company's Quarterly Report on Form 10-Q for the three months ended March 29, 1997).
 - 10.13 Agreement dated October 15, 1996 between Pilgrim's Pride Corporation and Pilgrim Poultry G.P. (incorporated by reference from Exhibit 10.23 of the Company's Quarterly Report on Form 10-Q for the three months ended January 2, 1999).
 - 10.14 Heavy Breeder Contract dated May 7, 1997 between Pilgrim's Pride Corporation and Lonnie "Bo" Pilgrim (Farms 44, 45 & 46) (incorporated by reference from Exhibit 10.51 of the Company's Quarterly Report on Form 10-Q for the three months ended March 29, 1997).
 - 10.15 Broiler Grower Contract dated January 9, 1997 by and between Pilgrim's Pride and O.B. Goolsby, Jr. (incorporated by reference from Exhibit 10.25 of the Company's Registration Statement on Form S-1 (No. 333-29163) effective June 27, 1997).
 - 10.16 Broiler Grower Contract dated January 15, 1997 by and between Pilgrim's Pride Corporation and B.J.M. Farms. (incorporated by reference from Exhibit 10.26 of the Company's Registration Statement on Form S-1 (No. 333-29163) effective June 27, 1997).
 - 10.17 Broiler Grower Agreement dated January 29, 1997 by and between Pilgrim's Pride Corporation and Clifford E. Butler (incorporated by reference from Exhibit 10.27 of the Company's Registration Statement on Form S-1 (No. 333-29163) effective June 27, 1997).
 - 10.18 Second Amendment to Second Amended and Restated Loan and Security Agreement dated September 18, 1997 by and among the Company, the banks party thereto and Creditanstalt-Bankverein, as agent.
 - 10.19 Revolving Credit Agreement dated March 2, 1998 by and between Pilgrim's Pride de Mexico, S.A. de C.V., (the borrower); Avicola Pilgrim's Pride de Mexico, S.A. de C.V. (the Mexican Guarantor), Pilgrim's Pride Corporation (the U.S. Guarantor), and COAMERICA Bank (the bank), (incorporated by reference from Exhibit 10.32 of the Company's Quarterly report on form 10-Q for the three months ended March 28, 1998).
 - 10.20 Receivables Purchase Agreement between Pilgrim's Pride Funding Corporation, as Seller, Pilgrim's Pride Corporation, as Servicer, Pooled Accounts Receivable Capital Corporation, as Purchaser, and Nesbitt Burns Securities Inc., as Agent (incorporated by reference from Exhibit 10.33 of the Company's Quarterly report on form 10-Q for the three months ended June 27, 1998).
 - 10.21 Purchase and Contribution Agreement Dated as of June 26, 1998 between Pilgrim's Pride Funding Corporation and Pilgrim's Pride Corporation (incorporated by reference from Exhibit 10.34 of the Company's Quarterly report on form 10-Q for the three months ended June 27, 1998).
 - 10.22 Second Amendment to Security Agreement Re: Accounts Receivable, Farm Products and Inventory between Pilgrim's Pride Corporation and Harris Trust and Savings Bank (incorporated by reference from Exhibit 10.35 of the Company's Quarterly report on form 10-Q for the three months ended June 27, 1998).
 - 10.23 Second Amended and Restated Secured Credit Agreement between Pilgrim's Pride Corporation and Harris Trust and Savings Bank, individually and as agent and the lenders from time to time parties hereto as lenders, dated November 5, 1999.
 - 10.24 Guaranty Fee Agreement between Pilgrim's Pride Corporation and Pilgrim Interests, LTD., dated June 11, 1999.
 - 10.25 Heavy Breeder Contract dated October 27, 1999 between Pilgrim's Pride Corporation and David Van Hoose (Timberlake Farms).
 - 10.26 Credit Agreement dated December 14, 1999 by and between Pilgrim's Pride Corporation and Cobank, ACB, individually and as agent, and the lenders from time to time parties thereto as lenders.

- 10.27 Revolving Credit Agreement, made as of September 7, 2001 by and between Grupo Pilgrim's Pride Funding S. de R.L. de C.V., Comerica Bank, and Comerica Bank Mexico, S.A., Institucion de Banca Multiple.*
- 10.28 Third Amendment to Second Amended and Restated Secured Credit Agreement dated as of November 5, 1999, as amended, between Pilgrim's Pride Corporation and Harris Trust and Savings Bank, individually and as agent and the lenders from time to time parties thereto as lenders, dated as of September 26, 2001.*
- 12 Ratio of Earnings to Fixed Charges for the years ended September 29, 2001, September 30, 2000, October 2, 1999, September 26, 1998 and September 27, 1997.*
- 21 Subsidiaries of Registrant.*
- 23 Consent of Ernst & Young LLP.*

* Filed herewith

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on the 21th day of November 2001.

PILGRIM'S PRIDE CORPORATION

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

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

SIGNATURE	TITLE	DATE
_____ Lonnie "Bo" Pilgrim	Chairman of the Board	11/21/2001
_____ Clifford E. Butler	Vice Chairman of the Board	11/21/2001
_____ David Van Hoose	Chief Executive Officer President Chief Operating Officer Director (Principal Executive Officer)	11/21/2001
_____ Richard A. Cogdill	Executive Vice President Chief Financial Officer Secretary and Treasurer Director (Principal Financial and Accounting Officer)	11/21/2001

SIGNATURE	TITLE	DATE
_____ Lonnie Ken Pilgrim	Senior Vice President Director of Transportation Director	11/21/2001
_____ Charles L. Black	Director	11/21/2001
_____ S. Key Coker	Director	11/21/2001
_____ Vance C. Miller	Director	11/21/2001
_____ James J. Vetter, Jr.	Director	11/21/2001
_____ Donald L. Wass, Ph.D.	Director	11/21/2001

REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

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

We have audited the accompanying consolidated balance sheets of Pilgrim's Pride Corporation and subsidiaries as of September 29, 2001 and September 30, 2000, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended September 29, 2001. Our audits also included the financial statement schedule listed in the index at Item 14(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Pilgrim's Pride Corporation as of September 29, 2001 and September 30, 2000, and the consolidated results of its operations and its cash flows for each of the three years in the period ended September 29, 2001, in conformance with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements, taken as a whole, presents fairly in all material respects the information set forth therein.

Dallas, Texas
October 29, 2001

Ernst & Young LLP

{Consolidated Balance Sheets
Pilgrim's Pride Corporation

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)	SEPTEMBER 29, 2001	SEPTEMBER 30, 2000
Assets		
Current Assets :		
Cash and cash equivalents	\$ 20,916	\$ 28,060
Trade accounts and other receivables, less allowance for doubtful accounts	95,022	50,286
Inventories	314,400	181,237
Other current assets	12,934	9,387
Total Current Assets	443,272	268,970
OTHER ASSETS	20,067	18,576
PROPERTY, PLANT AND EQUIPMENT:		
Land	36,350	26,137
Buildings, machinery and equipment	929,922	565,034
Autos and trucks	53,264	48,187
Construction-in-progress	71,427	68,743
	1,090,963	708,101
Less accumulated depreciation	338,607	290,227
	752,356	417,874
	\$1,215,695	\$705,420
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 151,265	\$105,078
Accrued expenses	83,558	34,704
Current maturities of long-term debt	5,099	4,657
Total Current Liabilities	239,922	144,439
LONG-TERM DEBT, LESS CURRENT MATURITIES	467,242	165,037
DEFERRED INCOME TAXES	126,710	52,496
MINORITY INTEREST IN SUBSIDIARY	889	889
COMMITMENTS AND CONTINGENCIES	--	--
STOCKHOLDERS' EQUITY:		
Preferred stock, \$.01 par value, authorized 5,000,000 shares; none issued	--	--
Common stock - Class A, \$.01 par value, authorized 100,000,000 shares; and 13,794,529 shares issued and outstanding in 2001 and 2000, respectively;	138	138
Common stock - Class B, \$.01 par value, authorized 60,000,000 shares; 27,589,250 issued and outstanding in 2001 and 2000	276	276
Additional paid-in capital	79,625	79,625
Retained earnings	302,758	264,088
Accumulated other comprehensive income (loss)	(297)	--
Less treasury stock, 271,100 shares	(1,568)	(1,568)
Total Stockholders' Equity	380,932	342,559
	\$1,215,695	\$705,420

See Notes to Consolidated Financial Statements

Consolidated Statements of Income
Pilgrim's Pride Corporation

(IN THOUSANDS, EXCEPT PER SHARE DATA)	THREE YEARS ENDED SEPTEMBER 29, 2001		
	2001	2000	1999
NET SALES	\$2,214,712	\$1,499,439	\$1,357,403
COST AND EXPENSES:			

Cost of sales	2,000,762	1,333,611	1,171,695
Selling, general and administrative	119,408	85,340	76,204
	2,120,170	1,418,951	1,247,899
Operating Income	94,542	80,488	109,504
OTHER EXPENSES (INCOME):			
Interest expense, net	30,775	17,779	17,666
Foreign exchange (gain) loss	122	(152)	(50)
Miscellaneous, net	351	75	984
	31,248	17,702	18,600
INCOME BEFORE INCOME TAXES AND			
EXTRAORDINARY CHARGE	63,294	62,786	90,904
INCOME TAX EXPENSE	21,263	10,442	25,651
INCOME BEFORE EXTRAORDINARY CHARGE	42,031	52,344	65,253
EXTRAORDINARY CHARGE, NET OF TAX	894	--	--
NET INCOME	\$41,137	\$52,344	\$65,253
INCOME PER COMMON SHARE BEFORE EXTRAORDINARY			
CHARGE - BASIC AND DILUTED	\$ 1.02	\$ 1.27	\$ 1.58
EXTRAORDINARY CHARGE, NET OF TAX	(.02)	--	--
NET INCOME PER COMMON SHARE-BASIC			
AND DILUTED	\$ 1.00	\$ 1.27	\$ 1.58

See Notes to Consolidated Financial Statements

{Consolidated Statements of Stockholders' Equity
Pilgrim's Pride Corporation

(IN THOUSANDS, EXCEPT SHARE DATA)

	SHARES OF COMMON STOCK	TOTAL PAR VALUE	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE LOSS	TREASURY STOCK	TOTAL	
	CLASS A	CLASS B						
Balance at September 26, 1998	--	27,589,250	\$276	\$79,763	\$150,832	\$ --	\$ --	\$230,871
Dividend of Class A Common Stock	13,794,529	--	138	(138)				
Net income for year				65,253				65,253
Cash dividends declared (\$0.045 per share)				(1,865)				(1,865)
Balance at October 2, 1999	13,794,529	27,589,250	414	79,625	214,220			294,259
Treasury stock purchased (271,100)						(1,568)		(1,568)
Net income for year				52,344				52,344
Cash dividends declared (\$0.06 per share)				(2,476)				(2,476)
Balance at September 30, 2000	13,523,426	27,589,250	414	79,625	264,088	(1,568)		342,559
Net income for year				41,137				41,137
Other comprehensive income (loss):								
Losses on commodity hedging					(994)			(994)
Hedging losses reclassified as earnings					697			697
Total comprehensive income								40,840
Cash dividends declared (\$0.06 per share)				(2,467)				(2,467)
Balance at September 29, 2001	13,523,429	27,589,250	\$414	\$79,625	\$302,758	(\$297)	(\$1,568)	\$380,932

See Notes to Consolidated Financial Statements

Consolidated Statements of Cash Flows
Pilgrim's Pride Corporation

(IN THOUSANDS)	THREE YEARS ENDED SEPTEMBER 29, 2001		
	2001	2000	1999
Cash Flows From Operating Activities:			
Net income	\$41,137	\$52,344	\$65,253
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	55,390	36,027	34,536
Loss on property disposals	301	1,093	2,668
Deferred income taxes	12,737	444	(5,595)
Extraordinary charge	1,434	--	--
Changes in operating assets and liabilities:			
Accounts and other receivables	10,445	34,082	(2,555)
Inventories	(26,952)	(13,202)	(26,351)
Other current assets	(4,494)	245	(474)
Accounts payable and accrued expenses	(1,030)	19,982	14,195
Other	(1,135)	(212)	(225)
Cash Provided by Operating Activities	87,833	130,803	81,452
INVESTING ACTIVITIES:			
Acquisitions of property, plant and equipment	(112,632)	(92,128)	(69,649)
Business acquisition	(239,539)	--	--
Proceeds from property disposals	2,472	2,319	1,178
Other, net	571	(6,055)	(2,822)
Cash Used in Investing Activities	(349,128)	(95,864)	(71,293)
FINANCING ACTIVITIES:			
Borrowing for acquisition	285,070	--	--
Repayment on WLR Foods debt	(45,531)	--	--
Proceeds from notes payable to banks	136,000	71,000	24,500
Repayments on notes payable to banks	(136,000)	(71,000)	(24,500)
Proceeds from long-term debt	425,423	20,047	15,258
Payments on long-term debt	(408,316)	(38,622)	(33,027)
Purchase of treasury stock	--	(1,568)	--
Cash dividends paid	(2,467)	(2,476)	(1,865)
Cash Provided By (Used In)Financing Activities	254,179	(22,619)	(19,634)
Effect of exchange rate changes on cash and cash equivalents	(28)	37	53
Increase (decrease) in cash and cash equivalents	(7,144)	12,357	(9,422)
Cash and cash equivalents at beginning of year	28,060	15,703	25,125
Cash and cash equivalents at end of year	\$20,916	\$28,060	\$15,703
SUPPLEMENTAL DISCLOSURE INFORMATION:			
Cash paid during the year for:			
Interest (net of amount capitalized)	\$26,948	\$17,178	\$18,130
Income taxes	\$ 7,255	\$13,258	\$31,835

See Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A - BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PILGRIM'S PRIDE CORPORATION (REFERRED TO HEREIN AS "THE COMPANY", "WE", "US", "OUR", OR SIMILAR TERMS) IS THE SECOND LARGEST PRODUCER OF POULTRY IN BOTH THE UNITED STATES AND MEXICO. IN THE UNITED STATES, WE PRODUCE BOTH PREPARED AND FRESH CHICKEN AND TURKEY, WHILE IN MEXICO, WE PRODUCE EXCLUSIVELY FRESH CHICKEN. THROUGH VERTICAL INTEGRATION, WE CONTROL THE BREEDING, HATCHING AND GROWING OF CHICKENS AND TURKEYS AND THE PROCESSING AND PREPARATION, PACKAGING AND SALE OF OUR PRODUCT LINES.

OUR PREPARED CHICKEN PRODUCTS INCLUDE PORTION-CONTROLLED BREAST FILLETS, TENDERLOINS AND STRIPS, DELICATESSEN PRODUCTS, FRANKFURTERS, SALADS, FORMED NUGGETS AND PATTIES AND BONE-IN CHICKEN PARTS. THESE PRODUCTS ARE SOLD EITHER REFRIGERATED OR FROZEN AND MAY BE FULLY COOKED, PARTIALLY COOKED OR RAW. IN ADDITION, THESE PRODUCTS ARE BREADED OR NON-BREADED AND EITHER PRE-MARINATED OR NON-MARINATED.

THE COMPANY ALSO SELLS FRESH CHICKEN PRODUCTS TO THE FOODSERVICE AND RETAIL MARKETS. OUR FRESH CHICKEN PRODUCTS CONSIST OF REFRIGERATED (NON-FROZEN) WHOLE OR CUT-UP CHICKEN, EITHER PRE-MARINATED OR NON-MARINATED, AND PRE-PACKAGED CHICKEN, WHICH INCLUDES VARIOUS COMBINATIONS OF FRESHLY REFRIGERATED, WHOLE CHICKENS AND CHICKEN PARTS.

On January 27, 2001, we acquired WLR Foods, Inc. (formerly Nasdaq: WRLF) for \$239.5 million and the assumption of \$45.5 million of indebtedness. The purchase price and refinancing were provided by borrowings on the Company's existing secured term borrowing facility (see Note C). WLR operations have been included since the acquisition on January 27, 2001. The acquisition is being accounted for under the purchase method of accounting and the purchase price, which is still preliminary, has been allocated based on the estimated fair value of assets and liabilities. THE WLR FOODS ACQUISITION PROVIDED US WITH CHICKEN AND TURKEY PROCESSING FACILITIES IN THE EASTERN UNITED STATES.

PILGRIM'S PRIDE CORPORATION AND SUBSIDIARIES
SEPTEMBER 29, 2001

PRO FORMA FINANCIAL INFORMATION

The unaudited pro forma financial information has been presented as if the acquisition of WLR Foods, Inc. had occurred as of the beginning of each period presented. In addition, certain reclassifications have been made to the WLR historical financial statements to conform to the presentation used by the Company.

IN THOUSANDS, EXCEPT PER SHARE DATA

YEAR ENDED

	2001	2000
Net Sales	\$2,479,259	\$2,311,666
Operating Income	99,128	86,017
Interest Expense, Net	39,790	44,820
Income Before Taxes	58,607	42,209
Income before Extraordinary Charge	39,171	39,792
Net Income	\$ 38,277	\$ 39,792
Income per Common Share before Extraordinary Charge - Basic and Diluted	\$ 0.95	\$ 0.97
Extraordinary Charge, Net of Tax	(0.02)	--
Net Income per Common Share	\$ 0.93	\$ 0.97
Other Information: Depreciation and Amortization	\$ 64,565	\$ 63,892

PRINCIPLES OF CONSOLIDATION

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

The Company reports on the basis of a 52/53-week fiscal year, which ends on the Saturday closest to September 30. As a result, fiscal year 1999 had 53 weeks, while fiscal years 2001 and 2000 each had 52 weeks.

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

REVENUE RECOGNITION

The Company generally recognizes revenue when the product is shipped to the customer and shipping and handling expenses are included in cost of goods sold.

CASH EQUIVALENTS

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

INVENTORIES

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

recognized as a component of cost of sales when products are sold. Gains and losses on the futures contracts would be recognized immediately were the changes in the market value of the agreements cease to have a high correlation to the price changes of the feed ingredients being hedged.

Statement of Accounting Standards No. 133; ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES ("SFAS 133"), was adopted on October 1, 2000. No transitional impact resulted from the adoption of SFAS 133. The Company recognizes all derivatives on the balance sheet at fair value. Derivatives that are not hedges are adjusted to fair value through income. If the derivative is a hedge, changes in the fair value of derivatives are offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value is immediately recognized in earnings. No significant ineffectiveness was recognized in 2001. The Company evaluates the effectiveness of the risk reduction and correlation criteria based on forecasted future purchases (primarily corn and soybean) and continues to evaluate the effectiveness of the hedge until the transaction is closed.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of these assets. Depreciation expense was \$54.4 million, \$34.7 million and \$33.4 million in 2001, 2000 and 1999, respectively.

ACCUMULATED OTHER COMPREHENSIVE INCOME

As of September 29, 2001, accumulated other comprehensive income consists of mark-to-market adjustments on open commodity future contracts. Comprehensive income for the year ended September 29, 2001 was net of the related tax benefit of \$179,000.

NET INCOME PER COMMON SHARE

Net income per share is based on the weighted average number of shares of common stock outstanding during the year. The weighted average number of shares outstanding (basic and diluted) and per-share amounts included herein were 41,112,679 in 2001, 41,289,142 in 2000 and 41,383,779 in 1999 after adjustment for the common stock dividend referred to in Note F.

USE OF ESTIMATES

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

RECENT ACCOUNTING PRONOUNCEMENTS

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards 142 "GOODWILL AND OTHER INTANGIBLE ASSETS" (SFAS 142). SFAS 142 is effective for fiscal years beginning after December 15, 2001 and requires that goodwill and certain intangible assets will no longer be amortized upon adoption. SFAS 142 also establishes new standards for evaluating impairment of goodwill and certain intangible assets. The adoption of this statement is not expected to have a material effect on the Company.

NOTE B - INVENTORIES

Inventories consist of the following:

(IN THOUSANDS)	2001	2000
Chicken:		
Live chicken and hens	\$97,073	\$72,438
Feed, eggs and other	77,970	54,627
Finished chicken products	70,493	54,172
	245,536	181,237
Turkey:		
Live turkey and hens	30,694	--
Feed, eggs and other	3,906	--
Finished turkey products	34,264	--
	68,864	--

NOTE C - NOTES PAYABLE AND LONG-TERM DEBT

At September 29, 2001, the Company maintained \$130.0 million in revolving credit facilities and \$400.0 million in secured revolving/term borrowing facilities. The \$400.0 million revolving/term borrowing facilities provide for \$285.0 million and \$115.0 million of 10 year and 7 year commitments, respectively. Borrowings under these facilities are split pro rata between the 10 year and 7 year maturities as they occur. The credit facilities provide for interest at rates ranging from LIBOR plus five-eighths percent to LIBOR plus two and three-quarters percent, depending upon the Company's total debt to capitalization ratio. Interest rates on debt outstanding under these facilities at September 29, 2001 ranged from LIBOR plus one and one-quarter percent to LIBOR plus two and one-quarter percent. These facilities are secured by inventory and fixed assets or are unsecured. At September 29, 2001, \$86.0 million was available under the revolving credit facilities and \$225.0 million was available under the term borrowing facilities. Annual maturities of long-term debt for the five years subsequent to September 29, 2001 are: 2002 -- \$5.1 million; 2003 -- \$7.1 million; 2004 -- \$16.2 million; 2005 -- \$15.6 million; and 2006 -- \$55.0 million.

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

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

On September 7, 2001, we amended and restated our revolving credit agreement for Mexico, increasing the commitment from \$20.0 million to \$30.0 million. The entire amount matures in three years. The facility provides for interest rates ranging from LIBOR plus one and one-quarter to LIBOR plus one and one-half percent. At September 29, 2001, \$30.0 million was outstanding, the proceeds of which were used to reduce existing credit facilities.

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

Total interest was \$38.9 million, \$21.7 million and \$20.8 million in 2001, 2000 and 1999, respectively. Interest related to new construction capitalized in 2001, 2000 and 1999 was \$7.2 million, \$3.3 million and \$2.0 million, respectively.

LONG-TERM DEBT CONSISTS OF THE FOLLOWING:
(IN THOUSANDS)

	Maturity	2001	2000
Senior unsecured notes, interest at 9 5/8%	2011	\$200,000	\$ -
Revolving term/credit facility - 10 year tranche at LIBOR plus 2 .25%	2009	124,688	5,600
Notes payable to an insurance company at 7.07% - 7.21%	2006	65,474	70,121
Revolving term/credit facility - 7 year tranche at LIBOR plus 2.0%	2006	50,313	2,400
Notes payable to a bank at	2004	30,000	--

LIBOR plus 1.25 to 1.50			
Other notes payable	Various	1,866	1,078
Senior subordinated notes, interest at 10 7/8%	2003	--	90,495
		472,341	169,694
Less current maturities		5,099	4,657
		\$467,242	\$165,037

The fair value of long-term debt, at September 29, 2001 and September 30, 2000 based upon quoted market prices for the same or similar issues where available or by using discounted cash flow analysis, was approximately \$469.6 million and \$166.2 million, respectively.

NOTE D - INCOME TAXES

Income before income taxes after allocation of certain expenses to foreign operations for 2001, 2000 and 1999 was \$57.8 million, \$32.7 million and \$76.6 million, respectively, for U.S. operations and \$5.5 million, \$30.0 million and \$14.3 million, respectively, for foreign operations. The provisions for income taxes are based on pre-tax financial statement income.

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

(IN THOUSANDS)	2001	2000	1999
Current:			
Federal	\$6,045	\$ 9,239	\$28,449
Foreign	1,594	138	318
State and other	348	621	2,480
	7,987	9,998	31,247
Deferred	12,737	444	(5,596)
	\$20,724	\$10,442	\$25,651

PILGRIM'S PRIDE CORPORATION AND SUBSIDIARIES
 SEPTEMBER 29, 2001

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

(IN THOUSANDS)	2001	2000	1999
Federal income tax rate	35.0%	35.0%	35.0%
State tax rate, net	2.4	1.4	1.3
Difference in U.S. statutory tax rate and Mexico's effective tax rate	(3.9)	(19.8)	(8.1)
	33.5%	16.6%	28.2%

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

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

(IN THOUSANDS)	2001	2000
Deferred tax liabilities:		
Tax over book depreciation	\$97,667	\$24,390
Inventory valuation	27,926	--
Prior use of cash accounting	26,625	27,470
Other	2,419	2,849
Total deferred tax liabilities	154,637	54,709
Deferred tax assets:		
Expenses deductible in different years	23,027	8,469
Total deferred tax asset	23,027	8,469
Net deferred tax liabilities	\$131,610	\$46,240

The Company has not provided any U.S. deferred income taxes on the undistributed earnings of its Mexico subsidiaries based upon its determination that such earnings will be indefinitely reinvested. As of September 29, 2001, the cumulative undistributed earnings of these subsidiaries were approximately \$164.4 million. If such earnings were not considered indefinitely reinvested, deferred U.S. and foreign income taxes would have been provided, after consideration of estimated foreign tax credits. However, determination of the amount of deferred federal and foreign income taxes is not practical.

NOTE E - ACCOUNTS RECEIVABLE

The Company does not believe it has significant concentrations of credit risk in its accounts receivable, which are generally unsecured. Credit evaluations are performed on all significant customers and updated as circumstances dictate. Allowances for doubtful accounts were \$3.9 million and \$4.1 million at September 29, 2001 and September 30, 2000, respectively.

On June 26, 1998, the Company entered into an Asset Sale Agreement to sell up to \$60.0 million of accounts receivable. In connection with the Asset Sale Agreement, the Company sells, on a revolving basis, certain of its trade receivables (the "Pooled Receivables") to a special purpose corporation wholly owned by the Company, which in turn sells a percentage ownership interest to third parties. At September 29, 2001, an interest in these Pooled Receivables of \$58.5 million had been sold to third parties and is reflected as a reduction to accounts receivable. These transactions have been recorded as sales in accordance with FASB Statement No. 140, ACCOUNTING FOR TRANSFERS AND SERVICING OF FINANCIAL ASSETS AND EXTINGUISHMENTS OF LIABILITIES. The gross proceeds resulting from the sale are included in cash flows from operating activities in the Consolidated Statements of Cash Flows. Losses on these sales were immaterial.

NOTE F - COMMON STOCK

The Company has two series of authorized common stock, Class A common stock and Class B common stock. The shares have substantially the same rights, powers and limitations, except that each share of Class B common stock

entitles the holder thereof to 20 votes per share, except as otherwise provided by law, on any matter submitted for a stockholder vote, while each share of Class A common stock entitles the holder thereof to one vote per share on any such matter.

On July 2, 1999, the Company's Board of Directors declared a stock dividend of the Company's Class A common stock. Stockholders of record on July 20, 1999 received one share of the Company's Class A common stock for every two shares of the Company's Class B common stock held as of that date. The additional shares were issued on July 30, 1999. Per share and weighted average shares outstanding amounts for periods prior to July 30, 1999 have been restated to give effect to the stock dividend.

During 2000, the Company repurchased 271,100 shares of Class A common stock at a total cost of \$1.6 million.

NOTE G - SAVINGS PLAN

The Company maintains a Section 401(k) Salary Deferral Plan (the "Plan"). Under the Plan, eligible U.S. employees may voluntarily contribute a percentage of their compensation. The Plan provides for a contribution of up to four percent of compensation subject to an overall Company contribution limit of five percent of the U.S. operation's income before taxes. Under this plan, the Company's expenses were \$3.7 million, \$2.3 million and \$4.6 million in 2001, 2000 and 1999, respectively.

NOTE H - RELATED PARTY TRANSACTIONS

The major stockholder of the Company owns an egg laying and a chicken growing operation. Transactions with related entities are summarized as follows:

(IN THOUSANDS)	2001	2000	1999
Contract egg grower fees to major stockholder	\$ 1,537	\$ 5,100	\$ 4,501
Lease payment to major stockholder	564	--	--
Chick, feed and other sales to major stockholder	38,771	31,879	25,076
Live chicken purchases from major stockholder	39,784	31,979	26,899

On December 29, 2000 the Company entered into an agreement to lease a commercial egg property and assume all of the ongoing costs of the operation from the Company's major stockholder. The Company had previously purchased the eggs produced from this operation pursuant to a contract grower arrangement. The lease term runs for ten years with a monthly lease payment of \$62,500. The Company has an option to extend the lease for an additional five years, with an option at the end of the lease to purchase the property at fair market value as determined by an independent appraisal.

The Company leases an airplane from its major stockholder under an operating lease agreement. The terms of the lease agreement require monthly payments of \$33,000 plus operating expenses. Lease expense was \$396,000 for each of the years 2001, 2000 and 1999. Operating expenses were \$234,066, \$127,680, \$135,786 in 2001, 2000 and 1999, respectively.

The Company had accounts receivable of approximately \$0.1 million at September 30, 2000, from related parties, including its major stockholder.

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

NOTE I - COMMITMENTS

The Consolidated Statements of Income include rental expense for operating leases of approximately \$28.7 million, \$22.4 million and \$17.3 million in 2001, 2000 and 1999, respectively. The Company's future minimum lease commitments under non-cancelable operating leases are as follows: 2002 -- \$22.1 million; 2003 -- \$19.7 million; 2004 -- \$16.8 million; 2005 -- \$14.2 million; 2006 -- \$11.1 million and thereafter \$15.4 million.

At September 29, 2001, the Company had \$14.0 million in letters of credit outstanding relating to normal business transactions.

NOTE J - CONTINGENCIES

Since March 23, 1999, the Company has been a plaintiff in two antitrust lawsuits in U.S. District Court in Washington, D.C. alleging a world-wide conspiracy to control production capacity and raise prices of common vitamins such as A, B-4, C and E. On November 3, 1999, a settlement, which was entered into as part of a class action lawsuit to which the Company was a member, was agreed to among the defendants and the class, which would provide for a recovery of between 18-20% of vitamins purchased from the defendants from 1990 through 1998. On March 28, 2000, the judge presiding over the case accepted the negotiated settlement between the parties; however, appeals from various sources are in process. The Company has filed documentation showing that vitamin purchases made during the recovery period totaled approximately \$14.9 million. During fiscal 2001, the Company received \$3.3 million in final settlement of its claim.

In January of 1998, seventeen of our current and/or former employees filed the case of "Octavius Anderson, et al. v. Pilgrim's Pride Corporation" in the United States District Court for the Eastern District of Texas, Lufkin

Division claiming Pilgrim's Pride violated requirements of the Fair Labor Standards Act. The suit alleged Pilgrim's Pride failed to pay employees for all hours worked. The suit generally alleged that (1) employees should be paid for time spent to put on, take off, and clean certain personal gear at the beginning and end of their shifts and breaks and (2) the use of a master time card or production "line" time fails to pay employees for all time actually worked. Plaintiffs sought to recover unpaid wages plus liquidated damages and legal fees. Approximately 1,700 consents to join as plaintiffs were filed with the court by current and/or former employees. During the week of March 5, 2001, the case was tried in the Federal Court of the Eastern District of Texas, Lufkin, Texas. The Company prevailed at the trial with a judgment issued by the judge, which found no evidence presented to support the plaintiffs' allegations. The plaintiffs have filed an appeal in the Fifth Circuit Court of Appeals to reverse the judge's decision. The plaintiff's brief was submitted to the court on November 5, 2001. Pilgrim's Pride's response to the plaintiff's brief to the Fifth Circuit Court of Appeals is due on December 5, 2001. Neither the likelihood of an unfavorable outcome nor the amount of ultimate liability, if any, with respect to this case can be determined at this time. The Company does not expect this matter, individually or collectively, to have a material impact on our financial position, operations or liquidity. Substantially similar suits have been filed against four other integrated poultry companies, including WLR Foods, one of which resulted in a federal judge dismissing most of the plaintiffs' claims in that action with facts similar to our case.

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

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

NOTE K - FINANCIAL INSTRUMENTS

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

At September 29, 2001, (there were no outstanding contracts at September 30, 2000), the Company held the following commodity contracts consisting of delivery contracts settling between October 2001 and July 2002. The following table provides information about the Company's financial instruments that is sensitive to changes in commodity prices:

Dollars in thousands, except per unit contract/strike prices

	Units	Notional Amount	Weighted Average Contract/Strike Price	Fair Value
Hedging Position:				
Long positions				
in corn	Bushels	14,860	\$2.22	(\$476)

NOTE L - BUSINESS SEGMENTS

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

The Company's chicken and other products segment primarily includes sales

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

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

The following table presents certain information regarding our segments:

	SEPTEMBER 29, 2001(A)	FISCAL YEAR ENDED SEPTEMBER 30, 2000	OCTOBER 2, 1999
	(52 WEEKS)	(52 WEEKS)	(53 WEEKS)
	(IN THOUSANDS)		
NET SALES TO CUSTOMERS:			
Chicken and Other Products:			
United States	\$1,652,199	\$1,192,077	\$1,102,903
Mexico	323,678	307,362	254,500
Sub-total	1,975,877	1,499,439	1,357,403
Turkey	238,835	--	--
Total	\$2,214,712	\$1,499,439	\$1,357,403
OPERATING INCOME:			
Chicken and Other Products:			
United States	\$ 78,096	\$ 45,928	\$ 88,177
Mexico	12,157	34,560	21,327
Sub-total	90,253	80,488	109,504
Turkey	4,289	--	--
Total	\$ 94,542	\$ 80,488	\$ 109,504
Depreciation and Amortization(b)			
Chicken and Other Products:			
United States	\$ 38,155	\$ 24,444	\$ 23,185
Mexico	11,962	11,583	11,351
Sub-total	50,117	36,027	34,536
Turkey	5,273	--	--
Total	\$ 55,390	\$ 36,027	\$ 34,536
TOTAL ASSETS:			
Chicken and Other Products:			
United States	\$ 764,073	\$ 496,173	
Mexico	247,681	209,247	
Sub-total	1,011,754	705,420	
Turkey	203,941	--	
Total	\$1,215,695	\$ 705,420	
CAPITAL EXPENDITURES: (A)			
Chicken and Other Products			
United States	\$ 80,173	\$ 69,712	
Mexico	29,425	22,417	
Sub-total	109,598	92,129	
Turkey	3,034	--	
Total	\$ 112,632	\$ 92,129	

(A) EXCLUDES BUSINESS ACQUISITION COST OF \$239,539, INCURRED IN CONNECTION WITH THE ACQUISITION OF WLR FOODS ON JANUARY 27, 2001.

(B) INCLUDES AMORTIZATION OF CAPITALIZED FINANCING COSTS OF APPROXIMATELY \$0.9 MILLION, \$1.2 MILLION, AND \$1.1 MILLION IN FISCAL YEAR 2001, 2000 AND 1999, RESPECTIVELY.

AS OF SEPTEMBER 29, 2001, THE COMPANY HAD NET ASSETS IN MEXICO OF \$199.0 MILLION. THERE WERE NO CUSTOMERS REPRESENTING 10% OR MORE OF REVENUE IN FISCAL 2001. DURING 2000 AND 1999, REVENUE FROM ONE CUSTOMER REPRESENTED 13.5% AND 13.9%, RESPECTIVELY, OF CONSOLIDATED NET SALES.

NOTE M - QUARTERLY RESULTS

Quarterly Results (Unaudited)

(IN THOUSANDS, EXCEPT PERSHARE DATA) YEAR ENDED SEPTEMBER 29, 2001

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

(IN THOUSANDS, EXCEPT PER SHARE DATA) YEAR ENDED SEPTEMBER 30, 2000

	First Quarter	Second Quarter(b)	Third Quarter	Fourth Quarter	Fiscal Year
Net sales	\$354,825	\$373,260	\$391,979	\$379,375	\$1,499,439
Gross profit	45,477	34,029	46,665	39,657	165,828
Operating income	25,222	13,282	26,349	15,635	80,488
Net income	14,858	9,023	17,144	11,319	52,344
Per Share:					
Net income	.36	.22	.41	.28	1.27
Cash dividends	.015	.015	.015	.015	.06

(a) The Company acquired WLR Foods on January 27, 2001 for \$239.5 million and the assumption of \$45.5 million of indebtedness. The acquisition has been accounted for as a purchase, and the results of operations for this acquisition have been included in our consolidated results of operations since the acquisition date.

(b) The second quarter of 2000 includes a \$5.8 million write-off of accounts receivable from AmeriServe, which filed bankruptcy on January 31, 2000.

PILGRIM'S PRIDE CORPORATION AND SUBSIDIARIES
 SCHEDULE II-VALUATION AND QUALIFYING ACCOUNTS

COL. A	COL. B	COL. C	COL. D	COL. E	
Description	Balance at Beginning	Additions Charged to Costs and Expenses	Charged to Other Accounts- Describe	Deductions Describe	Balance at end of Period
YEAR ENDED SEPTEMBER 29, 2001:					
RESERVES AND ALLOWANCES DEDUCTED FROM ASSET ACCOUNTS:					
ALLOWANCE FOR DOUBTFUL ACCOUNTS	\$4,086,000	\$1,132,000	\$--	\$1,257,000(1)	\$3,961,000
YEAR ENDED SEPTEMBER 30, 2000:					
RESERVES AND ALLOWANCES DEDUCTED FROM ASSET ACCOUNTS:					
ALLOWANCE FOR DOUBTFUL ACCOUNTS	\$4,703,000	\$(611,000)	\$--	\$6,000(1)	\$4,086,000
YEAR ENDED OCTOBER 2, 1999:					
RESERVES AND ALLOWANCES DEDUCTED FROM ASSET ACCOUNTS:					
ALLOWANCE FOR DOUBTFUL ACCOUNTS	\$3,694,000	\$1,122,000	\$--	\$113,000(1)	\$4,703,000

(1) UNCOLLECTABLE ACCOUNTS WRITTEN OFF, NET OF RECOVERIES.

EXHIBIT 12
 PILGRIM'S PRIDE CORPORATION

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

	SEPTEMBER 29, 2001	SEPTEMBER 30, 2000	YEAR ENDED OCTOBER 2, 1999	SEPTEMBER 26, 1998	SEPTEMBER 27, 1997
(AMOUNTS IN THOUSANDS, EXCEPT RATIO)					
EARNINGS:					
Income before income taxes and extraordinary charge	\$63,294	\$62,786	\$90,904	\$56,522	\$43,824
Add: Total fixed charges (see below)	48,406	29,168	26,706	27,987	27,647
Less: Interest Capitalized	7,153	3,313	2,032	1,675	502
Total Earnings	\$104,547	\$88,641	\$115,578	\$82,834	\$70,969
FIXED CHARGES:					
Interest (1)	\$38,852	\$21,712	\$ 20,889	\$23,239	\$23,889
Portion of rental expense representative of the interest factor(2)	9,554	7,456	5,817	4,748	3,758
Total fixed charges	\$48,406	\$29,168	\$ 26,706	\$27,987	\$27,647
Ratio of earnings					

to fixed charges	2.16	3.04	4.33	2.96	2.57
------------------	------	------	------	------	------

- (1) Interest includes amortization of capitalized financing fees.
- (2) One-third of rental expenses is assumed to be representative of the interest factor.

EXHIBIT 22- SUBSIDIARIES OF REGISTRANT

1. AVICOLA PILGRIM'S PRIDE DE MEXICO S.A. DE C.V.
2. COMPANIA INCUBADORA HIDALGO S.A. DE C.V.
3. INMOBILIARIA AVICOLA PILGRIM'S PRIDE, S. DE R.L.
4. PILGRIM'S PRIDE S.A. DE C.V.
5. GALLINA PESADA S.A. DE C.V.
6. PILGRIM'S PRIDE FUNDING CORPORATION
7. PILGRIM'S PRIDE INTERNATIONAL INC.
8. PPC OF DELAWARE BUSINESS TRUST
9. PPC MARKETING, LTD.
10. PILGRIM'S PRIDE AFFORDABLE HOUSING CORPORATION
11. GRUPO PILGRIM'S PRIDE FUNDING HOLDINGS S. DE R.L. DE C.V.
12. GRUPO PILGRIM'S PRIDE FUNDING S. DE R.L. DE C.V.
13. ROCKINGHAM POULTRY, INC.
14. ROCKINGHAM POULTRY, INC. (FOREIGN SALES CORP.)
15. VALLEY RAIL SERVICE, INC.
16. WAMPLER SUPPLY COMPANY, INC.
17. PILGRIM'S PRIDE OF NEVADA, INC.
18. PILGRIM'S PRIDE DUTCH FUNDING B.V.

EXHIBIT 23

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statements (Form S-8 No. 3-12043 and Form S-3 No. 333-84861) of Pilgrim's Pride Corporation, and in the related Prospectuses, of our report dated October 29, 2001, with respect to the consolidated financial statements and schedule of Pilgrim's Pride Corporation included in this Annual Report (Form 10-K) for the year ended September 29, 2001.

Dallas, Texas
November 14, 2001

ERNST & YOUNG LLP

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PILGRIM'S PRIDE CORPORATION\par

\par
THIRD AMENDMENT TO SECOND AMENDED AND RESTATED SECURED CREDIT AGREEMENT\par

\par
\par
\par
Harris Trust and Savings Bank\par
Chicago, Illinois\par

\par
The Lenders From Time to Time Parties\par
to the Credit Agreement Described Below\par

\par
Ladies and Gentlemen:\par
\par

Reference is hereby made to that certain Second Amended and Restated\par
Secured Credit Agreement dated as of November 5, 1999, as amended (the\par
"CREDIT AGREEMENT"), among the undersigned, Pilgrim's Pride Corporation, a\par
Delaware corporation (the "COMPANY"), you (the "BANKS") and Harris Trust\par
and Savings Bank, as agent for the Banks (the "AGENT"). All defined terms\par
used herein shall have the same meanings as in the Credit Agreement unless\par
otherwise defined herein.\par

\par
The Company, the Agent and the Banks now wish to amend the Credit\par
Agreement to permit optional prepayments of Eurodollar Loans and to amend\par
certain other covenants to the Credit Agreement, all on the terms and\par
conditions and in the manner set forth in this Amendment.\par

\par
1. AMENDMENTS.\par

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

\par
1.1. Section 3.3 of the Credit Agreement shall be amended to read as\par
follows:\par

\par
"SECTION 3.3. OPTIONAL PREPAYMENTS (a) DOMESTIC RATE LOANS.\par
The Company shall have the privilege of prepaying without premium or\par
penalty and in whole or in part (but if in part, then in a minimum\par
principal amount of \$2,500,000 or such greater amount which is an\par
integral multiple of \$100,000) any Domestic Rate Loan at any time upon\par
prior telex or telephonic notice to the Agent on or before 12:00 Noon\par
on the same Business Day.\par

\par
(b) FIXED RATE LOANS. The Company may prepay any borrowing of\par
Fixed Rate Loans without premium or penalty, upon telephonic notice\par
(which shall be promptly confirmed in writing by facsimile\par
communication, telex or telegraph) by no later than 11:00 a.m.\par
(Chicago time) on the third Business Day prior to the date of such\par
prepayment from the Company to the Agent, such prepayment to be made\par
by the payment of the principal amount to be prepaid and accrued\par
interest thereon and any compensation required by Section 9.4 hereof,\par
if applicable; PROVIDED, HOWEVER, that any such prepayment shall be in\par
a principal amount of no less than \$3,000,000 or such greater amount\par
which is an integral multiple of \$1,000,000, and after giving effect\par
to any such prepayment the outstanding principal amount of any such\par
borrowing of Eurodollar Loans or CD Rate Loans prepaid in part shall\par
not be less than \$3,000,000 or such greater amount which is an\par
integral multiple of \$1,000,000.\par

\par
(c) Any amount prepaid under the Revolving Credit may, subject to\par
the terms and conditions of this Agreement, be borrowed, repaid and\par
borrowed again.\par

\par
1.2. Section 7.29 of the Credit Agreement shall be amended to read as\par
follows:\par

\par
"SECTION 7.29. NEW SUBSIDIARIES. The Company will not, directly\par
or indirectly, create or acquire in any Fiscal Year any Subsidiary\par
unless (a) after giving effect to any such creation or acquisition,\par
the total assets (determined in accordance with generally accepted\par
accounting principles, consistently applied) of all such Subsidiaries\par
would not exceed 5% of the Total Assets of the Company and its\par
Subsidiaries, and (b) all Inventory of such Subsidiaries (other than\par
any such Subsidiaries that are organized under the laws of any\par
jurisdiction other than the United States of America, any State, the\par
District of Columbia or Puerto Rico) are pledged to the Agent for the\par
benefit of the Banks pursuant to a security agreement substantially\par
identical to the Security Agreement."\par

\par
1.3. The Required Banks hereby agree that the Company may form a wholly-owned Subsidiary under the laws of the State of Nevada ("NEVADA CO.") without granting the Agent a security interest in its inventory as required by Section 7.29(b) of the Credit Agreement, PROVIDED THAT Nevada Co. shall own no Inventory unless it first complies with Section 7.29(b).\par

\par
1.4. The Required Banks hereby waive the requirements of Section 3(b) of the Security Agreement with respect to the Inventory acquired by the Company as a result of the merger of WLR with and into the Company.\par

\par
2. CONDITIONS PRECEDENT.\par

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

\par
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).\par

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

\par
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.\par

\par
3. REPRESENTATIONS AND WARRANTIES.\par

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

\par
(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;\par

\par
(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; and\par

\par
(c) the Company's organizational number is 2101254.\par

\par
4. MISCELLANEOUS.\par

\par
4.1. 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.\par

\par
4.2. 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.\par

\par
4.3. 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.\par

\par
4.4. 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\par

of such counterparts shall for all purposes be deemed to be an original.\par
\par

4.5. (A) THIS AMENDMENT AND THE RIGHTS AND DUTIES OF THE PARTIES\par
HERE TO, SHALL BE CONSTRUED AND DETERMINED IN ACCORDANCE WITH THE INTERNAL\par
LAWS OF THE STATE OF ILLINOIS, EXCEPT TO THE EXTENT PROVIDED IN\par
SECTION 4.5(b) HEREOF AND TO THE EXTENT THAT THE FEDERAL LAWS OF THE UNITED\par
STATES OF AMERICA MAY OTHERWISE APPLY.\par
\par

(b) NOTWITHSTANDING ANYTHING IN SECTION 4.5(a) HEREOF TO THE CONTRARY,\par
NOTHING IN THIS AMENDMENT, THE CREDIT AGREEMENT, THE NOTES, OR THE OTHER\par
LOAN DOCUMENTS SHALL BE DEEMED TO CONSTITUTE A WAIVER OF ANY RIGHTS WHICH\par
THE COMPANY, THE AGENT OR ANY OF THE BANKS MAY HAVE UNDER THE NATIONAL BANK\par
ACT OR OTHER APPLICABLE FEDERAL LAW.\par
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Dated as of September ____, 2001.\par

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PILGRIM'S PRIDE CORPORATION\par

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By\par
Its\par

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

\par

HARRIS TRUST AND SAVINGS BANK individually\par
and as Agent\par

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By\par
Its\par

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U.S. BANCORP AG CREDIT, INC.\par

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By\par
Its\par

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COBANK, ACB\par

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By\par
Its\par

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SUNTRUST BANK (formerly known as SunTrust\par
Bank, Atlanta)\par

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By\par
Its\par

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CREDIT AGRICOLE INDOSUEZ\par

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REVOLVING CREDIT AGREEMENT

BY AND BETWEEN

GRUPO PILGRIM'S PRIDE FUNDING, S. DE R.L. DE C.V.

(THE "COMPANY" OR "BORROWER")

COMERICA BANK

("COMERICA")

AND

COMERICA BANK MEXICO, S.A.,

INSTITUCIN DE BANCA MLTIPL

("CBM")

SEPTEMBER 7, 2001

REVOLVING CREDIT AGREEMENT

THIS REVOLVING CREDIT AGREEMENT, is made as of the 7{th} day of September, 2001, by and between GRUPO PILGRIM'S PRIDE FUNDING S. de R.L. de C.V., a SOCIEDAD DE RESPONSABILIDAD LIMITADA DE CAPITAL VARIABLE duly organized and validly existing under the laws of the United Mexican States ("Mexico"), having its corporate domicile in Queretaro, Mexico ("Company" or "Borrower"), and COMERICA BANK ("Comerica"), a banking corporation duly organized and validly existing under the laws of the State of Michigan, of Detroit, Michigan and COMERICA BANK MEXICO, S.A., INSTITUCIN DE BANCA MLTIPL a banking institution organized and existing under the laws of Mexico ("CBM;" collectively with Comerica, the "Bank").

WITNESSETH:

WHEREAS, Company has requested Bank to provide it with a revolving loan in the amount of Thirty Million Dollars (\$30,000,000) which shall include a Seven Million Dollar (\$7,000,000) sublimit in equivalent Pesos, and Bank is willing to do so upon the terms and conditions of this Agreement.

NOW, THEREFORE, Company and Bank agree to the following:

1. DEFINITIONS

For the purposes of this Agreement the following terms will have the following meanings:

"Accounts" means, with respect to any Person, all accounts

receivables, monies and book debts at any time owed to such Person, and all instruments, chattel paper and other documents evidencing or securing any such accounts receivable, monies or book debts.

"Advance" shall mean a borrowing requested by Borrower and made by Comerica with respect to Dollars and CBM with respect to Pesos, pursuant hereto.

"Affiliates" shall mean (i) any Subsidiary of Avicola; (ii) U.S. Guarantor; and (iii) any Subsidiary of U.S. Guarantor.

"Applicable Interest Rate" shall mean, with respect to indebtedness outstanding hereunder or under the Notes in Dollars the LIBOR-based Rate or if required in accordance with the terms and conditions set forth in this Agreement the Federal Funds-based Rate, as the alternative base rate, and in respect to indebtedness outstanding hereunder or under the Notes in Pesos the TIIE-based rate, or if required in accordance with the terms and conditions set forth in this Agreement the CETES-based Rate.

"Avicola" shall mean Avicola Pilgrim's Pride de Mexico, S.A. de C.V., a SOCIEDAD ANNIMA DE CAPITAL VARIABLE duly organized under the laws of Mexico.

"Business Day" shall mean (i) with respect to any borrowing, payment or rate selection of LIBOR-based Loans, any day, other than Saturday, Sunday or holiday on which commercial banks generally are open in Detroit, Michigan for the conduct of all or substantially all of their commercial lending activities and on which dealings in U.S. Dollars are carried on in the London interbank market, (ii) with respect to any borrowing, payment or rate selection of TIIE-based Loans or CETES-based Loan, any day, other than Saturday, Sunday or holiday on which commercial banks generally are open in Mexico City, Mexico for the conduct of all or substantially all of their commercial lending activities and (ii) for all other purposes, a day (other than a Saturday or Sunday) on which commercial banks generally are open in Detroit, Michigan and Mexico City, Mexico for the conduct of all or substantially all of their commercial lending activities.

"Capital Lease" shall mean, with respect to any Person, any lease of any property (whether real, personal or mixed) by such Person as lessee that, in accordance with GAAP, would be required to be classified and accounted for as a capital lease on a balance sheet of such Person or otherwise would be disclosed as such in a note to such balance sheet.

"Capital Lease Obligation" shall mean, with respect to any Capital Lease, the amount of the obligation of the lessee thereunder that, in accordance with GAAP, would appear on a balance sheet of such lessee in respect of such Capital Lease or otherwise be disclosed in a note to such balance sheet.

"CETES-based Loan" shall mean any portion of the Loan which bears interest at the CETES-based Rate.

"CETES-based Rate" shall mean, with respect to any CETES-based Loan outstanding under this Agreement bearing interest at the CETES-based Rate for an applicable Interest Period, a per annum interest rate which is equal to the quotient achieved by dividing (i) the sum of the CETES Margin plus the CETES Rate, by (ii) the difference of 1.0 minus the rate of Mexican income tax withholding rate applicable to payment of interest receivable hereunder, expressed as a decimal number applicable to interest payments hereunder.

"CETES Margin" shall mean:

- (a) to the extent the outstanding principal balance of all Loans is \$15,000,000 (or the Equivalent Amount in Pesos) or less, 1.25%; and
- (b) to the extent the outstanding principal balance of all Loans is greater than \$15,000,000 (or the Equivalent Amount in Pesos), 1.5%.

"CETES Rate" shall mean, with respect to any CETES based loan outstanding under this Agreement, the average weighted value of all primary placement rates of the Certificados de la Tesorera de la Federacin having a maturity of 28 days or such term as may substitute such 28 day term in case the maturity of such instrument is not a Business Day, published in the "Economic Indexes" Section of the Official Gazette on any day that the CETES Rate shall be the applicable interest rate with respect to the indebtedness outstanding hereunder.

"Collateral" means all Accounts, Inventory, Equipment and Real Estate

of Operating Company, and any substitutions for, or replacements of, any of the foregoing.

"Consolidated" or "consolidated" shall mean when used with reference to any financial term in this Agreement, the aggregate for two or more Persons of the amounts signified by such term for all such Persons determined on a consolidated basis in accordance with GAAP. Unless otherwise specified herein, references to "consolidated" financial statements or data of Borrower, Operating Company or Avicola includes consolidation with the Subsidiaries of such Person in accordance with GAAP.

"Credit Party" shall mean Borrower and Guarantors.

"Current Ratio" shall mean, as of any applicable date of determination, the ratio of current assets to current liabilities, each determined in accordance with GAAP.

"Default" shall mean any condition or event which, with the giving of notice or the passage of time, or both, would constitute an Event of Default.

"Dollars" and "\$" shall mean lawful currency of the United States of America.

"EBITDA" shall mean as of any date, with respect to any Person for a period of six consecutive fiscal quarters of such Person ending at the close of the fiscal quarter most recently ended of such Person, operating income of such Person for such period PLUS, any amounts with respect to depreciation or amortization, all determined in accordance with GAAP.

"Effective Date" shall mean the date of this Agreement.

"Eligible Accounts" shall mean an Account arising in the ordinary course of the Operating Company's business which meets each of the following requirements:

- (a) to the extent it is not owing more than ninety (90) days after the date of the original invoice or other writing evidencing such Account;
- (b) it arises from the sale or lease of goods and such goods have been shipped or delivered to the account debtor; or it arises from services rendered and such services have been performed;
- (c) it is evidenced by an invoice, dated not later than 5 days of the date of shipment or performance, rendered to the account debtor, or some other evidence of billing acceptable to Bank;
- (d) it is not evidenced by any note, trade acceptance, draft or other negotiable instrument or by any chattel paper, unless such note or other document or instrument previously has been endorsed and delivered or otherwise legally conveyed to Bank;
- (e) it is a valid, legally enforceable obligation of the account debtor thereunder, and to the extent it is not subject to any offset, counterclaim or other defense on the part of such account debtor or to any claim on the part of such account debtor denying liability thereunder in whole or in part;
- (f) it is not an Account billed in advance, payable on delivery, for consigned goods, for guaranteed sales, for unbilled sales, for progress billings, payable at a future date in accordance with its terms, or to the extent it is not subject to a retainage or holdback by the account debtor or insured by a surety company;
- (g) the Account is subject to a duly perfected lien in favor of the Bank pursuant to the Security Documents ranking in priority to all other liens, which lien has been duly registered, filed or recorded in all applicable jurisdictions and all other steps necessary have been taken to create, perfect and maintain such lien, to the extent such actions are required under applicable law;
- (h) the Account does not constitute an obligation of (i) any Person whose principal place of business is, or who is organized under the laws of, any jurisdiction other than a jurisdiction included in the United States or Mexico, (ii) an Affiliate of Operating Company, or (iii) any governmental entity;
- (i) the Account has not arisen out of a written order or contract with or from an account debtor which by its nature or terms

prevents, restricts, forbids or makes void or unenforceable the assignment to the Bank of such Account, or requires notice to, or the consent of, the account debtor (unless such consent has been secured or such notice has been given).

An Account which is at any time an Eligible Account, but which subsequently fails to meet any of the foregoing requirements, shall forthwith cease to be an Eligible Account.

"Eligible Inventory" shall mean all finished animal feed, corn, soybean, soybean meal and imported sorghum of Operating Company, excluding:

- (a) Consigned goods;
- (b) Inventory covered by or subject to a title retention agreement or a seller's right to repurchase, or any consensual or nonconsensual lien (including without limitation purchase money security interests) other than in favor of Bank; and
- (c) any Inventory which is not subject to a duly perfected lien in favor of the Bank ranking in priority to all other liens, which lien has been duly registered, filed or recorded in all applicable jurisdictions and all other steps necessary have been taken to create, perfect and maintain such liens, to the extent such actions are required under applicable law.

Inventory shall be valued at the lower of cost or market value as determined in accordance with GAAP or appraisals as determined by Bank in its reasonable credit judgment, and Inventory which is at any time Eligible Inventory, but which subsequently fails to meet any of the foregoing requirements, shall forthwith cease to be Eligible Inventory.

"Environmental Complaint" shall have the meaning set forth in Section 5.15(c) hereof.

"Environmental Law(s)" shall mean all applicable laws, codes, ordinances, rules, regulations, orders, decrees and directives issued by any federal, state, local, foreign or other governmental or quasi-governmental authority or body (or any agency, instrumentality or political subdivision thereof) in which Borrower, Avicola, Operating Company or any of their respective Subsidiaries conducts business pertaining to Hazardous Materials, including without limitation, any hazardous materials or wastes, toxic substances, flammable, explosive or radioactive materials, asbestos, and/or other similar materials; or any portion thereof including, without limitation, those relating to soil, surface, subsurface ground water conditions and the condition of the ambient air; and any other federal, state, foreign or local statute, law, ordinance, code, rule, regulation, order or decree regulating, relating to, or imposing liability or standards of conduct concerning, any hazardous, toxic, radioactive, flammable or dangerous waste, substance or material, as now or at any time hereafter in effect.

"Equipment" shall mean all machinery and equipment of Operating Company located on the Real Estate.

"Equivalent Amount" shall mean (i) with respect to each Advance made or carried (or to be carried) in Dollars, the principal amount thereof and (ii) with respect to each Advance made or carried (or to be made or carried) in Pesos, the amount of Dollars which is equivalent to such amount of Pesos at the fixed exchange rate established by the Central Bank of Mexico and published in the Official Gazette for the sale of Dollars for such Pesos two (2) Business Days before determination of such Equivalent Amount is to be made.

"Event of Default" shall mean each of the Events of Default specified in Section 8.1 of this Agreement.

"Federal Funds-based Loan" shall mean an Advance which bears an interest at the Federal Funds-based Rate.

"Federal Funds-based Rate" shall mean a per annum interest rate which is equal to the quotient achieved by dividing (i) the sum of the Federal Funds Margin plus the Federal Funds Rate, by (ii) the difference of 1.0 minus the rate of Mexican income tax withholding rate applicable to payments of interest receivable hereunder, expressed as a decimal number applicable to interest payments hereunder.

"Federal Funds Margin" shall mean:

- (a) to the extent the outstanding principal balance of all Loans is \$15,000,000 (or the Equivalent Amount in Pesos) or less, 1.25%;

and

- (b) to the extent the outstanding principal balance of all Loans is greater than \$15,000,000 (or the Equivalent Amount in Pesos), 1.5%.

"Federal Funds Rate" shall mean a per annum rate of interest determined on the basis of quotations for overnight federal funds transactions appearing on Page 60 of the Knight-Ridder Moneycenter News Services (Garvin GuyButler-Domestic Composite Indicators - Term Federal Funds for Domestic Banks), on any day that the Federal Funds Rate shall be the applicable interest rate with respect to the indebtedness outstanding hereunder. If, for any reason, such rates do not appear on said Page 60 of the Knight-Ridder Moneycenter News Services (or otherwise on such service), the "Federal Funds Rate" shall be determined by reference to such other publicly available service for displaying Federal Funds Rates, as shall be designated by the Bank from time to time.

"Fixed Assets" shall mean the Equipment and Real Estate.

"Formula Amount" shall mean as of the date of any determination thereof the sum of:

- (a) 70% of the Eligible Accounts; plus
- (b) the lesser of (i) 60% of the Eligible Inventory or (ii) \$10,000,000; plus
- (c) 60% of the "net market value" of the Fixed Assets, determined pursuant to appraisals, in form and substance reasonably satisfactory to Bank.

"Funded Debt" shall mean with respect to any Person, all Indebtedness for borrowed money evidenced by notes, bonds, debentures, or similar evidences of Indebtedness and which by its terms matures more than one year from, or is directly or indirectly renewable or extendible at such Person's option under a revolving credit or similar agreement obligating the lender or lenders to extend credit over a period of more than one year from the date of creation thereof, and specifically including Capital Lease Obligations, current maturities of long-term debt, revolving credit and short-term debt extendible beyond one year at the option of the debtor.

"GAAP" shall mean generally accepted accounting principles in Mexico, applied on a consistent basis.

"Guarantor(s)" shall mean Operating Company, Avicola, Holding, Inmobiliaria, US Guarantor and any Replacement Guarantor.

"Guaranty" shall mean to guaranty agreement and the (FIANZA SOLIDARIA) executed and delivered to Bank by the Guarantors in form and substance satisfactory to Bank pursuant to which:

- (a) Operating Company, Avicola and Holding guaranty all of Company's obligations and indebtedness to Bank hereunder, with respect to the Loans and under the other Loan Documents;
- (b) US Guarantor guarantees \$15,000,000 of the principal balance of the Loans, plus interest accruing thereon and cost of collections.

"Hazardous Material" shall mean and include any hazardous, toxic or dangerous waste, substance or material defined as such in, or for purpose of, any Environmental Laws.

"Holding" means Grupo Pilgrim's Pride Funding Holding, S. de R.L.de C.V., a SOCIEDAD DE RESPONSABILIDAD LIMITADA DE CAPITAL VARIABLE duly organized under the laws of Mexico.

"Indebtedness" of any Person shall mean: (i) all indebtedness of such Person for borrowed money; (ii) all obligations evidenced by notes, bonds, debentures or similar instruments; (iii) all indebtedness created or arising under any conditional sale or other title retention agreements with respect to property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property); (iv) all Capital Lease Obligations; (v) all guaranteed indebtedness; and (vi) all indebtedness referred to in clauses (i), (ii), (iii), (iv) or (v) above secured by (or for which the holder of such indebtedness has an existing right, contingent or otherwise, to be secured by) any lien upon or in property (including accounts and contract rights) owned by such Person, even though such Person has not assumed or become liable for the payment of

such indebtedness.

"Indebtedness Ratio" shall mean, as of any applicable date of determination, the ratio of Total Liabilities to the sum of Total Liabilities and Net Worth.

"Indenture" shall mean that certain Indenture dated as of August 9, 2001 by US Guarantor, as Issuer and The Chase Manhattan Bank, as Trustee relating to \$200,000,000, 9-5/8% Senior Notes due 2011 and additional notes evidencing an additional aggregate principal amount of up to \$200,000,000 and all amendments and supplements thereto.

"Inmobiliaria" shall mean Inmobiliaria Avicola Pilgrim's Pride, S. de R.L. de C.V., a SOCIEDAD DE RESPONSABILIDAD LIMITADA DE CAPITAL VARIABLE duly organized under the laws of Mexico.

"Interest Coverage Ratio" shall mean, as of any applicable date of determination, the ratio of EBITDA to Interest Expense, measured on a rolling 6 fiscal quarters basis.

"Interest Expense" shall mean, the interest expense of a Person, determined in accordance with GAAP.

"Interest Period" shall mean for:

(A) a LIBOR-based Loan, an interest period of one (1), two (2) or three (3) months as selected by Borrower;

(B) a TIIIE-based Loan, an interest period of one (1) month;

provided however for (A) and (B) above that:

(a) any Interest Period which would otherwise end on a day which is not a Business Day shall be extended to the next succeeding Business Day, except that if the next succeeding Business Day falls in another calendar month, the Interest Period shall end on the next preceding Business Day, and when an Interest Period begins on a day which has no numerically corresponding day in the calendar month during which such Interest Period is to end, it shall end on the last Business Day of such calendar month; and

(b) no Interest Period shall extend beyond the Maturity Date.

"Inventory" shall mean all finished animal feed, corn, soybean, soybean meal and imported sorghum of Operating Company.

"LIBOR-based Loan" shall mean any portion of the Loan which bears interest at the LIBOR-based Rate.

"LIBOR-based Rate" shall mean, with respect to any LIBOR-based Loan outstanding under this Agreement bearing interest at the LIBOR-based Rate for an applicable Interest Period, a per annum interest rate which is equal to the quotient achieved by dividing (i) the sum of the LIBOR Margin plus the LIBOR Rate, by (ii) the difference of 1.0 minus the rate of Mexican income tax withholding rate applicable to payments of interest receivable by the Bank hereunder, expressed as a decimal number applicable to interest payments hereunder.

"LIBOR Lending Office" shall mean any Comerica office located in the Cayman Islands, British West Indies, or such other branch of Bank, domestic or foreign, as it may hereafter designate as its LIBOR Lending Office by notice to Borrower or any office of CBM located in Mexico.

"LIBOR Margin" shall mean:

(a) to the extent the outstanding principal balance of all Loans is \$15,000,000 (or the Equivalent Amount in Pesos) or less, 1.25%; and

(b) to the extent the outstanding principal balance of all Loans is greater than \$15,000,000 (or the Equivalent Amount in Pesos), 1.5%.

"LIBOR Rate" shall mean, with respect to any LIBOR-based Loan outstanding under this Agreement, the per annum rate of interest determined on the basis of the rate for deposits in United States Dollars for a period equal to the relevant Interest Period for such Advance, commencing on the first day of such Interest Period, appearing on Page BBAM of the Bloomberg Financial Markets Information Service as of 11:00 a.m. (Detroit, Michigan time) (or soon thereafter as practical), two (2) Business Days prior to the first day of such Interest Period.

"Loan" or "Loans" shall mean the borrowings requested by Company and to be made by Bank under this Agreement, including any refunding of such borrowing pursuant to Section 2.11 hereof.

"Loan Documents" shall mean collectively, this Agreement, the Notes, the Guaranty (FIANZA), the Security Documents and any other documents, instruments or agreements executed pursuant to or in connection with the Loans, this Agreement or the other Loan Documents, as such documents may be amended from time to time.

"Material Adverse Effect" shall mean with respect to the Credit Parties other than the US Guarantor, taken as a whole or with respect to the US Guarantor: (i) a material adverse effect on (a) the business, assets, operations or financial or other condition of such applicable parties, (b) such applicable party's ability to pay or perform the obligations under the Loan Documents to which such Credit Party is a party in accordance with the terms thereof, or (c) Bank's rights and remedies under the Agreement and the other Loan Documents.

"Maturity Date" shall mean September 7, 2004.

"Mexican Guarantors" shall mean the Guarantors other than the US Guarantor.

"Mortgage" shall mean the first priority mortgage to be granted in favor of Comerica and CBM by: (i) Inmobiliaria in respect to the real estate in which the farm known as Granja la Pursima, which is located in Municipio de Coln, Estado de Queretaro, substantially in the terms of Exhibit E; (ii) Operating Company in respect to the real estate in which the farm known as Granja el Coyote, which is located in Municipio de Ezequiel Montes, Estado de Queretaro, substantially in the terms of Exhibit E, (iii) Operating Company in respect to the real estate in which the farm known as Granja Nogales, which is located in Municipio de Coln, Estado de Queretaro, substantially in the terms of Exhibit E, (iv) Operating Company in respect to the real estate in which the farm known as Granja Buenos Aires, which is located in Municipio de Coln, Estado de Queretaro, substantially in the terms of Exhibit E, (v) Operating Company in respect to the real estate in which the farm known as Granja Atongo I, which is located in Municipio del Marquez, Estado de Queretaro, substantially in the terms of Exhibit E, and (vi) by Operating Company in respect to the real estate in which the farm known as Granja Cerro Prieto, which is located in Municipio del Marquez, Estado de Queretaro, substantially in the terms of Exhibit E.

"Net Worth" shall mean:

- (a) With respect to Operating Company on a consolidated basis, its Total Assets (other than patents, patent rights, trademarks, trade names, copy rights, franchises, licenses, goodwill and similar general intangible assets) less: (i) advances to and/or accounts receivables owing from Affiliates (other than Operating Company and its Subsidiaries); and (ii) Total Liabilities; and
- (b) With respect to Avicola on a consolidated basis, its Total Assets (other than patents, patent rights, trademarks, trade names, copy rights, franchises, licenses, goodwill and similar general intangible assets) less: (i) advances to and/or accounts receivables owing from Affiliates (other than Avicola and its Subsidiaries); (ii) Total Liabilities; and (iii) loans made to third parties other than to Affiliates.

"Note(s)" or "Note" shall mean the Promissory Notes (PAGARS) evidencing the Loans made by Bank pursuant to Section 2.1 hereof in the form of Exhibit "A" attached to this Agreement executed and delivered by the Company as of date of and evidencing each requested Advance, or if applicable, the Federal Funds-based Rate Note executed and delivered by Company in accordance with Section 2.6 below (in the form attached hereto as Exhibit "B"), or if applicable, the TIIE-based Rate Note or the CETES-based Rate Note (in the forms attached hereto as Exhibit C) and in all events guaranteed (por aval) by the Guarantors.

"Official Gazzete" shall mean the DIARIO OFICIAL DE LA FEDERACION of Mexico.

"Operating Company" shall mean Pilgrim's Pride, S.A. de C.V. a SOCIEDAD ANNIMA DE CAPITAL VARIABLE duly organized and validly existing under the laws of Mexico.

"Payment Date" shall mean the last day of the Interest Period selected for each Note.

"Permitted Liens" shall mean those liens, security interests and encumbrances expressly permitted by Section 7.1.

"Person" shall mean any individual, corporation, partnership, limited liability company, trust, incorporated or unincorporated organization, joint venture, joint stock company, or a government (whether foreign, federal, state, country, city, municipal or otherwise, including any instrumentality, division, agency, body or department thereof) or any agency or political subdivision thereof or other entity of any kind.

"Pesos" shall mean Mexican pesos, the lawful currency of Mexico.

"Pesos Subfacility" shall mean Advances requested to be made by CBM in Pesos, in an aggregate amount not to exceed the Pesos Subfacility Maximum as may be reduced pursuant to Section 2.19.

"Pesos Subfacility Maximum" shall mean up to the Equivalent Amount of US \$7,000,000, in Pesos as may be reduced pursuant to Section 2.19.

"Premises" shall have the meaning set forth in Section 5.15 and shall include the Real Estate.

"Process Agent" shall mean CT Corporation System or its successors or assigns, or any other person or entity acting on behalf of the Company and Mexican Guarantor as agent for the service of process in respect of any lawsuits or proceedings initiated in the United States of America in connection with the Loan Documents.

"Real Estate" shall mean the real estate described in the Mortgage.

"Replacement Guarantor" shall mean any Subsidiary created by Operating Company or US Guarantor to be the primary importer and/or distributor in Mexico of poultry product exported by US Guarantor to Mexico.

"Request for Loan" shall mean a Request for Loan issued by Company under this Agreement in the form annexed to this Agreement as Exhibit "D".

"Reserve Requirements" shall mean the stated maximum rate (expressed as a decimal) of all reserve requirements (including, without limitation, any marginal, emergency, supplemental, special or other reserves) that is specified at any time during such Interest Period by the Board of Governors of the Federal Reserve System (or any successor agency thereto) for determining the maximum reserve requirements with respect to eurodollar funding (currently referred to as "eurocurrency liabilities") in Regulation D of such Board maintained by a member bank of such System; all as conclusively determined by Bank, absent manifest error.

"Revolving Loan" or "Revolving Loans" shall mean the revolving credit loans to be advanced and readvanced to the Borrower pursuant to Section 2.1 hereof.

"Revolving Loan Commitment" shall mean Thirty Million Dollars (\$30,000,000), as may be reduced pursuant to Section 2.19.

"Revolving Maximum" shall mean, as of any date the lesser of the Revolving Loan Commitment or the Formula Amount, provided, however, that a portion of the Revolving Maximum may be designated by the Borrower in the Equivalent Amount of Pesos, not to exceed the Pesos Subfacility Maximum.

"Revolving Maximum - Dollars" shall mean the Revolving Maximum less the Equivalent Amount of the aggregate Advances outstanding under the Pesos Subfacility.

"Revolving Maximum - Pesos" shall mean the Revolving Maximum less the aggregate Advances under the Revolving Maximum - Dollars facility, but not to exceed the amount of the Pesos Subfacility Maximum.

"Security Documents" shall mean the Mortgage and that certain Contrato de Prenda ("Pledge Agreement") to be executed by Operating Company in favor of the Bank in substantially the same form as set forth on the attached Exhibit F.

"Subsidiary" of any Person shall mean any corporation, association, joint stock company or business trust of which more than fifty percent (50%) of the voting stock or other voting interest is owned either directly or indirectly by such Person and/or one or more of its Subsidiaries.

"TIIE-based Loan" shall mean any portion of the Loan which bears interest at the TIIE-based Rate.

"TIIE-based Rate" shall mean, with respect to any TIIE-based Loan outstanding under this Agreement bearing interest at the TIIE-based Rate for an applicable Interest Period, a per annum interest rate which is equal to the quotient achieved by dividing (i) the sum of the TIIE Margin plus the TIIE Rate, by (ii) the difference of 1.0 minus the rate of Mexican income tax withholding rate applicable to payments of interest receivable hereunder, expressed as a decimal number applicable to interest payments hereunder.

"TIIE Lending Office" shall mean any CBM office located in Mexico

"TIIE Margin" shall mean:

- (a) to the extent the outstanding principal balance of all Loans is \$15,000,000 (or the Equivalent Amount in Pesos) or less, 1.25%; and
- (b) to the extent the outstanding principal balance of all Loans is greater than \$15,000,000 (or the Equivalent Amount in Pesos), 1.5%.

"TIIE Rate" shall mean, the average rate equivalent to the "Tasa de Interés Interbancaria de Equilibrio" for 28 (twenty eight) day periods as published by Banco de Mexico in the Official Gazette. The Interest Rate shall be modified or updated pursuant to the TIIE Rate variations published by Banco de Mexico.

"Total Assets" shall mean, as of the date of any determination thereof, all assets of Company, determined on a consolidated basis in accordance with GAAP.

"Total Liabilities" shall mean, as of the date of any determination thereof, all liabilities and other obligations of Company, determined on a consolidated basis in accordance with GAAP.

"US Guarantor" means Pilgrim's Pride Corporation, a corporation duly organized under the laws of the State of Delaware.

2. REVOLVING CREDIT

2.1 COMMITMENT. Subject to the terms and conditions of this Agreement: (a) Comerica agrees to lend to Borrower from time to time from the date of this Agreement until the Maturity Date, Revolving Loans, with such Advances to be made in Dollars in the aggregate principal amount outstanding at any time not to exceed the Revolving Maximum - Dollars; and (b) CBM agrees to lend to Borrower from time to time from the date of this Agreement until the Maturity Date, Revolving Loans, with such Advances to be made in Pesos in the aggregate principal amount outstanding at any time not to exceed the Revolving Maximum - Pesos. At no time shall the aggregate Advances requested by Borrower and outstanding hereunder exceed the Revolving Maximum.

2.2 NOTES (PAGARS). Each Advance shall be evidenced by a separate Note (PAGAR), duly executed by Borrower in the principal amount of the Advance requested, bearing interest at the Applicable Interest Rate, indicating the Interest Period and signed POR AVAL by the Guarantors..

2.3 REPAYMENT. Each Note, and all principal outstanding thereunder, shall bear interest at its Applicable Interest Rate. The principal amount of and the interest accrued under each Note made by Borrower pursuant to Section 2.2 above shall be repaid, converted or rolled over by the Borrower on the Payment Date indicated in the applicable Request for Loan, but in no event later than ninety (90) days after the date of advance for such Note. At the Maturity Date, the entire balance of all Notes then outstanding and all then accrued and unpaid interest thereon, shall be due and payable. The amount and date of each Loan, the Applicable Interest Rates, the Interest Periods and the amount and date of any repayment shall be noted on Bank's records, which records will be conclusive evidence thereof, absent manifest error; provided, however, any failure by Bank to record any such information shall not relieve Company of its obligations to repay the outstanding principal amount of the Loans, accrued interest thereon, and any other amounts payable by Company hereunder in accordance with the terms of this Agreement. All payments by Company to Bank under or pursuant to this Agreement or any of the other Loan Documents, whether principal, interest or otherwise, shall be made without setoff, deduction or counterclaim on the date specified for such payment, in immediately available funds, (i) if payment is due in Dollars, to Comerica at Comerica Tower at Detroit Center, 500 Woodward

Avenue, Detroit, Michigan, account no. 1851-355014 and (ii) if payment is due in Pesos, to CBM, at account no. 7336-0201. Principal amounts repaid may be subsequently reborrowed provided no Advance may mature after the Maturity Date. Each payment by or on behalf of the Borrower hereunder shall, unless a specific determination is made by Bank with respect thereto, be applied (A) first, to any fees, costs, expenses and other amounts (other than principal and interest) due Bank; (B) second, to accrued and unpaid interest and fees due Bank; and (C) third, to principal due Bank.

2.4 REQUESTS FOR LOANS. Borrower may request Advances under the Revolving Loans by delivery to Bank of a Request for Loan form executed by an authorized officer of Borrower and subject to the following:

- (A) EACH SUCH REQUEST FOR LOAN SHALL INDICATE THE CURRENCY TO WHICH IT RELATES AND SHALL SET FORTH ALL OTHER INFORMATION REQUIRED ON THE REQUEST FOR LOAN FORM;
- (B) EACH SUCH REQUEST FOR LOAN SHALL BE DELIVERED TO BANK BY 10:00 A.M. (DETROIT TIME) THREE (3) BUSINESS DAYS PRIOR TO THE PROPOSED DATE OF LOAN, EXCEPT IN THE CASE OF A TIIE-BASED LOAN, FOR WHICH THE REQUEST FOR LOAN MUST BE DELIVERED BY 10:00 A.M. (MEXICO CITY TIME) ON SUCH PROPOSED DATE;
- (C) THE PRINCIPAL AMOUNT OF SUCH ADVANCE, SHALL BE AT LEAST \$500,000 (OR THE EQUIVALENT AMOUNT OF PESOS);
- (D) A REQUEST FOR LOAN, ONCE DELIVERED TO BANK, SHALL NOT BE REVOCABLE BY BORROWER;
- (E) EACH REQUEST FOR LOAN SHALL CONSTITUTE A CERTIFICATION BY THE BORROWER AS OF THE DATE THEREOF THAT ALL OF THE CONDITIONS SET FORTH IN SECTION 4.15 HEREOF ARE SATISFIED AS OF THE DATE OF SUCH REQUEST AND SHALL BE SATISFIED AS OF THE DATE SUCH ADVANCE IS REQUESTED; AND
- (F) THE PRINCIPAL AMOUNT REQUESTED, TOGETHER WITH THE PRINCIPAL AMOUNT OF ALL OTHER OUTSTANDING ADVANCES UNDER THE REVOLVING LOAN SHALL NOT EXCEED THE REVOLVING MAXIMUM AND IF THE REQUEST FOR LOAN IS FOR AN ADVANCE IN PESOS, THEN THE PRINCIPAL AMOUNT REQUESTED TOGETHER WITH THE PRINCIPAL AMOUNT OF ALL OTHER OUTSTANDING PESOS ADVANCES SHALL NOT EXCEED THE PESOS SUBFACILITY MAXIMUM.

2.5 LIBOR-BASED RATE. Interest on each LIBOR-based Loan shall accrue at the LIBOR-based Rate, and shall be payable on the last day of the Interest Period applicable thereto. Interest accruing at the LIBOR-based Rate shall be computed on the basis of a 360 day year and shall be assessed for the actual number of days elapsed from the first day of the Interest Period applicable thereto to, but not including the last day thereof.

2.6 FEDERAL FUNDS-BASED RATE. In the event that the Federal Funds-based Rate is required to be the Applicable Interest Rate pursuant to this Agreement, interest on the unpaid balance of the Loan from time to time outstanding shall accrue until paid at a per annum rate equal to the Federal Funds-based Rate, and shall be payable monthly on the first Business Day closest to the first day of each succeeding month and in such event Company shall execute and deliver to Bank a note (in the form attached hereto as Exhibit B; the "Federal Funds-based Rate Note") evidencing the Federal Funds-based Rate as the Applicable Interest Rate on or before 48 hours prior to the commencement of such period in which the Federal Funds-based Rate is the Applicable Interest Rate. Interest accruing at the Federal Funds-based Rate shall be computed on the basis of a 360 day year and shall be assessed for the actual number of days elapsed (including the first day, but not the last day that the Federal Funds-based Rate is applicable), and in such computation, effect shall be given to any change in the Federal Funds-based Rate on the date of each such change.

2.7 TIIE-BASED RATE. Interest on each TIIE-based Loan shall accrue at the TIIE-based Rate, and shall be payable on the last day of the Interest Period applicable thereto. Interest accruing at the TIIE-based Rate shall be computed on the basis of a 360 day year and shall be assessed for the actual number of days elapsed from the first day of the Interest Period applicable thereto to, but not including the last day thereof.

2.8 CETES-BASED RATE. Interest on the unpaid balance of each

CETES-based Loan from time to time outstanding shall accrue until paid at a per annum rate equal to the CETES-based Rate, and shall be payable monthly on the first Business Day closest to the first day of each succeeding month and in such event Company shall execute and deliver to Bank a note (in the form attached hereto as Exhibit C; the "CETES-based Rate Note") evidencing the CETES-based Rate as the Applicable Interest Rate on or before 48 hours prior to the commencement of such period in which the CETES-based Rate is the Applicable Interest Rate. Interest accruing at the CETES-based Rate shall be computed on the basis of a 360 day year and shall be assessed for the actual number of days elapsed (including the first day, but not the last day that the CETES-based Rate is applicable), and in such computation, effect shall be given to any change in the CETES-based Rate on the date of each such change.

2.9 INTEREST PAYMENTS UPON REFUNDINGS. Notwithstanding anything to the contrary set forth in this Agreement, all accrued and unpaid interest on any Loan which is refunded pursuant to Section 2.11 hereof shall be due and payable in full on the date such Loan is refunded, together with any amounts payable under Section 3.1 hereof if a refunding of a TIIE-based Loan occurs on any day other than the last day of the Interest Period applicable thereto.

2.10 DEFAULT INTEREST. Notwithstanding anything to the contrary set forth herein, in the event that and so long as there exists any default in payment hereunder (including, without limitation, failure to pay indebtedness under the Loan on any accelerated date for payment thereof), (a) interest shall be payable on the principal amount of all LIBOR-based Loans from time to time outstanding at a per annum rate equal to the Applicable Interest Rate for each such Loan plus two percent (2%) per annum, (b) at all other times when the Federal Funds-based Rate is in effect, interest shall be payable at a per annum rate equal to the Federal Funds-based Rate plus two percent (2%), (c) at all other times when the TIIE-based Rate is in effect, interest shall be payable at a per annum rate equal to the TIIE-based Rate plus two percent (2%), and (d) at all other times when the CETES-based Rate is in effect, interest shall be payable at a per annum rate equal to the CETES-based Rate plus two percent (2%). Any interest accruing under this Section 2.10 shall be payable upon demand.

2.11 REFUNDINGS. Subject to the payment of any break-funding reimbursements/prepayment premiums set forth in Section 3.1, as to any outstanding LIBOR-based Loan or TIIE-based Loan, Borrower may convert any LIBOR-based Loan to a TIIE-based Loan (provided there is availability under Pesos Subfacility) or convert any TIIE-based Loan to a LIBOR-based Loan or continue a LIBOR-based Loan or TIIE-based Loan, by making a written request therefore to the Comerica or CBM, as the case may be, by facsimile, specifying (a) the principal amount that is to bear interest at the LIBOR Rate or TIIE-based Rate and (b) the Interest Period selected by Borrower during which the LIBOR Rate or TIIE-based Rate, as the case may be, is to be applied. Any conversion requested by Borrower must be in an amount not less than \$500,000 or the Equivalent Amount of Pesos. Following the expiration of the Interest Period for any LIBOR-based Loan or TIIE-based Loan, as the case may be, interest shall automatically accrue (x) if such Loan is a LIBOR-based Loan, at the Federal Funds Rate unless Borrower requests and receives another LIBOR-based Loan as provided in this Section 2.11 or (y) if such Loan is a TIIE-based Loan, at the CETES Rate unless Borrower requests and receives another TIIE-based Loan as provided in this Section 2.11.

2.12 PREPAYMENTS. Company may prepay (without premium or penalty but subject to Article 3) all or part of the outstanding balance of the Loan at any time during any period when it bears interest at the Federal Funds-based Rate or the CETES-based Rate. Upon two (2) Business Days prior written notice to Bank, Company may prepay all or part of any LIBOR-based Loan or any TIIE-based Loan, provided that: (a) the amount of any such partial prepayment shall be at least \$500,000 (or the Equivalent Amount of Pesos) or the outstanding balance of such Loan, whichever is less; and (b) if such prepayment occurs on other than the last day of the Interest Period therefore, Company shall pay accrued interest on the amount prepaid and such other amounts as are required pursuant to Section 3.1 hereof, together with such prepayment.

2.13 PAYMENTS ON NON-BUSINESS DAY. Subject to the definition of "Interest Period" in this Agreement, in the event that any payment of principal, interest, fees or any other amounts payable by Company under this Agreement is due on any day which is not a Business Day, such due date shall be extended to the next succeeding Business Day, and, to the extent applicable, interest shall continue to accrue and

be payable for any such extension.

2.14 REVIEW DATE. Without commitment by either party, Bank and Borrower agree to review the Agreement prior to the Maturity Date and consider an extension of the Maturity Date, subject to Bank's satisfaction, with the financial performance and economic situation of Borrower.

2.15 UPFRONT FEE. Borrower shall pay CBM on the Effective Date: (i) an up-front fee equal to US \$150,000.00, calculated by applying 0.5% to US \$30,000,000.00; and (ii) US \$22,500.00 representing the VAT on such fee. CBM agrees to promptly deliver to Borrower an original official invoice with respect to such payment in accordance with applicable laws.

2.16 COMMITMENT FEE. Unless this Agreement is sooner terminated (in which case the Commitment Fee shall be prorated and payable upon such termination), following the first anniversary of this Agreement, Borrower shall pay Bank a commitment fee calculated by multiplying 0.250% by the average monthly unutilized amount of US \$30,000,000.00 measured from the first anniversary date from the execution of this Agreement to the second anniversary date from the execution of this Agreement and each anniversary date thereof until the Maturity Date.

2.17 RECEIPT OF PAYMENTS. Any payments hereunder received by Bank after: (i) 2:00 p.m. Detroit time for payments in Dollars, and (ii) 2:00 p.m. Mexico City time for payments in Pesos, shall be deemed received by Bank on the next Business Day.

2.18 USE OF LOAN PROCEEDS. Borrower shall use the principal amount of the Loan for its and its Subsidiaries' working capital needs and the general corporate needs of the Affiliates.

2.19 REDUCTIONS OF REVOLVING LOAN COMMITMENT. Upon at least five (5) days' prior written notice (or telephonic notice promptly confirmed in writing) from the Borrower to the Bank, the Borrower shall have the right, without premium or penalty, to reduce the Revolving Loan Commitment in part or to terminate the Revolving Loan Commitment in whole, provided that (i) any partial termination pursuant to this Section 2.19 shall be in an amount of at least \$1,000,000 (or the Equivalent Amount of Pesos) and integral multiples of \$500,000 (or the Equivalent Amount of Pesos), and (ii) no such reduction shall be permitted which would reduce the Revolving Loan Commitment to an amount less than the aggregate outstanding principal amount of the Revolving Loans. If the Revolving Loan Commitment is reduced to amount less than the Pesos Subfacility Maximum, the Pesos Subfacility Maximum shall automatically be deemed reduced to an amount equal to the Revolving Loan Commitment.

3. SPECIAL PROVISIONS, CHANGES IN CIRCUMSTANCES AND YIELD PROTECTION

3.1 BREAK-FUNDING REIMBURSEMENTS/PREPAYMENT PREMIUMS. If Company makes any payment of principal with respect to any LIBOR-based Loan or any TIIE-based Loan on any day other than the last day of the Interest Period applicable thereto (whether voluntarily, by acceleration, or otherwise), or if Company fails to borrow any LIBOR-based Loan or TIIE-based Loan after notice has been given by Company to Bank in accordance with the terms of this Agreement requesting such Loan, Company shall reimburse Bank, within thirty (30) days of Bank's demand, for any resulting loss, cost or expense incurred by Bank as a result thereof, including, without limitation, any such loss, cost or expense incurred in obtaining, liquidating, employing or redeploying deposits from third parties (but excluding any loss of anticipated margin over Bank's cost of funds). Such amount payable by Company to Bank may include, without limitation, an amount equal to the excess, if any, of (a) the amount of interest which would have accrued on the amount so prepaid, or not so borrowed or refunded, for the period from the date of such prepayment or of such failure to borrow or refund, through the last day of the relevant Interest Period, at the Applicable Interest Rate for said Loan provided under this Agreement, over (b) the amount of interest (as reasonably determined by Bank) which would have accrued to Bank on such amount by placing such amount on deposit for a comparable period with leading banks in the relevant interbank market. Calculation of any amounts payable to Bank under this Section 3.1 shall be made as though Bank shall have actually funded or committed to fund the relevant LIBOR-based Loan or TIIE-based Loan through the purchase of an underlying deposit in an amount equal to the amount of such Loan and having a maturity comparable to the relevant Interest Period; provided, however, that Bank may fund any LIBOR-based Loan or TIIE-based Loan in any manner it deems fit and the foregoing assumptions shall be utilized only for the purpose of

the calculation of amounts payable under this Section. Upon the written request of Company, Bank shall deliver to Company a certificate setting forth the basis in reasonable detail for determining such losses, costs and expenses, which certificate shall be conclusively presumed correct, absent manifest error.

3.2 ILLEGALITY. If, after the date hereof, the introduction of, or any change in, any applicable law, rule or regulation or in the interpretation or administration thereof by any governmental authority charged with the interpretation or administration thereof, or compliance by Bank (or its LIBOR Lending Office or TIIE Lending Office) with any request or directive (whether or not having the force of law) of any such authority, shall make it unlawful or impossible for Bank (or its LIBOR Lending Office or TIIE Lending Office) to honor its obligations hereunder to make or maintain any LIBOR-based Loan or TIIE-based Loan under this Agreement, Bank shall forthwith give notice thereof to Company. Thereafter, until Bank notifies Company that the circumstance giving rise to such suspension no longer exists (a) the obligation of Bank to make LIBOR-based Loans or TIIE-based Loans and the right of Company to request LIBOR-based Loans or TIIE-based Loans and to convert a Loan or refund a Loan as a LIBOR-based Loan or TIIE-based Loan shall be suspended, and thereafter, the Federal Funds-based Rate shall be the Applicable Interest Rate, and (b) if Bank may not lawfully continue to maintain a LIBOR-based Loan or a TIIE-based Loan to the end of the then current Interest Period applicable thereto, the Federal Funds-based Rate shall be the Applicable Interest Rate for the remainder of such Interest Period for such LIBOR-based Loan and the CETES-based Rate for such TIIE-based Loan as applicable. To the extent that doing so will not be, in Bank's sole judgment, disadvantageous to Bank, if doing so will eliminate the need to suspend LIBOR-based Loan CETES-based Loan availability pursuant to this Section 3.2 Bank will designate a different LIBOR Lending Office or TIIE Lending Office for the Loans hereunder.

3.3 INCREASED COSTS. If the adoption after the date hereof, or any change after the date hereof in, any applicable law, rule or regulation of any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by Bank (or its LIBOR Lending Office or TIIE Lending Office) with any request or directive (whether or not having the force of law) made by any such authority, central bank or comparable agency after the date hereof:

- (A) SHALL SUBJECT BANK (OR ITS LIBOR LENDING OFFICE OR TIIE LENDING OFFICE) TO ANY TAX, DUTY OR OTHER CHARGE WITH RESPECT TO ANY LOAN, THE NOTES, OR ANY OF THE INDEBTEDNESS UNDER THIS AGREEMENT, OR SHALL CHANGE THE BASIS OF TAXATION OF PAYMENTS TO BANK (OR ITS LIBOR LENDING OFFICE OR TIIE LENDING OFFICE) OF THE PRINCIPAL OF OR INTEREST ON ANY LOAN, THE NOTES, OR ANY OF THE INDEBTEDNESS UNDER THIS AGREEMENT, OR ANY OTHER AMOUNTS DUE UNDER THIS AGREEMENT IN RESPECT THEREOF (EXCEPT FOR CHANGES IN THE RATE OF TAX ON THE OVERALL NET INCOME OF BANK OR ITS LIBOR LENDING OFFICE OR TIIE LENDING OFFICE IMPOSED BY THE JURISDICTION IN WHICH BANK'S PRINCIPAL EXECUTIVE OFFICE OR LIBOR LENDING OFFICE OR TIIE LENDING OFFICE IS LOCATED); OR
- (B) SHALL IMPOSE, MODIFY OR DEEM APPLICABLE ANY RESERVE (INCLUDING, (TO THE EXTENT NOT PROVIDED ELSEWHERE IN THIS AGREEMENT) WITHOUT LIMITATION, ANY IMPOSED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM), SPECIAL DEPOSIT OR SIMILAR REQUIREMENT AGAINST ASSETS OF, DEPOSITS WITH OR FOR THE ACCOUNT OF, OR CREDIT EXTENDED BY BANK (OR ITS LIBOR LENDING OFFICE) OR SHALL IMPOSE ON BANK (OR ITS LIBOR LENDING OFFICE) OR THE FOREIGN EXCHANGE AND INTERBANK MARKETS ANY OTHER CONDITION AFFECTING ANY LOAN, THE NOTES, OR ANY INDEBTEDNESS UNDER THIS AGREEMENT;

and the result of any of the foregoing is to increase the cost to Bank of maintaining any part of the indebtedness hereunder or to reduce the amount of any sum received or receivable by Bank under this Agreement, the Notes, or any of the indebtedness hereunder, by an amount reasonably deemed by Bank to be material, then Company shall pay to Bank, within thirty (30) days of Company's receipt of written notice from Bank demanding such compensation, such additional amount or amounts as will reasonably compensate Bank for such increased cost or reduction. Bank will promptly notify Company of any event of which it has knowledge which will entitle Bank to compensation pursuant to this Section 3.3. A certificate of Bank setting forth the basis in reasonable detail for determining such additional amount or amounts necessary to compensate Bank shall be conclusively presumed to be correct, absent manifest error.

3.4 CAPITAL ADEQUACY. In the event that after the Effective Date,

any applicable law, treaty, rule or regulation (whether domestic or foreign) now or hereafter in effect and whether or not presently applicable to Bank, or any interpretation or administration thereof by any governmental authority charged with the interpretation or administration thereof, or compliance by Bank with any guideline, request or directive of any such authority (whether or not having the force of law), including any risk-based capital guidelines, affects or would affect the amount of capital required or expected to be maintained by the Bank (or any corporation controlling the Bank), and the Bank determines that the amount of such capital is increased by or based upon the existence of any obligations of the Bank hereunder or the making or maintaining any Loans, and such increase has the effect of reducing the rate of return on Bank's (or such controlling corporation's) capital as a consequence of such obligations or the making or maintaining such Loans to a level below that which the Bank (or such controlling corporation) could have achieved but for such circumstances (taking into consideration its policies with respect to capital adequacy), then Company shall pay to Bank, within thirty (30) days of Company's receipt of written notice from Bank demanding such compensation, additional amounts sufficient to compensate the Bank (or such controlling corporation) for any increase in the amount of capital and reduced rate of return which Bank reasonably determines to be allocable to the existence of any obligations of Bank hereunder or to the making or maintaining any Loans hereunder or otherwise in respect of any of the indebtedness hereunder. A certificate of Bank setting forth the basis in reasonable detail for determining such additional amounts necessary to compensate Bank shall be conclusively presumed correct, absent manifest error. Notwithstanding the foregoing, Company shall not be required to compensate Bank pursuant to this Section for any period prior to the ninetieth (90th) day preceding the date of Bank's demand for such compensation.

3.5 TAXES. Notwithstanding anything to the contrary contained herein, all payments to be made by Company under this Agreement and the Notes shall be made without set-off or counterclaim, as aforesaid, and without deduction for or on account of any present or future withholding or other taxes of any nature imposed by any governmental authority of Mexico or of any political subdivision thereof or any federation or organization of which such governmental authority may at the time of payment be a member, unless Company is compelled by law to make payment subject to such tax. In such event, Company shall:

- (A) PAY TO THE BANK SUCH ADDITIONAL AMOUNTS AS MAY BE NECESSARY TO ENSURE THAT THE BANK RECEIVES A NET AMOUNT IN DOLLARS OR PESOS, AS THE CASE MAY BE, EQUAL TO THE FULL AMOUNT WHICH WOULD HAVE BEEN RECEIVABLE HAD PAYMENT NOT BEEN MADE SUBJECT TO SUCH TAX; AND
- (B) REMIT SUCH TAX TO THE RELEVANT TAXING AUTHORITIES ACCORDING TO APPLICABLE LAW, AND SEND TO BANK WITHIN FORTY FIVE (45) DAYS FOLLOWING THE DATE IN WHICH SUCH TAX IS DUE AND PAYABLE SUCH CERTIFICATES OR CERTIFIED RECEIPTS AS BANK SHALL REASONABLY REQUIRE AS PROOF OF THE PAYMENT BY THE COMPANY OF ANY SUCH TAXES; PROVIDED, THAT BANK SHALL PROMPTLY REIMBURSE TO BORROWER AN AMOUNT IN DOLLARS EQUAL TO THE AMOUNT, IF ANY, OF ANY SUCH TAX CREDITS ACTUALLY USED BY BANK TO OFFSET ITS TAX LIABILITIES IN THE UNITED STATES OF AMERICA ON ITS FOREIGN SOURCE INCOME, IN ACCORDANCE WITH UNITED STATES OF AMERICA TAX REGULATIONS. IN CONNECTION THEREWITH, BANK SHALL ENDEAVOR TO OBTAIN FROM THE TAX AUTHORITIES OF THE UNITED STATES OF AMERICA A TAX CREDIT ON ANY MEXICAN INCOME TAX WITHHELD FROM INTEREST PAYMENTS RECEIVED BY BANK HEREUNDER AND THE NOTES.

THE PROVISIONS OF THIS SECTION SHALL SURVIVE TERMINATION HEREOF.

As used herein, the terms "tax", "taxes" and "taxation" include all existing taxes, levies, imposts, duties, charges, fees, deductions and withholdings and any restrictions or conditions resulting in a charge together with interest thereon and fines and penalties with respect thereto which may be imposed by any governmental authority of Mexico or of any political subdivision thereof or any federation or organization of which such governmental authority may at the time of payment be a member by reason of any violation or default with respect to the law regarding such tax, assessed as a result of or in connection with the transactions in Dollars or Pesos, as the case may be, the payment or delivery of funds into or out of any jurisdiction other than the United States of America or to non-Mexican residents (whether assessed against Company or Bank). Notwithstanding the foregoing or anything contained herein or in any other Loan Document to the contrary, it is understood and agreed that the CETES-based Rate, the Federal Funds-based Rate, the LIBOR-based Rate and the TIIE-based Rate expressly provides for the payment by Borrower of

withholding for Mexican Income taxes applicable to interest payments to Bank hereunder and the Notes.

3.6 CURRENCY INDEMNITY. The Bank will make all advances and disbursements in Dollars or Pesos, as the case may be, and Company is bound to repay the Loan in Dollars, if such advance was disbursed by the Company in Dollars and in Pesos if such advance was disbursed by the Company in Pesos, accordingly, the parties agree that:

- (A) IN THE EVENT OF A JUDGMENT OR ORDER BEING RENDERED BY ANY COURT OR TRIBUNAL HAVING JURISDICTION THEREOF, FOR THE PAYMENT OF ANY AMOUNTS OWED TO THE BANK UNDER A LIBOR-BASED LOAN, OR FOR THE PAYMENT OF DAMAGES RESULTING FROM ANY BREACH OF THIS LOAN OR OF THE LOAN DOCUMENTS AND IF SUCH JUDGMENT OR ORDER IS BEING EXPRESSED IN A CURRENCY OTHER THAN DOLLARS ("JUDGMENT CURRENCY"), THE COMPANY HEREBY AGREES TO INDEMNIFY AND HOLD HARMLESS THE BANK AGAINST ANY DEFICIENCY IN TERMS OF DOLLARS IN THE AMOUNT RECEIVED BY THE BANK ARISING OUT OF OR RESULTING FROM ANY VARIATION IN (I) THE RATE OF EXCHANGE AT WHICH DOLLARS ARE CONVERTED INTO THE JUDGMENT CURRENCY AND, (II) THE RATE OF EXCHANGE AT WHICH THE BANK IS ABLE TO PURCHASE DOLLARS WITH THE AMOUNT OF THE JUDGMENT CURRENCY ACTUALLY RECEIVED BY THE BANK ON THE BUSINESS DAY FOLLOWING SUCH RECEIPT.
- (B) THE ABOVE INDEMNITY SHALL CONSTITUTE A SEPARATE AND INDEPENDENT OBLIGATION OF THE COMPANY FROM ITS OTHER OBLIGATIONS ASSUMED HEREUNDER OR UNDER THE LOAN DOCUMENTS AND SHALL APPLY IRRESPECTIVE OF ANY INDULGENCE GRANTED BY THE BANK AND NO PROOF OR EVIDENCE OF ANY ACTUAL LOSS SHALL BE REQUIRED BY THE COMPANY. THE ABOVE INDEMNITY SHALL ALSO APPLY IN THE EVENT FOR ANY REASON THE COMPANY MAKES PAYMENT TO THE BANK IN A CURRENCY OTHER THAN DOLLARS, EXCEPT FOR PAYMENTS IN PESOS MADE UNDER A TIIE-BASED LOAN OR CETES-BASED LOAN.
- (C) THE TERM RATE OF EXCHANGE SHALL INCLUDE ANY PREMIUMS, COMMISSIONS AND COSTS OF EXCHANGE PAYABLE IN CONNECTION WITH THE PURCHASE OF, OR CONVERSION INTO DOLLARS.

3.7 ALTERNATIVE INTEREST RATE. Notwithstanding anything to the contrary contained herein:

- (a) If Bank determines that by virtue of circumstances affecting the LIBOR market or in the event that such rate does not appear on Page BBAM of the Bloomberg Financial Markets Information Service (or otherwise on such Service) or if the Reserve Requirements are applicable to Bank or for any other reason set forth in this Section 3, adequate and reasonable means do not exist to determine or maintain the LIBOR Rate applicable to the Loan or such event has the effect of reducing the Bank's rate of return, Bank shall notify Borrower that the LIBOR-based Rate shall no longer be the Applicable Interest Rate and Federal Funds-based Rate shall be the Applicable Interest Rate. In such event, on or before 48 hours prior to the commencement of such period in which the Federal Funds-based Rate is the Applicable Interest Rate, Borrower shall execute and deliver to Bank the Federal Funds-based Rate Note. Thereafter, until it is reasonably determined by Bank and notified to Borrower that such circumstances no longer exist, the right of Borrower to request the applicability of a LIBOR-based Rate on the Loan shall be suspended and Borrower shall only be permitted to request the applicability of a Federal Funds-based Rate on the Loan.
- (b) Borrower hereby agrees that in the event Borrower does not accept the Federal Funds-based Rate or fails to execute and deliver the Federal Funds-based Rate Note in accordance with this Section, then Bank shall be released from its obligation to maintain the Loan. In such an event Borrower shall pay without any penalty, precisely on the next succeeding date in which the payment of interest is due, the principal amount of Loan, together with interest accrued to the date of such payment, in accordance with the Notes. Borrower hereby also agrees that in the event of such payment all of Bank's obligations hereunder shall terminate immediately without any liability for Bank. Bank hereby also agrees that in the event of payment in full of all Borrower's obligations hereunder, Borrower's obligations shall terminate immediately without any liability for Borrower.
- (c) If Bank determines that by virtue of circumstances affecting the TIIE market or in the event that such rate is not published in the Official Gazette or if the Reserve Requirements are applicable to Bank or for any other reason set forth in this

Section 3, adequate and reasonable means do not exist to determine or maintain the TIIE Rate applicable to the Loan or such event has the effect of reducing the Bank's rate of return, Bank shall notify Borrower that the TIIE-based Rate shall no longer be the Applicable Interest Rate and CETES-based Rate shall be the Applicable Interest Rate. In such event, on or before 48 hours prior to the commencement of such period in which the CETES-based Rate is the Applicable Interest Rate, Borrower shall execute and deliver to Bank the CETES-based Rate Note. Thereafter, until it is reasonably determined by Bank and notified to Borrower that such circumstances no longer exist, the right of Borrower to request the applicability of a TIIE-based Rate on the Loan shall be suspended and Borrower shall only be permitted to request the applicability of a CETES-based Rate on the Loan.

(a) Borrower hereby agrees that in the event Borrower does not accept the CETES-based Rate or fails to execute and deliver the CETES-based Rate Note in accordance with this Section, then Bank shall be released from its obligation to maintain the Loan. In such an event Borrower shall pay without any penalty, precisely on the next succeeding date in which the payment of interest is due, the principal amount of Loan, together with interest accrued to the date of such payment, in accordance with the Notes. Borrower hereby also agrees that in the event of such payment all of Bank's obligations hereunder shall terminate immediately without any liability for Bank. Bank hereby also agrees that in the event of payment in full of all Borrower's obligations hereunder, Borrower's obligations shall terminate immediately without any liability for Borrower.

1. CONDITIONS

A. The obligation of Bank to enter into this Agreement is subject to the following conditions precedent:

1.1 EXECUTION OF THIS AGREEMENT. Company and the Credit Parties, as applicable, shall have executed and delivered to Bank, or caused to have been executed and delivered to the Bank, this Agreement, the Guaranty (FIANZA SOLIDARIA), and all other applicable Loan Documents (except the Security Documents), (including all schedules, exhibits, certificates, opinions, financial statements and other documents to be delivered pursuant hereto), and such Loan Documents (when executed and delivered to Bank) shall be in full force and effect and binding and enforceable obligations of Company and any other Credit Parties who may be parties thereto, except to the extent limited by applicable bankruptcy, insolvency or other insolvency laws.

1.2 COMPANY AUTHORITY DOCUMENTS. Bank shall have received certified copies of Company's charter and estatutos sociales and powers of attorney in form acceptable to Bank.

1.3 GUARANTOR'S AUTHORITY DOCUMENTS. Bank shall have received certified copies of each Mexican Guarantor's estatutos sociales and powers of attorney in form acceptable to Bank. With respect to the US Guarantor, Bank shall have received a certificate of good standing from the Secretary of State for the State of Delaware and such other documentation as Bank may reasonably request to confirm that the Guaranty executed by the US Guarantor has been duly authorized, executed and delivered.

1.4 CERTIFICATES. Bank shall have received a Certificate of Secretary and an Officer's Certificate from each of the Company and Guarantors (other than the US Guarantor) in the form set forth in Schedule 4.4(A), attached hereto.

1.5 REPRESENTATIONS AND WARRANTIES. The representations and warranties made by Company, and any other Person who is a party to any of the Loan Documents, under this Agreement or any of the Loan Documents, and the representations and warranties of any of the foregoing made to Bank which are contained in any certificate, document or financial or other statement furnished at any time hereunder or thereunder or in connection herewith or therewith, shall have been true and correct in all material respects when made.

1.6 COMPLIANCE WITH CERTAIN DOCUMENTS AND AGREEMENTS. Company and any other Person who is a party to any of the Loan Documents shall have each performed and complied in all material respects with all agreements and conditions contained in the Loan Documents applicable to it which have been (or will be) delivered pursuant to the terms hereunder and are then in effect.

1.7 OPINION OF COUNSEL. Company shall have furnished Bank

opinions of counsel to Company and the Guarantors, dated the date hereof, and covering such matters as required by Bank in substantially the form attached hereto as Schedule 4.7, provided, however, that all opinions with respect to the Notes and Security Documents shall be condition to the funding of the initial Loan under Article 4 B below.

1.8 NO MATERIAL ADVERSE EFFECT; NO DEFAULT. No Default or Event of Default shall have occurred and be continuing and there shall have been no Material Adverse Effect with respect to the condition (financial or otherwise), properties, business, results or operations of the Credit Parties since the date of the financial statements of Company and/or Guarantors mentioned in Section 5.17 hereof.

1.9 PROCESS AGENT APPOINTMENT. The Company has furnished to the Bank evidence that the Process Agent has been duly appointed, and that the Process Agent has accepted such designation.

1.10 SPECIAL POWER OF ATTORNEY. The Company and the Mexican Guarantors have granted an irrevocable special power of attorney under Mexican law in favor of the Process Agent.

1.11 LIEN SEARCHES. Bank shall have received such evidence satisfactory to Bank indicating that upon the filing and/or recording of the Security Documents, Bank's shall have a first priority, perfected lien and/or security interest in the Collateral.

1.12 COMPLIANCE WITH INDENTURE. Bank shall have received an opinion of counsel to the US Guarantor and a certificate from an officer of the US Guarantor, in form and substance satisfactory to Bank, indicating that this Agreement does not violate the terms of the Indenture.

1.13 OTHER DOCUMENTS AND INSTRUMENTS. Bank shall have received such other instruments and documents (not inconsistent with the terms hereof) as Bank may reasonably request in connection with the making of the Loans hereunder, and all such instruments and documents shall be reasonably satisfactory in form and substance to the Bank.

1.14 POWER OF ATTORNEY. The Board of Directors of Company shall have granted a special power of attorney authorizing and identifying those individuals of Company authorized to sign the Loan Documents.

B. THE OBLIGATIONS OF BANK TO MAKE THE INITIAL LOAN UNDER THIS AGREEMENT SHALL BE SUBJECT TO THE FOLLOWING CONDITIONS PRECEDENT:

1.15 EXECUTION OF NOTES AND SECURITY DOCUMENTS. Company and the Credit Parties, as applicable, shall have executed and delivered to Bank, or caused to have been executed and delivered to the Bank the Note or Notes (PAGARS) as may be necessary to evidence the Loans and the Security Documents and all other applicable Loan Documents, (including all schedules, exhibits, certificates, opinions, financial statements and other documents to be delivered pursuant hereto), not executed and delivered under Article 4 A. above, the receipt by Bank of evidence that the Security Documents shall have been filed for registration with the applicable governmental authorities, and such Loan Documents (when executed and delivered to Bank) shall be in full force and effect and binding and enforceable obligations of Company and any other Credit Parties who may be parties thereto, except to the extent limited by applicable bankruptcy, insolvency or other insolvency laws. Additionally, the Mortgages (i) shall have been duly granted by the applicable Guarantors; (ii) shall have been filed for registration with the relevant Public Registry of Property; (iii) all registration and notary public fees have been paid; and (iv) and shall constitute a first priority line in favor of the Bank.

1.16 CERTIFICATES. Bank shall have received an Officer's Certificate from each of the Company and Guarantors (other than the US Guarantor) in the forms set forth in Schedule 4.4(B) attached hereto.

1.17 COMPLIANCE WITH CERTAIN DOCUMENTS AND AGREEMENTS. Company and any other Person who is a party to any of the Loan Documents shall have each performed and complied in all material respects with all agreements and conditions contained in the Loan Documents applicable to it which have been delivered pursuant to the terms hereunder and are then in effect.

1.18 OPINION OF COUNSEL. Company shall have furnished Bank opinions of counsel to Company and the Guarantors, dated the date hereof, with respect to the execution, delivery and enforceability of the Notes and Security Documents in substantially the form attached hereto as Schedule 4.7.

C. THE OBLIGATIONS OF BANK TO MAKE A LOAN UNDER THIS AGREEMENT (INCLUDING THE INITIAL LOAN) SHALL BE SUBJECT TO THE FOLLOWING CONDITIONS PRECEDENT:

1.19 NO EVENT OF DEFAULT. As of the date of such Loan, no default or Event of Default shall have occurred and be continuing and there shall have been no Material Adverse Effect with respect to the condition (financial or otherwise), properties, business, results or operations of the Credit Parties, taken as a whole, since the last date of the financial statements of Company and/or Guarantors delivered to Bank in accordance with Section 6.1 hereof.

1.20 REPRESENTATIONS AND WARRANTIES. As of the date of such Loan, the representations and warranties made by Company, and any other Credit Party under this Agreement or any of the Loan Documents, and the representations and warranties of any of the foregoing made to Bank which are contained in any certificate, document or financial or other statement furnished at any time hereunder or thereunder or in connection herewith or therewith, shall have been true and correct in all material respects when made.

2. REPRESENTATIONS AND WARRANTIES

Company, and to the extent applicable, each Guarantor, represents and warrants, and such representations and warranties shall be deemed to be continuing representations and warranties during the entire life of this Agreement, as follows:

2.1 DUE INCORPORATION. The Borrower and the Mexican Guarantor, are corporations duly incorporated and validly existing under the laws of Mexico, the US Guarantor is a corporation duly incorporated, validly existing and in good standing under the laws of the United States, and such corporations are duly qualified to do business.

2.2 CORPORATE AUTHORITY. Both the Borrower and the Guarantors have all requisite power and authority, corporate or otherwise, to conduct their business, to own their properties and to execute and deliver, and to perform all of their obligations under this Agreement and the Note(s).

2.3 DUE EXECUTION. The execution, delivery and performance of this Agreement and the Note(s) have been duly authorized by all necessary corporate and/or shareholder action of both the Borrower and the Guarantors in the case of this Agreement, and the respective Guarantors in the case of the Guaranty(s), and do not and will not (i) violate any provision of any law, rule, regulation, order, writ, judgment, injunction, decree, determination or award presently in effect having applicability to the Borrower or the Guarantors or the estatutos sociales, charter or by-laws of the Borrower or the Guarantors, (ii) result in a breach or constitute a default under any indenture or loan or credit agreement or any other agreement, lease or instrument to which the Borrower or the Guarantors are a party or by which their properties may be bound or affected or (iii) result in, or require the creation or imposition of any mortgage, deed of trust, pledge, lien, security interest or other charge or encumbrance of any nature upon or with respect to any of the properties now owned or hereafter acquired by the Borrower or the Guarantors, and the Borrower and the Guarantors are not in default under any such law, rule, regulation, order, writ, judgment, injunction, decree, determination, indenture or agreement, lease or instrument; the result of which would render such Loan Document void or ineffective or result in a Material Adverse Effect.

2.4 ENFORCEABILITY. This Agreement constitutes, and the Note(s) when executed and delivered by the Borrower and the respective Guarantors, as applicable, will constitute, the legal, valid and binding obligations of the Borrower and of the Guarantors, enforceable against the Borrower and against the Guarantors in accordance with their terms.

2.5 PARI PASSU. The obligations of the Borrower, Avicola and Holding under this Agreement and the Note(s) will rank at least pari passu with all other present and future indebtedness of the Borrower, Avicola and Holding other than the obligations secured by Permitted Liens.

2.6 LITIGATION. Except as disclosed on Schedule 5.6, there is no action, suit or proceeding pending against, or, to the knowledge of

the Borrower and/or the Guarantors, threatened against or affecting the Borrower or the Guarantors before any court or arbitrator or any governmental body, agency or official in which there is a reasonable possibility of an adverse decision which could result in a Material Adverse Effect.

2.7 TAXES. The Borrower and the Mexican Guarantors have filed all federal (or State of organization) income tax returns and all other material tax returns which are required to be filed and have paid all such taxes due pursuant to such returns or pursuant to any assessment received by the Borrower and by the Mexican Guarantors. The charges, accruals and reserves on the books of the Borrower and of the Mexican Guarantors in respect of taxes or other governmental charges are, in the opinion of the Borrower and of the Mexican Guarantors, adequate.

2.8 COMPLIANCE WITH LAWS. The Borrower and the Mexican Guarantors have complied with all applicable laws, ordinances, rules, regulations, and requirements of governmental authorities (including, without limitation, environmental laws, social security laws, housing and pension provisions) and have made payment of all quotas or contributions required to be made thereunder, except where non-compliance thereof would not reasonably be expected to result in a Material Adverse Effect.

2.9 TITLE TO PROPERTY. Each Credit Party has, good and valid title to all property and assets purported to be owned by it, including those assets identified on the financial statements most recently delivered to and accepted by Bank.

2.10 ENCUMBRANCES. There are no security interests in, liens, mortgages, or other encumbrances on and no financing statements on file with respect to, any of the Collateral other than the Permitted Liens.

2.11 NON-CONTRAVENTION. The execution, delivery and performance of this Agreement and the Loan Documents and any other documents and instruments required under or in connection with this Agreement by Company or the Guarantors are not in contravention of the terms of any indenture, agreement or undertaking to which Company or the Guarantors, as the case may be, is a party or by which it is bound, the result of which would render such Loan Document void or ineffective or result in a Material Adverse Effect.

2.12 CONSENTS, APPROVALS AND FILINGS ETC. Except as have been previously obtained, no authorization, consent, approval, license, qualification or formal exemption from, nor any filing, declaration or registration with, any court, environmental agency or regulatory authority or other governmental body or any securities exchange and no material authorization, consent or approval from any other person is required in connection with the execution, delivery and performance of any Loan Documents by Company or the Guarantors, except for the registration of the Security Documents which must be recorded therein in accordance with applicable laws. All such authorizations, consents, approvals, licenses, qualifications, exemptions, filings, declarations and registrations which have previously been obtained or made, as the case may be, are in full force and effect and are not the subject of any attack, or to the knowledge of Company, any threatened attack (in any material respect), by appeal or direct proceeding or otherwise.

2.13 CONTRACTS, AGREEMENTS AND LEASES. Neither Company nor any of its Subsidiaries (if any) is in default in complying with any provision of any material contract, agreement, indenture, lease or instrument to which it is a party or by which it is or those of its properties or assets the default of which would have a Material Adverse Effect, and, to the best of Company's knowledge, each such contract, commitment, undertaking, agreement, indenture and instrument is in full force and effect and is valid and legally binding.

2.14 NO MARGIN STOCK. No Credit Party is engaged principally, or as one of its important activities, directly or indirectly, in the business of extending credit for the purpose of purchasing or carrying margin stock, and none of the proceeds of any of the Loans or other indebtedness hereunder will be used, directly or indirectly, to purchase or carry any margin stock or made available by a Credit Party in any manner to any other Person to enable or assist such Person in purchasing or carrying margin stock, or otherwise used or made available for any other purpose which might violate the provisions of Regulations G, T, U, or X of the Board of Governors of the Federal Reserve System.

2.15 HAZARDOUS MATERIALS.

- (A) NO CREDIT PARTY HAS USED HAZARDOUS MATERIALS ON OR AFFECTING ANY REAL PROPERTY OWNED OR OPERATED BY BORROWER OR ANY MEXICAN GUARANTOR (COLLECTIVELY AND SINGULARLY THE "PREMISES") IN ANY MANNER WHICH VIOLATES ANY ENVIRONMENTAL LAWS, AND, TO THE BEST OF EACH CREDIT PARTY'S KNOWLEDGE, NO PRIOR OWNER OF THE PREMISES OR ANY CURRENT OR PRIOR OCCUPANT HAS USED HAZARDOUS MATERIALS ON OR AFFECTING THE PREMISES IN ANY MANNER WHICH VIOLATES ANY ENVIRONMENTAL LAWS, EXCEPT WHERE SUCH VIOLATION WOULD NOT REASONABLY BE EXPECTED TO RESULT IN A MATERIAL ADVERSE EFFECT. EACH CREDIT PARTY COVENANTS AND AGREES THAT NEITHER IT, NOR ANY OCCUPANT OF ANY OF THE PREMISES SHALL USE, INTRODUCE OR MAINTAIN HAZARDOUS MATERIALS ON THE PREMISES IN ANY MANNER, UNLESS, IN ALL MATERIAL RESPECTS, DONE IN STRICT COMPLIANCE WITH ALL ENVIRONMENTAL LAWS.
- (B) EACH CREDIT PARTY SHALL DEFEND, INDEMNIFY AND HOLD HARMLESS BANK, ITS EMPLOYEES, AGENTS, OFFICERS AND DIRECTORS, FROM AND AGAINST ANY AND ALL CLAIMS, DEMANDS, PENALTIES, FINES, LIABILITIES, SETTLEMENTS, DAMAGES, COSTS AND EXPENSES OF WHATEVER KIND OR NATURE ARISING OUT OF OR RELATED TO (I) THE PRESENCE, DISPOSAL, RELEASE OR THREATENED RELEASE OF ANY HAZARDOUS MATERIALS ON, FROM OR AFFECTING THE PREMISES OR THE SOIL, WATER, VEGETATION, BUILDINGS, PERSONAL PROPERTY, PERSONS OR ANIMALS THEREON, (II) ANY PERSONAL INJURY (INCLUDING WRONGFUL DEATH) OR PROPERTY DAMAGE (REAL OR PERSONAL) ARISING OUT OF OR RELATED TO SUCH HAZARDOUS MATERIALS, (III) ANY LAWSUIT BROUGHT OR THREATENED, SETTLEMENT REACHED OR GOVERNMENTAL ORDER RELATING TO SUCH HAZARDOUS MATERIALS, (IV) THE COST OF REMOVAL OF ALL SUCH HAZARDOUS MATERIALS FROM ALL OR ANY PORTIONS OF THE PREMISES, (V) TAKING NECESSARY PRECAUTIONS TO PROTECT AGAINST THE RELEASE OF HAZARDOUS MATERIALS ON OR AFFECTING THE PREMISES, (VI) COMPLYING WITH ALL ENVIRONMENTAL LAWS, AND/OR (VII) ANY VIOLATION OF ENVIRONMENTAL LAWS OR REQUIREMENTS OF BANK, WHICH ARE BASED UPON OR IN ANY WAY RELATED TO SUCH HAZARDOUS MATERIALS, INCLUDING, WITHOUT LIMITATION, REASONABLE ATTORNEYS' AND CONSULTANTS' FEES (SAID ATTORNEYS AND CONSULTANTS TO BE SELECTED BY BANK), INVESTIGATION AND LABORATORY FEES, ENVIRONMENTAL STUDIES REQUIRED BY BANK (WHETHER PRIOR TO FORECLOSURE OR OTHERWISE), AND COURT COSTS AND LITIGATION EXPENSES. UPON REQUEST OF BANK, A CREDIT PARTY SHALL EXECUTE, A SEPARATE INDEMNITY COVERING THE SAME MATTERS SET FORTH HEREIN.
- (C) AS OF THE EFFECTIVE DATE, NO CREDIT PARTY HAS RECEIVED ANY NOTICE ("ENVIRONMENTAL COMPLAINT") OF ANY VIOLATIONS OF ENVIRONMENTAL LAWS (AND, WITHIN FIVE (5) DAYS OF RECEIPT OF ANY ENVIRONMENTAL COMPLAINT ARISING HEREAFTER, SUCH PARTY SHALL GIVE BANK A COPY THEREOF), AND TO THE BEST OF EACH CREDITOR PARTY'S KNOWLEDGE, THERE HAVE BEEN NO ACTIONS COMMENCED OR THREATENED BY ANY PARTY FOR NONCOMPLIANCE BY A CREDIT PARTY WITH ANY ENVIRONMENTAL LAWS.
- (D) THE PROVISIONS OF SECTION 5.15 (B) SHALL BE IN ADDITION TO ANY AND ALL OTHER OBLIGATIONS AND LIABILITIES A CREDIT PARTY MAY HAVE TO BANK AT COMMON LAW OR PURSUANT TO ANY OTHER AGREEMENT AND, NOTWITHSTANDING ANYTHING CONTAINED HEREIN TO THE CONTRARY, SHALL SURVIVE (I) THE REPAYMENT OF ALL SUMS DUE UNDER THE NOTE AND THE OTHER LOAN DOCUMENTS AND THE REPAYMENT OF ALL OTHER INDEBTEDNESS HEREUNDER, AND (II) THE SATISFACTION OF ALL OF THE OTHER OBLIGATIONS OF SUCH CREDIT PARTY HEREUNDER AND UNDER THE OTHER LOAN DOCUMENTS.

2.16 LABOR DISPUTES AND CASUALTIES. LABOR MATTERS. As of the Effective Date, there are no strikes or other labor disputes against Borrower or any Mexican Guarantor that are pending or, to any Credit Party's knowledge, threatened. All payments due from Borrower or any Mexican Guarantor on account of employee health and welfare insurance have been and will continue to be paid or accrued as a liability on the books of such Credit Party. Except as set forth on Schedule 5.16, as of the Effective Date (a) there is no organizing activity involving Borrower or any Mexican Guarantor pending or, to any Credit Party's knowledge, threatened by any labor union or group of employees; (b) there are no representation proceedings pending or, to any Credit Party's knowledge, threatened with the National Labor Relations Board or any analogous organization in Mexico such as the JUNTA FEDERAL DE CONCILIACION Y ARBITRAJE or the JUNTA LOCAL DE CONCILIACION Y ARBITRAJE; and (c) no labor organization or group of employees of Borrower or any Mexican Guarantor has pending any demand for recognition, and each Credit Party shall give to Bank prompt written notice of any of the foregoing occurring after the Effective Date.

2.17 ACCURACY OF INFORMATION. As of the Effective Date, the

financial statements of the Credit Parties dated June 30, 2001, previously furnished to Bank by such Credit Parties, are complete and correct in all material respects and fairly present the financial condition of such Credit Party, and the results of its operations for the periods covered thereby; and since the date of said financial statements, there has been no Material Adverse Effect.

2.18 SOLVENCY. Company and Guarantors are solvent, able to pay its debts as they mature, has capital sufficient to carry on its business and has assets the fair market value of which exceed its liabilities, and neither Company nor Guarantors will be rendered insolvent, under-capitalized or unable to pay debts generally as they become due by the execution or performance of this Agreement, or any of the other Loan Documents to which it is party.

3. AFFIRMATIVE COVENANTS

Company, and to the extent applicable, each Guarantor, covenants and agrees that it will, and it will cause each of its Subsidiaries of Borrower and Mexican Guarantors (if any) to, so long as Bank is committed to make any Loans pursuant to this Agreement, and thereafter, so long as any indebtedness remains outstanding under or pursuant to this Agreement or the Notes:

3.1 REPORTING. Furnish to the Bank:

- (A) AS SOON AS POSSIBLE AND IN ANY EVENT WITHIN 10 (TEN) DAYS AFTER OBTAINING KNOWLEDGE OF THE OCCURRENCE OF EACH EVENT OF DEFAULT, OR EACH EVENT WHICH WITH THE GIVING OF NOTICE OR LAPSE OF TIME OR BOTH WOULD REASONABLY EXPECTED TO CONSTITUTE AN EVENT OF DEFAULT, WHICH IS CONTINUING ON THE DATE OF SUCH STATEMENT, THE STATEMENT OF AN AUTHORIZED OFFICER OF THE BORROWER OR THE GUARANTORS SETTING FORTH DETAILS OF SUCH EVENT OF DEFAULT OR EVENT WHICH WOULD CONSTITUTE AN EVENT OF DEFAULT, AND THE ACTION WHICH THE BORROWER OR THE GUARANTORS PROPOSE TO TAKE WITH RESPECT THERETO;
- (B) AS SOON AS AVAILABLE AND IN ANY EVENT WITHIN 60 (SIXTY) DAYS AFTER THE END OF EACH OF THE QUARTERS OF EACH FISCAL YEAR OF THE BORROWER AND OF THE GUARANTORS (EXCLUDING THE LAST FISCAL QUARTER OF BORROWER'S AND GUARANTOR'S FISCAL YEAR), A CONSOLIDATED BALANCE SHEET OF THE BORROWER AND THE GUARANTORS AS OF THE END OF SUCH QUARTER AND STATEMENTS OF INCOME AND RETAINED EARNINGS OF THE BORROWER AND OF THE GUARANTORS FOR THE PERIOD COMMENCING AT THE END OF THE PREVIOUS FISCAL YEAR AND ENDING WITH THE END OF SUCH QUARTER, (I) IN DOLLARS AND IN PESOS FOR THE BORROWER AND THE MEXICAN GUARANTORS, AND (II) IN DOLLARS FOR THE US GUARANTOR, ALL IN REASONABLE DETAIL AND DULY CERTIFIED (SUBJECT TO YEAR END AUDIT ADJUSTMENTS) BY AN OFFICER OF THE BORROWER OR OF THE GUARANTORS, AS THE CASE MAY BE, AS HAVING BEEN PREPARED IN ACCORDANCE WITH ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN MEXICO OR IN THE UNITED STATES, AS THE CASE MAY BE, CONSISTENTLY APPLIED, AND TOGETHER WITH (X) A CERTIFICATE OF SAID OFFICER STATING THAT THE COVENANTS SET FORTH IN SECTIONS 6.7, 6.8, 6.9 AND 6.10 ARE BEING COMPLIED WITH, TOGETHER WITH A SHEET SETTING FORTH THE CALCULATIONS TO DETERMINE THE FOREGOING, AND (Y) A CERTIFICATE OF SAID OFFICER STATING THAT HE HAS NO KNOWLEDGE THAT AN EVENT OF DEFAULT, OR AN EVENT WHICH WITH THE GIVING OF NOTICE OR LAPSE OF TIME OR BOTH WOULD CONSTITUTE AN EVENT OF DEFAULT, HAS OCCURRED AND IS CONTINUING OR, IF AN EVENT OF DEFAULT OR SUCH EVENT HAS OCCURRED AND IS CONTINUING, A STATEMENT AS TO THE NATURE THEREOF AND THE ACTION WHICH THE BORROWER OR THE GUARANTORS PROPOSE TO TAKE WITH RESPECT THERETO. NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED HEREIN, AS LONG AS THE US GUARANTOR FILES ITS "10-K" AND "10-Q" STATEMENTS WITH THE SECURITIES AND EXCHANGE COMMISSION, IT WILL NOT BE REQUIRED TO SUBMIT TO BANK THE STATEMENTS SET FORTH IN THIS SECTION OTHER THAN THE CERTIFICATES SET FORTH IN (X) AND (Y);
- (C) AS SOON AS AVAILABLE AND IN ANY EVENT WITHIN 135 (ONE HUNDRED THIRTY FIVE) DAYS AFTER THE END OF EACH FISCAL YEAR OF THE BORROWER AND OF THE GUARANTORS, A COPY OF THE AUDITED CONSOLIDATED BALANCE SHEETS AND STATEMENTS OF INCOME AND RETAINED EARNINGS FOR THE BORROWER AND FOR THE GUARANTORS (PROVIDED, HOWEVER, THAT BORROWER AND GUARANTORS SHALL USE REASONABLE EFFORTS TO DELIVER PRELIMINARY STATEMENTS WITHIN 120 DAYS AFTER THE END OF EACH SUCH FISCAL YEAR), (I) IN DOLLARS AND IN PESOS FOR THE BORROWER AND THE MEXICAN GUARANTOR, AND (II) IN DOLLARS FOR THE U.S. GUARANTOR IN EACH CASE CERTIFIED BY INDEPENDENT PUBLIC ACCOUNTANTS OF RECOGNIZED STANDING ACCEPTABLE TO THE BANK, TOGETHER WITH (X) A CERTIFICATE OF AN OFFICER OF THE BORROWER AND OF THE GUARANTORS, STATING THAT THE COVENANTS SET FORTH IN

SECTIONS 6.7, 6.8, 6.9 AND 6.10 ARE BEING COMPLIED WITH, TOGETHER WITH A SHEET SETTING FORTH THE CALCULATIONS TO DETERMINE THE FOREGOING, AND (Y) A CERTIFICATE OF AN OFFICER OF THE BORROWER AND OF THE GUARANTORS STATING THAT HE HAS NO KNOWLEDGE THAT AN EVENT OF DEFAULT, OR AN EVENT WHICH WITH NOTICE OR LAPSE OF TIME OR BOTH WOULD CONSTITUTE AN EVENT OF DEFAULT, HAS OCCURRED AND IS CONTINUING, OR IF, IN THE OPINION OF SUCH OFFICER, AN EVENT OF DEFAULT OR SUCH AN EVENT HAS AND IS CONTINUING, A STATEMENT AS TO THE NATURE THEREOF AND THE ACTION WHICH THE BORROWER OR THE GUARANTORS PROPOSE TO TAKE WITH RESPECT THERETO. NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED HEREIN, AS LONG AS THE US GUARANTOR FILES ITS "10-K" AND "10-Q" STATEMENTS WITH THE SECURITIES AND EXCHANGE COMMISSION, IT WILL NOT BE REQUIRED TO SUBMIT TO BANK THE STATEMENTS SET FORTH IN THIS SECTION OTHER THAN THE CERTIFICATES SET FORTH IN (X) AND (Y);

- (D) IMMEDIATELY AFTER THE COMMENCEMENT THEREOF, NOTICE IN WRITING OF ALL ACTIONS, SUITS AND PROCEEDINGS ADVERSELY PENDING IN ANY COURT OF COMPETENT JURISDICTION AGAINST BORROWER OR A MEXICAN GUARANTOR IN EXCESS OF US \$5,000,000.00 (FIVE MILLION DOLLARS OF THE UNITED STATES OF AMERICA);
- (E) IN THE CASE OF THE OPERATING COMPANY, ON A MONTHLY BASIS WITHIN THE FIRST 15 (FIFTEEN) BUSINESS DAYS, A REPORT LISTING THE THIRD PARTY ACCOUNTS RECEIVABLE, ANY RESERVES FOR DOUBTFUL ACCOUNTS AND INVENTORY;
- (F) INTENTIONALLY OMITTED;
- (G) IN THE CASE OF THE BORROWER AND AVICOLA, UPON SUBMISSION OF THE DOCUMENTATION MENTIONED IN PARAGRAPHS (B) AND (C) ABOVE, AND TO THE EXTENT APPLICABLE, SUBMIT TO THE BANK A CALCULATION OF THE FINANCIAL COVENANTS, AS WELL AS A COMPLIANCE CERTIFICATE STATING THE FULFILLMENT OF THE BORROWER TO ALL THE OBLIGATIONS STATED HEREIN; AND
- (H) SUCH OTHER INFORMATION RESPECTING THE BUSINESS, PROPERTIES OR THE CONDITIONS OF OPERATIONS, FINANCIAL OR OTHERWISE OF THE BORROWER AND THE GUARANTORS AS THE BANK MAY FROM TIME TO TIME REASONABLY REQUEST.

3.2 TAXES. Duly pay and discharge all taxes, assessments and governmental charges or levies imposed upon the Borrower and the Guarantors or upon their income or profits, or upon any properties belonging to the them, by Mexico, the United States, or by any other jurisdiction, or any political subdivision thereof, prior to the date on which penalties are attached thereto, and all lawful claims which, if not paid, may become a lien or charge upon any properties of the Borrower or of the Guarantors, PROVIDED, HOWEVER, that the Borrower and the Guarantors shall not be required to pay any such tax, assessment, charge, levy or claim which is being contested in good faith and by proper legal proceedings.

3.3 INSURANCE. Obtain prior to the initial Loan and thereafter, maintain insurance with responsible and reputable insurance companies or associations in such amounts and covering such risks as is usually carried by companies engaged in similar businesses and owning similar properties in the same general areas in which the Borrower and the Mexican Guarantors operate and such other insurance as may be required by law, all of which Insurance shall be in such amounts, containing such terms, in such form, for such purposes, prepaid for such time period, and written by such companies as shall be reasonably satisfactory to the Bank. All such policies covering the Collateral shall contain a provision whereby they may not be canceled for non payment of premiums (unless substitute insurance in compliance with this Section 6.3 is obtain and provided on or before the date of such cancellation) except upon thirty (30) days' prior written notice to the Bank. The Operating Company will promptly deliver to the Bank, at the Bank's request, evidence satisfactory to the Bank that such insurance has been so procured and, with respect to casualty insurance, endorsed with a loss payable clause in favor of the Bank. If the Operating Company fails to maintain satisfactory insurance covering the Collateral as herein provided, the Bank shall have the option to do so, and the Borrower agrees to repay the Bank upon demand, with interest at the Federal Funds-based Rate then in effect for the Revolving Loan, all amounts so expended by the Bank. Upon an Event of Default or with respect to any loss in excess of US \$2,500,000, the Operating Company appoints the Bank or any employee or agent of the Bank as the Operating Company's attorney-in-fact, which appointment is coupled with an interest and irrevocable, and authorizes the Bank or any employee or agent of the Bank, on behalf of

the Operating Company, to adjust and compromise any loss under said insurance covering the Collateral (which adjustment or compromise shall only be made with the Operating Company's consent if an Event of Default has not occurred and is not continuing hereunder) and to endorse any check or draft payable to the Operating Company in connection with returned or unearned premiums on said insurance or the proceeds of said insurance, and any amount so collected shall be applied toward repair and/or replacement of the Collateral to which such casualty occurred or satisfaction of the indebtedness hereunder in accordance with the provisions governing such application in the Security Documents pursuant to which Bank's liens on such Collateral were granted.

3.4 CORPORATE EXISTENCE. Preserve and maintain their corporate existence, rights, franchises and privileges in Mexico or the United States, as the case may be; except (i) when said rights, franchises and privileges shall be terminated by operation of law or order of authority; (ii) or the termination of such rights, franchises and privileges would not reasonably be expected to result in a Material Adverse Effect .

3.5 MAINTENANCE OF PROPERTIES. Maintain and preserve all of their properties necessary or useful in the proper conduct of their business in good working order and condition, ordinary wear and tear excepted, provided, however, that no Credit Party will be prevented by this covenant from discontinuing those operations or disposing of or suspending the maintenance of those properties which, in the reasonable judgment of such Credit Party, is no longer necessary or useful in the conduct of such Credit Party's business or would not result in a Material Adverse Effect.

3.6 COMPLIANCE WITH LAWS. Comply with all applicable laws and regulations of any governmental entity and the terms of any indenture, contract or other instrument to which the Borrower or the Guarantors may be a party or under which their respective properties may be bound or affected, if non-compliance would reasonably be expected to have a Material Adverse Effect, except where contested in good faith and by proper proceedings.

3.7 CURRENT RATIO. In the case of the Operating Company, maintain, in accordance with its consolidated balance sheet, a minimum Current Ratio of 1.25 to 1.0 for the interim quarterly and annual audited financial statements, during the term hereof. In the case of Avicola, maintain, in accordance with its consolidated balance sheet, a minimum Current Ratio of 1.25 to 1.0 for the interim quarterly and annual audited financial statements, during the term hereof.

3.8 INDEBTEDNESS RATIO. In the case of the Operating Company, maintain, in accordance with its consolidated balance sheet, a maximum Indebtedness Ratio of 0.50 to 1.0 for interim quarterly financial statements and annual audited financial statements during the term hereof. In the case of Avicola, maintain, in accordance with its consolidated balance sheet, a maximum Indebtedness Ratio ratio of 0.50 to 1.0 for interim quarterly financial statements and annual audited financial statements during the term hereof.

3.9 INTEREST COVERAGE RATIO. In the case of the Operating Company, maintain, in accordance with its consolidated quarterly and annual financial statements, a minimum Interest Coverage Ratio of 2.25 to 1.0. In the case of Avicola, maintain, in accordance with its consolidated quarterly and annual quarterly and annual financial statements, a minimum Interest Coverage Ratio of 2.25 to 1.0.

3.10 MINIMUM NET WORTH. In the case of the Operating Company, maintain, in accordance with its consolidated financial statements on an interim quarterly and annual basis, a minimum Net Worth of the sum of US \$100,000,000.00 (One Hundred Million Dollars) plus that amount of Funded Debt of Operating Company in excess of the indebtedness hereunder. In the case of Avicola, maintain, in accordance with its consolidated financial statements on an interim quarterly and annual basis, a minimum Net Worth of the sum of US \$125,000,000.00 (One Hundred Twenty Five Million Dollars) plus that amount of Funded Debt of Operating Company in excess of the indebtedness hereunder.

3.11 SUBORDINATED CLAIMS. To the extent not prohibited by the Indenture, if there is an Event of Default by Borrower or the Mexican Guarantor that exists hereunder, then any claims that the US Guarantor may have against them will be subordinated to the Loan.

3.12 INDENTURE. Subject to Section 7.11, notwithstanding anything in this Agreement to the contrary, provided there is not an Event of

Default, or event which with the giving of notice or the lapse of time or both, would constitute an Event of Default hereunder, nothing contained herein shall be deemed to prohibit, encumber, restrict or prevent Borrower or Mexican Guarantors or any of their respective Subsidiaries from making any payments, loans, advances, dividends, distributions or transfers to US Guarantor or any Subsidiary of US Guarantor (each, a "Restricted Payment").

3.13 Intentionally omitted.

3.14 KEEPING OF BOOKS. Keep proper books of record and account in which full and correct entries shall be made of all of its financial transactions and its assets and businesses so as to permit the presentation of financial statements prepared in accordance with GAAP; and permit Bank, or its representatives, at reasonable times and intervals, to visit all of its offices, discuss its financial matters with its officers, employees, directors and independent certified public accountants, and by this provision, Company authorizes such officers, employees, directors and accountants to discuss the finances and affairs of Company and examine any of its books and other corporate records, subject only to reasonable security and confidentiality procedures and provided that such requests and visitations shall be related to and limited to matters relevant to this Agreement and the transactions contemplated hereunder and shall be during normal business hours and shall not unreasonably interfere with or interrupt operations of the Company or the Guarantors.

3.15 INDEMNIFICATION. Indemnify and save Bank harmless from all losses, costs, damages, liabilities and expenses, including, without limitation, reasonable attorneys' fees, incurred by Bank by reason of any Default or Event of Default hereunder, or its enforcing the obligations of Company or any other Credit Party under this Agreement or the Loan Documents; provided that no Credit Party shall have an obligation to indemnify Bank hereunder to the extent the foregoing results from the Bank's gross negligence or willful misconduct.

3.16 GOVERNMENTAL AND OTHER APPROVALS. Apply for, obtain and/or maintain in effect, as applicable, all authorizations, consents, approvals, licenses, qualifications, exemptions, filings, declarations and registrations (whether with any court, governmental agency, regulatory authority, securities exchange or otherwise) which are necessary in connection with the execution, delivery and performance by each Credit Party, of this Agreement, the Loan Documents, or any other documents or instruments to be executed and/or delivered by such Credit Party in connection therewith or herewith and all of the obligations performed or contemplated to be performed, and material transactions consummated or to be consummated thereunder.

3.17 PAYMENT OF OBLIGATIONS. Borrower will pay and discharge or cause to be paid and discharged all obligations to Bank under this Agreement or any of the Loan Documents in a timely manner.

3.18 Intentionally omitted.

3.19 YEARLY AUDIT/APPRAISAL. Operating Company shall cooperate with Bank in a yearly audit of the Inventory (the average annual cost of which shall not exceed \$3,000) and appraisal of the Fixed Assets, the cost of which shall be borne by Borrower.

4. NEGATIVE COVENANTS

Borrower and Guarantors covenant and agree that, so long as Bank is committed to make any Loans, and thereafter, so long as any indebtedness remains outstanding under or pursuant to this Agreement or the Notes, it will not and it will not permit any of its Subsidiaries or Borrower or Mexican Guarantors (if any) to, without Bank's prior consent:

4.1 ENCUMBRANCES. In the case of the Operating Company, create, incur, assume or suffer to exist any mortgage, deed of trust, pledge, lien, security interest or other charge or encumbrance of any nature to any third party, upon or with respect to the Collateral other than:

- (A) LIENS IN FAVOR OF THE BANK;
- (B) LIENS EXISTING ON THE DATE OF THIS AGREEMENT AND DISCLOSED ON SCHEDULE 7.1;
- (C) ANY LIEN ON ANY PROPERTY (BUT EXCLUDING THE COLLATERAL) SECURING INDEBTEDNESS INCURRED OR ASSUMED FOR THE PURPOSE OF FINANCING ALL OR ANY PART OF THE ACQUISITION COST OF SUCH PROPERTY OR SECURING ANY CAPITAL LEASE OBLIGATIONS, PROVIDED

THAT such lien does not extend to any other property and secures Indebtedness and Capital Lease Obligations;

- (d) (i) liens for taxes not yet due, or (ii) liens for taxes, which are being contested in good faith by appropriate proceedings;
- (e) statutory liens of landlords and liens of carriers, warehousemen, mechanics, materialmen, worker's, repairman's, miner's, agister's, attorney's and other liens imposed by law created in the ordinary course of business for amounts not yet due or which are being contested in good faith by appropriate proceedings;
- (f) liens under workers' compensation, unemployment insurance, social security or similar legislation, or to secure payments of premiums for insurance purchased in the ordinary course of business, or to secure the performance of tenders, statutory obligations, surety and appearance bonds and bids, bonds for release of an attachment, stay of execution or injunction, leases, government contracts, performance and return-of-money bonds and other similar obligations, all of which are incurred in the ordinary course of business and not in connection with the borrowing of money);
- (g) any attachment or judgment lien, the time for appeal or petition for rehearing of which shall not have expired or in respect of which a Credit Party or any of its Subsidiaries is protected in all material respects by insurance, provided that the execution or other enforcement of such liens is effectively stayed and the claims secured thereby are being contested in good faith by appropriate proceedings and with respect to which adequate reserves are being maintained in accordance with GAAP consistently applied; and
- (h) easements, rights-of-way, restrictions, encroachments, covenants, servitudes, zoning and similar encumbrances which, in the aggregate, do not materially interfere with the occupation, use and enjoyment by a Credit Party or any Subsidiary of the property or assets encumbered thereby in the normal course of its business or materially impair the value of the property subject thereto.

4.2 ADDITIONAL INDEBTEDNESS. In the case of the Borrower or the Mexican Guarantor, incur additional indebtedness made available on the basis of the Collateral (other than to Bank or Indebtedness secured by Permitted Liens).

4.3 MERGER & CONSOLIDATION. In the case of Borrower or the Mexican Guarantors, (i) merge or consolidate with another corporation, unless Borrower or the Mexican Guarantors, as the case may be, is the surviving entity and PROVIDED, HOWEVER, that the Borrower or Guarantors are not in default of any of their obligations hereunder or under the Note(s); or (ii) assign or transfer its assets into trust.

4.4 SALE OF ASSETS. Sell, assign, lease, transfer or in any other manner dispose of (whether in one transaction or in a series of transactions) all or substantially all of their assets (whether now owned or hereafter acquired).

4.5 CHANGE OF BUSINESS. (i) Engage in any material respects in any business activity or operations other than operations or activities (a) in the poultry industry, (b) processing, packaging, distribution and wholesales of poultry products, or (c) which are not substantially different from or are related to its present business activities or operations; or (ii) Operating Company fails to be the primary importer or distributor in Mexico of poultry product exported by US Guarantor to Mexico; provided that US Guarantor, Mexican Guarantors or Operating Company may create a Subsidiary for the purpose of the distribution and sale of such product to third parties without the consent of the Bank so long as such Subsidiary executes and delivers to Bank (i) a guaranty of the obligations under this Agreement in substantially the same form as the Guaranty and (ii) a security agreement granting a security interest in the Accounts of such Subsidiary, which security interest shall secure the obligations under this Agreement.

4.6 CHANGE IN OWNERSHIP. Change the participation of the current shareholders of the Borrower or the Mexican Guarantors in a manner that the Guarantors (other than the Operating Company) cease to maintain, directly or indirectly, a majority interest in the capital

stock of the Borrower, unless the Bank has given the Borrower and Guarantors, prior written approval of such changes which will not be unreasonably withheld.

4.7 LIENS. In the case of the Borrower and the Mexican Guarantors, carry out any arrangements to finance the Collateral (other than Indebtedness securing Permitted Liens), and will not create any security interest granted herein to any party (other than Permitted Liens).

4.8 GUARANTY. In the case of the Borrower and the Mexican Guarantors, to the extent not prohibited by the Indenture, that it and its Affiliates will not guarantee, endorse or become secondarily liable for the debt of the US Guarantor, other than guarantees of the Indebtedness of US Guarantor under the Indenture.

4.9 CAPITAL STRUCTURE, BUSINESS OBJECTS OR PURPOSE. In the case of the Borrower and the Mexican Guarantors, purchase, acquire or redeem any of its capital stock, or enter into any reorganization or recapitalization or reclassify its capital stock, or (and also with respect to the US Guarantor) make any material change in its general business objects or purpose unless (i) required due to changes in GAAP procedures; or (ii) such changes do not cause a Material Adverse Effect.

4.10 ENCUMBRANCES - CONTRACTS, NOTES. With respect to Borrower, create, incur, assume or suffer to exist any mortgage, pledge, encumbrance, security interest, lien or charge upon any of its contracts, notes or other evidence of indebtedness owing to it, whether now owned or hereafter acquired, or create, suffer or permit to exist any lien, security interest in, or encumbrance thereon other than the Permitted Liens.

4.11 RESTRICTED PAYMENTS. So long as Bank is committed to make a Loan, and thereafter, so long as any indebtedness remains outstanding under or pursuant to this Agreement or the Notes, Borrower and Mexican Guarantors will not and will not permit any of their respective Subsidiaries (if any) to, without Bank's prior consent declare or pay or make any Restricted Payments (other than to Borrower or a Mexican Guarantor) while any Event of Default, or event which with the giving of notice or the passage of time, or both, would constitute an Event of Default under this Agreement has occurred and is continuing or would occur as a result of the making of such Restricted Payment; provided that nothing contained in this Agreement shall be deemed to restrict, prohibit or prevent the payment or reimbursement (at prices reflecting arms-length transactions) by Borrower or a Mexican Guarantor to US Guarantor or its Subsidiaries in respect of: (x) the sale of inventory, including without limitation, grain and hatching eggs, sold in the ordinary course of business, (y) trade payables, overhead, operating expenses and similar expenses incurred on behalf of Borrower or a Mexican Guarantor by US Guarantor or its Subsidiaries, and (z) sale of goods and equipment upon terms that are no less favorable to Borrower or such Mexican Subsidiary than those that could be obtained in a comparable transaction with an unrelated Person.

5. EVENTS OF DEFAULT

5.1 If any of the following events shall occur and be continuing (each an "Event of Default"), the Bank may declare all of its obligations hereunder to be terminated, whereupon the commitment of the Bank hereunder shall forthwith terminate and the Bank may declare the entire unpaid principal amount of the Loan, together with all interest and fees accrued and unpaid thereon and all other amounts payable hereunder to be forthwith due and payable, whereupon the Loan, all such accrued interest, fees and all such amounts shall become and be forthwith due and payable without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrower and the Guarantors:

- (A) THE BORROWER SHALL FAIL TO PAY THE ADVANCES WITHIN 5 DAYS FROM WHEN DUE, OR SHALL FAIL TO PAY ANY INTEREST ON THE ADVANCES WITHIN 5 DAYS FROM WHEN DUE; OR
- (B) ANY REPRESENTATION OR WARRANTY MADE BY THE BORROWER OR BY THE GUARANTORS IN THIS AGREEMENT OR IN ANY CERTIFICATE, AGREEMENT, INSTRUMENT OR STATEMENT CONTEMPLATED HEREBY OR THEREBY SHALL PROVE TO HAVE BEEN INCORRECT WHEN MADE IN ANY MATERIAL RESPECT; OR
- (C) THE BORROWER OR THE GUARANTORS SHALL FAIL TO PERFORM OR OBSERVE

ANY OTHER TERM, COVENANT OR AGREEMENT CONTAINED IN THIS AGREEMENT AND SUCH FAILURE CONTINUES FOR A PERIOD OF 15 DAYS AFTER THE BORROWER'S OR GUARANTOR'S LEARNING OF SUCH FAILURE TO COMPLY; OR

- (D) THE FAILURE OF BORROWER OR GUARANTOR TO PAY WHEN DUE, OR FAILURE TO PERFORM OR OBSERVE ANY OTHER OBLIGATION OR CONDITION WITH RESPECT TO ANY OF THE FOLLOWING OBLIGATIONS TO ANY PERSON, BEYOND ANY PERIOD OF GRACE UNDER THE INSTRUMENT CREATING SUCH OBLIGATION: (I) ANY INDEBTEDNESS FOR BORROWED MONEY OR FOR THE DEFERRED PURCHASE PRICE OF PROPERTY OR SERVICES, (II) ANY OBLIGATIONS UNDER LEASES WHICH HAVE OR SHOULD HAVE BEEN CHARACTERIZED AS CAPITAL LEASES, OR (III) ANY CONTINGENT LIABILITIES, SUCH AS GUARANTIES AND LETTERS OF CREDIT, FOR THE OBLIGATIONS OF OTHERS RELATING TO INDEBTEDNESS FOR BORROWED MONEY OR FOR THE DEFERRED PURCHASE PRICE OF PROPERTY OR SERVICES OR RELATING TO OBLIGATIONS UNDER LEASES WHICH HAVE OR SHOULD HAVE BEEN CHARACTERIZED AS CAPITAL LEASES; PROVIDED THAT NO SUCH FAILURE WILL BE DEEMED TO BE AN EVENT OF DEFAULT HEREUNDER UNLESS THE AMOUNT OWING UNDER THE OBLIGATION WITH RESPECT TO WHICH SUCH FAILURES HAVE OCCURRED AND ARE CONTINUING IS AT LEAST (X) \$5,000,000.00 WITH RESPECT TO BORROWER AND MEXICAN GUARANTORS, OR (Y) \$10,000,000 WITH RESPECT TO US GUARANTOR; OR
- (E) THE OPERATING COMPANY OR AVICOLA, AS THE CASE MAY BE, FAILS TO MAINTAIN ANY OF THE RATIOS AND/OR FINANCIAL COVENANTS SET FORTH IN SECTION 6.7, 6.8, 6.9 OR 6.10 AND SUCH FAILURE CONTINUES FOR A PERIOD OF 7 DAYS AFTER SUCH PARTIES' LEARNING OF SUCH FAILURE TO COMPLY; OR
- (F) THE PARTICIPATION OF THE CURRENT SHAREHOLDERS OF THE BORROWER OR THE MEXICAN GUARANTORS, ARE MODIFIED IN ANY WAY WHATSOEVER RESULTING, IN THE GUARANTORS (OTHER THAN THE OPERATING COMPANY) CEASING TO MAINTAIN, DIRECTLY OR INDIRECTLY, A MAJORITY INTEREST IN THE CAPITAL STOCK OF THE BORROWER, WITHOUT THE PRIOR WRITTEN CONSENT OF THE BANK GIVEN TO THE BORROWER AND THE MEXICAN GUARANTOR WHICH WILL NOT BE UNREASONABLY WITHHELD; OR
- (G) THIS AGREEMENT OR THE NOTE(S) SHALL AT ANY TIME FOR ANY REASON CEASE TO BE IN FULL FORCE AND EFFECT OR SHALL BE DECLARED TO BE NULL AND VOID OR THE VALIDITY OR ENFORCEABILITY THEREOF SHALL BE CONTESTED BY THE BORROWER OR THE GUARANTORS OR THE GOVERNMENT OF MEXICO, OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF, OR THE BORROWER OR THE GUARANTORS SHALL DENY THAT IT IS ANY FURTHER LIABILITY OR OBLIGATION HEREUNDER; OR
- (H) AFTER THE FILING AND RECORDING THEREOF, IF THE MORTGAGE OR THE SECURITY DOCUMENTS CEASE TO CONSTITUTE A VALID FIRST PRIORITY LIEN IN FAVOR OF THE BANK; OR
- (I) IF A CREDITORS' COMMITTEE, INTERVENTOR, VISITADOR, CONCILIADOR OR A SNDICO SHALL HAVE BEEN APPOINTED FOR THE BUSINESS OF COMPANY OR A GUARANTOR; OR IF COMPANY OR A GUARANTOR SHALL HAVE MADE A GENERAL ASSIGNMENT FOR THE BENEFIT OF CREDITORS OR SHALL HAVE BEEN ADJUDICATED BANKRUPT, OR SHALL HAVE FILED A VOLUNTARY PETITION IN CONCURSO MERCANTIL OR BANKRUPTCY OR FOR REORGANIZATION OR TO EFFECT A PLAN OR ARRANGEMENT WITH CREDITORS OR SHALL FAIL TO PAY ITS DEBTS GENERALLY AS SUCH DEBTS BECOME DUE IN THE ORDINARY COURSE OF BUSINESS (EXCEPT AS CONTESTED IN GOOD FAITH AND FOR WHICH ADEQUATE RESERVES ARE MADE IN SUCH PARTY'S FINANCIAL STATEMENTS); OR SHALL FILE AN ANSWER TO A CREDITOR'S PETITION OR OTHER PETITION FILED AGAINST IT, ADMITTING THE MATERIAL ALLEGATIONS THEREOF FOR AN ADJUDICATION IN BANKRUPTCY, CONCURSO MERCANTIL OR FOR REORGANIZATION; OR SHALL HAVE APPLIED FOR OR PERMITTED THE APPOINTMENT OF A RECEIVER, INTEVENTOR, VISITADOR, CONCILIADOR, SNDICO, TRUSTEE OR CUSTODIAN FOR ANY OF ITS PROPERTY OR ASSETS; OR SUCH CREDITORS COMMITTEE, RECEIVER, SNDICO, TRUSTEE OR CUSTODIAN SHALL HAVE BEEN APPOINTED FOR ANY OF ITS PROPERTY OR ASSETS (OTHERWISE THAN UPON APPLICATION OR CONSENT OF COMPANY OR A GUARANTOR), AND SUCH RECEIVER, INTERVENTOR, VISITADOR, CONCILIADOR, TRUSTEE, SNDICO OR CUSTODIAN SO APPOINTED SHALL NOT HAVE BEEN DISCHARGED WITHIN SIXTY (60) DAYS AFTER THE DATE OF SUCH APPOINTMENT, OR IF AN ORDER FOR RELIEF OR OTHERWISE APPROVING ANY PETITION FOR REORGANIZATION OF COMPANY OR THE RELEVANT GUARANTOR, SHALL BE ENTERED AND SHALL NOT BE DISMISSED OR STAYED WITHIN SIXTY (60) DAYS FROM THE DATE OF ENTRY; OR
- (J) THE RENDERING OF ONE OR MORE JUDGMENTS OR DECREES AGAINST A CREDIT PARTY FOR THE PAYMENT OF MONEY OR THE ATTACHMENT OR FILING OF ANY LIEN OR CHARGE AGAINST A CREDIT PARTY OR ANY OF ITS PROPERTY IN EXCESS OF \$5,000,000 WITH RESPECT TO BORROWER OR

MEXICAN GUARANTORS OR \$10,000,000 WITH RESPECT TO US GUARANTOR, THAT IS NOT COVERED BY INSURANCE AND SUCH JUDGMENT(S), DECREE(S), LIEN(S) OR CHARGE(S) SHALL REMAIN UNPAID, UNVACATED, UNBONDED OR UNSTAYED BY APPEAL OR OTHERWISE OR NOT DISCHARGED OR RELEASED FOR A PERIOD OF SIXTY (60) CONSECUTIVE DAYS, AFTER DATE OF ENTRY, FILING OR ATTACHMENT; OR

- (K) A BREACH BY A GUARANTOR UNDER ITS RESPECTIVE GUARANTY; OR
- (L) SHOULD THE OPERATING COMPANY FAIL TO BE THE PRIMARY IMPORTER OR DISTRIBUTOR IN MEXICO OF POULTRY PRODUCT EXPORTED BY US GUARANTOR TO MEXICO WITHOUT THE US GUARANTOR OR OPERATING COMPANY CREATING A SUBSIDIARY FOR THE PURPOSE OF THE DISTRIBUTION AND SALE OF SUCH PRODUCT TO THIRD PARTIES AND SUCH SUBSIDIARY EXECUTES AND DELIVERS TO BANK (I) A GUARANTY OF THE OBLIGATIONS UNDER THIS AGREEMENT IN SUBSTANTIALLY THE SAME FORM AS THE GUARANTY AND (II) A SECURITY AGREEMENT GRANTING A SECURITY INTEREST IN THE ACCOUNTS OF SUCH SUBSIDIARY, WHICH SECURITY INTEREST SHALL SECURE THE OBLIGATIONS UNDER THIS AGREEMENT; OR
- (M) SHOULD BORROWER FAIL TO EXECUTE AND DELIVER A FEDERAL FUNDS-BASED RATE NOTE OR A CETES-BASED NOTE, AS THE CASE MAY BE, IN ACCORDANCE WITH ARTICLE 3.7 WITHIN 5 DAYS AFTER THE DATE SUCH NOTE IS DELIVERED TO BORROWER IN EXECUTABLE FORM; OR
- (N) SHOULD THE LOANS OR GUARANTEES PROVIDED FOR HEREIN BE IN VIOLATION OF THE INDENTURE.

5.2 REMEDIES. Upon the occurrence and during the continuation of any Event of Default, unless such Event of Default, Bank may give notice to Company declaring all outstanding indebtedness hereunder to be due and payable in full, whereupon all indebtedness hereunder shall immediately become due and payable without further notice or demand, as the case may be, and Bank's commitment to make further Loans or to extend additional credit to Company under this Agreement or otherwise and Bank may exercise any remedies it has under the Security Documents as provided for therein and/or under applicable law. Notwithstanding the foregoing, in the case of an Event of Default under Section 8.1(i) hereof, and notwithstanding the lack of any notice, demand or declaration by Bank, the entire unpaid indebtedness hereunder shall become automatically due and payable in full and any commitment by Bank to make Loans shall be automatically and immediately terminated, without any requirement of notice or demand by Bank upon Company, each of which are hereby expressly waived by Company. The right of Bank to terminate its commitment to make Loans and or to accelerate indebtedness shall expire with respect to any particular Event of Default of which Bank has been given actual notice, if such Event of Default is cured prior to Bank's exercise of such right to terminate and/or accelerate.

5.3 SETOFF. During the continuance of any Event of Default hereunder, Bank may, in accordance with any applicable requirements of law, during any period when an uncured Event of Default is existing, setoff and apply against the indebtedness (whether or not then due), any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by Bank to or for the credit or for the account of a Credit Party and any property at the time in possession or control of Bank, irrespective of whether or not Bank shall have made any demand hereunder and although such obligations may be contingent and unmatured. In the event any Bank exercises any such right of setoff, Bank shall use reasonable efforts to notify the corresponding Credit Party affected by such setoff in sufficient detail within five (5) Business Days as of the date such setoff has occurred.

5.4 WAIVER OF DEFAULTS. No Default or Event of Default shall be waived by Bank except in a written instrument specifying the scope and terms of such waiver and signed by an authorized officer of Bank and shall be effective only for the specific time and purpose given. No single or partial exercise of any right, power or privilege hereunder, nor any delay in the exercise thereof, shall preclude other or further exercise of Bank's rights. No waiver of any Default or Event of Default shall extend to any other or further Default or Event of Default. No forbearance on the part of Bank in enforcing any of Bank's rights or remedies hereunder or any of the other Loan Documents shall constitute a waiver of any of its rights or remedies. Company expressly agrees that this Section 8.4 may not be waived or modified by Bank by course of performance, estoppel or otherwise.

6.1 ACCOUNTING PRINCIPLES. Where the character or amount of any asset or liability or item of income or expense is required to be determined or any consolidation or other accounting computation is required to be made for the purposes of this Agreement, it shall be done in accordance with GAAP. Furthermore, all accounting terms not specifically defined in this Agreement shall be construed in accordance with GAAP.

6.2 EXECUTIVE TITLE. This Agreement, jointly with the account statement certified by the duly authorized accountant of CBM, constitutes an execution title pursuant to article 68 of the Credit Institutions Law.

6.3 RESTRICTIONS. Pursuant to article 294 of the General Law of Negotiable Instruments and Credit Transactions, the Bank shall maintain the right to restrict the disbursements term or the amount of the Loan or the disbursements and the amount of the Loan, by simple written communication to the Borrower, limiting or terminating the right to use non disbursed amounts.

6.4 INTEREST. In the event the obligation of Company to pay interest on the principal balance of any Note is or becomes in excess of the maximum interest rate which Company is permitted by law to contract or agree to pay, giving due consideration to the execution date of this Agreement, then, in that event, the rate of interest applicable hereunder shall be deemed to be immediately reduced to such maximum rate and all previous payments in excess of the maximum rate shall be deemed to have been payments in reduction of principal and not of interest.

6.5 BINDING EFFECT; ASSIGNMENT. This Agreement shall become effective when it shall have been executed by the Company and the Bank, and thereafter shall be binding upon and inure to the benefit of the Company and the Bank and their respective successors and assigns, except that the Company shall not have the right to assign its rights hereunder or any interest herein without the prior written consent of the Bank, and that Bank shall not have the right to transfer, assign or convey, whether by participation or otherwise, its rights hereunder or any interest herein without the prior written consent of Company, unless (a) Bank complies with the provisions of Section 9.10 and (b) such transfer, assignment or conveyance is in favor of a financial institution which is subject to a Mexican Income tax withholding rate payable under the Loans equal to no more than the Mexican Income tax withholding rate payable by Bank as of the date of any such conveyance.

6.6 GOVERNING LAW.

- (A) THIS AGREEMENT AND THE NOTE SHALL BE GOVERNED BY THE LAWS OF THE STATE OF MICHIGAN, UNITES STATES OF AMERICA, AND FOR ALL PURPOSES SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF SAID STATE; PROVIDED, HOWEVER that if any action or proceeding in connection with the Note is brought in the courts of Mexico, such Note shall be governed by the laws of Mexico;
- (b) Any suit, action or proceeding with respect to this Agreement or the Note or any judgement entered by any court in respect thereof may be brought in the courts of the State of Michigan in the United States and, in the case of suits, actions or proceedings with respect to the Note, in the Courts of Mexico City, Mexico. Each party hereby submits to the jurisdiction of such courts for the purpose of any such suit, action, proceeding or judgement (and waives for such purpose any other preferential jurisdiction by reason of its present of future domicile or otherwise). Each party hereby irrevocably waive any objection which they may now or hereafter have to the laying of the venue of any suit, action or proceeding arising out of or relating to this Agreement or the Note brought in any such court as being brought in an inconvenient forum. To the extent that a party has or hereafter may acquire any immunity from jurisdiction of any court or from any legal process (whether from service or notice, attachment prior to judgement, attachment in aid of execution, execution or otherwise) with respect to itself or its property, such party hereby irrevocably waives such immunity in respect of its obligations under this Agreement or the Notes.

6.7 COSTS AND EXPENSES. Subject to Section 6.19, Company shall pay Bank, promptly, all reasonable and documented costs and expenses incurred by Bank in connection with this Agreement, the Loan Documents and the indebtedness, hereunder and the consummation and the closing of the loans and transactions contemplated hereby, including, by way

of description and not limitation, reasonable attorneys' fees and advances, appraisal and accounting fees, title and lien search fees. All costs, including, without limitation, reasonable attorneys' fees and costs and expenses to any environmental consultants retained by Bank hereunder, incurred by Bank hereunder or in perfecting, revising, protecting or enforcing any of its rights against Company, or incurred by Bank in connection with any Default or Event of Default or the enforcement of the indebtedness hereunder, including by way of description and not limitation, (a) such charges in any court or bankruptcy proceedings or (b) arising out of any claim or action by any person against Bank which would not have been asserted were it not for Bank's lending relationship with Company hereunder or otherwise, shall also be promptly paid by Company to Bank. If not promptly paid, all of such costs, expenses and other sums payable by Company to Bank under this Section 9.7 shall bear interest at the highest per annum interest rate applicable to any of the Loans at such time.

6.8 NOTICES. All notices and other communications provided for herein or in any document contemplated hereby, given hereunder or required by law to be given, shall be in writing (unless expressly provided to the contrary). Subject to Section 9.22, if personally delivered or delivered by facsimile transmission, such notices shall be effective when delivered or transmitted, and in the case of courier, such notices shall be effective four (4) Business Days after sending by international courier service, in each case addressed to the parties as set forth on the signature page of this Agreement, or to such other address as a party shall have designated to the other in writing in accordance with this Section. The giving of at least five (5) days' notice before Bank shall take any action described in any notice shall conclusively be deemed reasonable for all purposes; provided, that this shall not be deemed to require Bank to give five (5) days' notice or any notice if not specifically required in this Agreement. IF ANY LEGAL PROCEEDING ARISES OR IS INITIATED BY THE BANK IN THE UNITED STATES IN CONNECTION WITH THIS AGREEMENT, THE NOTES OR THE GUARANTY (FIANZA), then all notices and other communications shall be delivered to the Process Agent.

6.9 FURTHER ACTION. Each Credit Party, from time to time, upon written request of Bank, will promptly make, execute, acknowledge and deliver, or cause to be made, executed, acknowledged and delivered, all such further and additional instruments, and promptly take all such further action as may be reasonably required to carry out the intent and purpose of this Agreement.

6.10 SUCCESSORS AND ASSIGNS; PARTICIPATIONS. This Agreement shall be binding upon and shall inure to the benefit of Company and Bank and their respective successors and assigns. The foregoing shall not authorize any assignment or transfer by Company of its rights or duties hereunder, and such assignments or transfers being expressly prohibited. Subject to the limitations set forth in Section 9.5, Bank may assign, whether by assignment, participation or otherwise, its rights and obligations hereunder, and is hereby authorized to disclose (subject to reasonable security and confidentiality procedures) to any such assignee or participant any financial or other information in its knowledge or possession regarding Company, or the indebtedness hereunder. Notwithstanding the foregoing (i) in connection with any participation granted by Bank, Bank shall remain primarily obligated to Company hereunder and Company shall be entitled to deal directly with Bank with respect to all matters related hereto, and (ii) with respect to any assignment by Bank, so long as no Event of Default has occurred and is existing at the time of such assignment Bank shall be required to obtain the prior written consent of Company and Guarantors to such assignment (which consent shall not be unreasonably withheld or delayed). In the event of any assignment made or participation granted by Bank under this Agreement, neither the Company nor the Guarantors shall be required to indemnify, or pay additional amounts to, any such assignee or participant in excess of the amount that would have been payable under this Agreement had no such assignment occurred or participation granted.

6.11 INDULGENCE. No delay or failure of Bank in exercising any right, power or privilege hereunder or under any of the Loan Documents shall affect such right, power or privilege nor shall any single or partial exercise thereof preclude any further exercise thereof, nor the exercise of any other right, power or privilege. The rights of Bank hereunder are cumulative and are not exclusive of any rights or remedies of Bank.

6.12 COUNTERPARTS. This Agreement may be executed in several counterparts, and each copy shall constitute an original instrument, but such counterparts shall together constitute but one and the same

instrument.

6.13 AMENDMENT AND WAIVER. No amendment or waiver of any provision of this Agreement or any Loan Document, nor consent to any departure by Company therefrom, shall in any event be effective unless the same shall be in writing and signed by Bank, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

6.14 SEVERABILITY. In case any one or more of the obligations of Company or any party to this Agreement, the Note or any of the other Loan Document shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining obligations of Company or such other party shall not in any way be affected or impaired thereby, and such invalidity, illegality or unenforceability in one jurisdiction shall not affect the validity, legality or enforceability of the obligations of Company or such other party under this Agreement, the Notes or any of the other Loan Documents in any other jurisdiction.

6.15 HEADINGS AND CONSTRUCTION OF TERMS. The headings of the various subdivisions hereof are for convenience of reference only and shall in no way modify or affect any of the terms or provisions hereof. Where the context herein requires, the singular number shall include the plural, and any gender shall include any other gender.

6.16 CONSTRUCTION OF CERTAIN PROVISIONS. If any provision of this Agreement or any of the Loan Documents refers to any action to be taken by any Person, or which such Person is prohibited from taking, such provision shall be applicable whether such action is taken directly or indirectly by such Person, whether or not expressly specified in such provision.

6.17 INDEPENDENCE OF COVENANTS. Each covenant hereunder shall be given independent effect so that if a particular action or condition is not permitted by any such covenant, the fact that it would be permitted by an exception to, or would be otherwise within the limitations of, another covenant shall not avoid the occurrence of any Default or Event of Default.

6.18 RELIANCE ON AND SURVIVAL OF VARIOUS PROVISIONS. All terms, covenants, agreements, representations and warranties of Company or any other Person who is a party to any of the Loan Documents made herein or in any of the Loan Documents or in any certificate, report, financial statement or other document furnished by or on behalf of Company in connection with this Agreement or any of the Loan Documents shall be deemed to have been relied upon by the Bank, notwithstanding any investigation heretofore or hereafter made by Bank or on Bank's behalf.

6.19 WAIVER OF JURY TRIAL. BANK, COMPANY AND EACH CREDIT PARTY, AFTER CONSULTING OR HAVING HAD THE OPPORTUNITY TO CONSULT WITH COUNSEL, KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHT TO A TRIAL BY JURY IN ANY LITIGATION BASED UPON OR ARISING OUT OF THIS AGREEMENT OR ANY RELATED INSTRUMENT OR AGREEMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT OR ANY COURSE OF CONDUCT, DEALING, STATEMENTS (WHETHER ORAL OR WRITTEN) OR ACTION OF ANY OF THEM. THESE PROVISIONS SHALL NOT BE DEEMED TO HAVE BEEN MODIFIED IN ANY RESPECT OR RELINQUISHED BY THE BANK OR COMPANY EXCEPT BY A WRITTEN INSTRUMENT EXECUTED BY ALL OF THEM.

6.20 COMPLETE AGREEMENT; CONFLICTS. This Agreement, the other Loan Documents, any agreements certificates, or other documents given in connection with the Loans and any commitment letter previously issued by Bank with respect thereto contain the entire agreement of the parties thereto, and none of the parties shall be bound by anything not expressly in writing. In the event that and to the extent that any of the terms, conditions or provisions of any of the other Loan Documents are inconsistent with or in conflict with any of the terms, conditions or provisions of this Agreement, the applicable terms, conditions and provisions of this Agreement shall govern and control.

6.21 CONFIDENTIALITY. Bank agrees that all non-public information made available by Credit Parties to it pursuant to this Agreement and the Loan Documents shall (except to the extent required by legal, regulatory authority or government process) be held in confidence by Bank except to the extent use and or disclosure is necessary in connection with the enforcement of the indebtedness hereunder.

6.22 SERVICE OF PROCESS. The Borrower hereby irrevocably

designates the Process Agent, having its registered domicile at 30600 Telegraph Road, Bingham Farms, Michigan 48025, as agent to receive, for and on behalf of the Borrower, service of process in the State of Michigan and absolutely and in connection therewith, irrevocably appoints the Process Agent as its true and lawful attorney-in-fact, coupled with an interest, in its name and stead to receive such process, as such appointment shall be evidenced by a duly notarized power-of-attorney, granted pursuant to Mexican law. Service upon the Borrower shall, for purposes of preserving the Bank's right to bring an action or proceeding or enforcing a judgment in connection with the Loan Documents in any court within Mexico, be deemed complete upon personal delivery of service to the Process Agent, otherwise and for all other purposes, service upon the Borrower will be deemed complete upon delivery of the summons and complaint in accordance with Section 9.6., provided such notices, if delivered in connection with a court procedure comply with Mexican procedural due process and public policy laws. The Borrower shall continue said appointment of Process Agent in full force and effect or appoint another agent so that the Borrower will at all times have an agent for service of process for the above purposes in Detroit, Michigan. The Borrower further irrevocably consents to the service of process out of any of the aforementioned courts in any such action or proceeding by any method described in Section 9.6, such service of process to be effective upon receipt of such registered mail (or as otherwise required under Mexican procedural due process and public policy laws). Nothing herein shall affect the right of the Borrower or the Bank to serve process in any other manner permitted by applicable law or to commence legal proceedings or otherwise proceed against Borrower in the State of Michigan of the United States of America, the Federal District of Mexico, or any other jurisdiction in which Borrower may be subject to suit. The Borrower shall pay to Process Agent such compensation as shall be required to be paid to Process Agent for its services hereunder. In the event of the transfer of all or substantially all of the assets and business of Process Agent to any other corporation, by consolidation, merger, sale of assets or otherwise, such other corporation shall be substituted hereunder for Process Agent with the same effect as if named herein in place of CT Corporation System, in which case such replacement in the appointment shall be evidenced by a duly notarized power-of-attorney, granted pursuant to Mexican law. Company shall be liable for the compliance of such obligation only as of the date CT Corporation System notifies the occurrence of such transfer to Company.

6.23 INDEMNIFICATION - INTEREST RATE. If the interest rate set forth in any of the Notes is inconsistent with the interest rate as determined pursuant to the terms of this Agreement, then the terms of this Agreement with respect to the rate of interest payable by Borrower shall control. If, as a result of any assignment or participation by Bank, any Credit Party would be obligated to pay such participant, assignee or other acquiror of any Note a rate of interest higher than what any Credit Party would be obligated to pay under the terms of this Agreement, then Bank shall indemnify the Credit Parties against the costs and expenses incurred by the Credit Parties as a result of such higher interest rate.

WITNESS THE DUE EXECUTION HEREOF AS OF THE DAY AND YEAR FIRST ABOVE WRITTEN.

COMERICA BANK

GRUPO PILGRIM'S PRIDE FUNDING, S.
de RL, de C.V.

By: _____ By: _____
Its: _____ Its: Attorney-In-Fact

By:

International Dept. - Latin Group Its: Attorney-In-Fact
500 Woodward Ave. Avenida 5 de Febrero No. 1408
Detroit, Michigan 48226-3330 Queretaro, Queretaro, Mexico
Facsimile: _____ Facsimile: 011 42 17 97 80
Attn: Fernando Urresta

Comerica Bank Mexico, S.A.

By: _____

Its: _____

ACKNOWLEDGEMENT

The undersigned are signatories to this Agreement in their capacity as Credit Parties and not as a Borrower. Each of the undersigned who also are Guarantors hereby: (i) acknowledge and consent to the execution, delivery and performance of this Agreement; (ii) confirm the truth and validity of the representations and warranties set forth herein, to the extent such representations and warranties pertain to the undersigned, respectively, and (iii) ratify and agree to perform the covenants and agreements set forth in this Agreement, to the extent such covenants and agreements specifically pertain to the undersigned, respectively.

GRUPO PILGRIM'S PRIDE FUNDING
PILGRIM'S PRIDE DE
HOLDING, S. de RL de C.V.

MEXICO, S.A. de C.V.

AVICOLA

By:
Its: Attorney-In-Fact

By:
Its: Attorney-In-Fact

By:
Its: Attorney-In-Fact

By:
Its: Attorney-In-Fact

Address: Same as Borrower

Address: Same as Borrower

PILGRIM'S PRIDE, S.A. de C.V.

PILGRIM'S PRIDE CORPORATION

By:
Its: Attorney-In-Fact

By:
Its:

By:
Its: Attorney-In-Fact

Address:
110 South Texas Street
Pittsburg, Texas 75686
Facsimile: 001 903 856 7505
Attn: Rick Cogdill

Address: Same as Borrower

EXHIBIT "A"
FORM OF LIBOR NOTE
[To be attached]

Exhibit B

EXHIBIT "B"
FORM OF FEDERAL FUNDS NOTE
[To be attached]

EXHIBIT "C"
FORM OF CETES NOTE
[To be attached]

EXHIBIT "D"

REQUEST FOR LOAN

Pursuant to the Revolving Credit Agreement dated as of _____, 2001 (herein called "Agreement"), the undersigned hereby requests COMERICA BANK and/or COMERICA BANK MEXICO, S.A. to make a _____-Based Loan to the undersigned on _____, _____, in the amount of _____ (_____) and the currency requested is _____. The LIBOR Interest Period for the requested Loan, if applicable, shall be _____ months.

The undersigned certifies that there exists no Default or Event of Default under the Agreement and none will exist upon the making of the Loan requested hereunder. The undersigned further certifies that upon advancing the sum requested hereunder, the aggregate amount of indebtedness (under the Agreement) will not exceed the Revolving Maximum (as defined in the Agreement) and with respect to a request for a Pesos Advance, the aggregate amount of Pesos Advances shall not exceed the Pesos Subfacility Maximum. If the aggregate amount of the indebtedness under the Agreement shall at any time exceed the Revolving Maximum and/or the Pesos Subfacility Maximum, the undersigned will pay such excess amount on demand.

The undersigned hereby authorizes said Bank to disburse the proceeds of this Request for Loan by crediting the account of the undersigned with Bank separately designated by the undersigned or as the undersigned may otherwise direct.

Dated this day of _____, 2001.

GRUPO PILGRIM'S PRIDE FUNDING, S. de RL de C.V.

By:

Its:

EXHIBIT "E"
FORM OF MORTGAGE
[To be attached]

EXHIBIT "F"

FORM OF CONTRATO DE PRENDA

[To be attached]

Schedule 4.4(A)

SCHEDULE 4.4(A)

FORM OF CERTIFICATE OF SECRETARY

I, _____, Secretary of [APPLICABLE CREDIT PARTY], a SOCIEDAD DE RESPONSABILIDAD LIMITADA DE CAPITAL VARIABLE duly organized and validly existing under the laws of the United Mexican States (the "Company"), hereby certify that:

1. Attached hereto as Exhibit A is a true, correct and complete copy of the estatutos sociales of the Company certified by a notary public;

2. Attached hereto as Exhibit B is a true, correct and complete copy of the powers of attorney of the Company certified by a notary public, and granted to persons acting on behalf of the Company in connection with the execution and delivery of the Loan Documents to which it is a party;

3. The persons named below are duly qualified and acting officers of the Company; that such Persons, acting together, have sufficient authority to sign, execute and deliver on behalf of the Company each of the Loan Documents; that each such Person has been duly elected to the indicated office; that set forth opposite each such Person's name is his or her true and genuine signature.

Name	Office	Signature
_____	_____	_____
_____	_____	_____

capitalized terms used, but not defined herein have the meanings ascribed to them in the Revolving Credit Agreement, dated as of _____, 2001, among GRUPO PILGRIM'S PRIDE FUNDING, S. de RL de C.V. and Comerica Bank.

IN WITNESS WHEREOF, I have hereunto signed by name.

By:
Name:
Title: Secretary

Dated: _____

I, _____, the duly elected, qualified and acting _____ of the Company, hereby certify that _____ is the duly, qualified and acting Secretary of the Company and that the signature appearing above is his true and genuine signature.

By:
Name:
Its:

Dated: _____, 2001

SCHEDULE 4.4(B)

FORM OF OFFICER'S CERTIFICATE

I, _____, hereby certify that I am the duly elected and authorized _____ of [APPLICABLE CREDIT PARTY], a SOCIEDAD DE RESPONSABILIDAD LIMITADA DE CAPITAL VARIABLE duly organized and validly existing under the laws of the United Mexican States (the "Company"), and pursuant to Section 4 of the Revolving Credit Agreement, dated as of _____, 2001 (the "Credit Agreement"), between GRUPO PILGRIM'S PRIDE FUNDING, S. de RL de C.V. and Comerica Bank, further certify as follows:

1. All representations and warranties of the Company contained in the Agreement are true and correct as of the date hereof.

2. No event has occurred and is continuing that constitutes an Event of Default (as defined in the Credit Agreement).

3. The Company has complied with all agreements and satisfied all conditions on its part to be performed or satisfied under the Credit Agreement at or prior to the Closing Date.

IN WITNESS WHEREOF, I have executed this certificate in the name and on behalf of the Company this _____ day of _____, 2001.

By:
Name:
Title:

SCHEDULE 4.7

Form of Opinion Letter

_____, 2001

Comerica Bank
Comerica Bank Mexico, S.A.,
Institucion de Banca Multiple
One Detroit Center
500 Woodward Avenue
Detroit, Michigan 48226

Re: Credit Agreement dated as of _____, 2001 between _____
(the "Borrower") and Comerica Bank and Comerica Bank Mexico, S.A.,
Institucion de Banca Multiple ("Lender")

Ladies and Gentlemen:

We have acted as counsel to (i) the Borrower, (ii) _____,
_____ (collectively, the "Guarantors") in connection with the
preparation, execution and delivery of (A) the Credit Agreement, (B) the
promissory note dated _____, 2001 (the "Note") made by the Borrower
in favor of Lender, (C) the Guarantee dated _____, 2001 (the
"Guarantee") made by each of the Guarantors in favor of the Lender, and (D)
the form of notes (collectively with the Note, the "Notes") which may be
delivered after the date hereof. The Credit Agreement, the Notes, the
Guarantee and such other documents executed in connection therewith are
sometimes collectively referred to herein as the "Credit Documents".
Unless otherwise defined herein, terms defined in the Credit Agreement are
used herein as therein defined.

This opinion is furnished to you pursuant to Section ____ of the
Credit Agreement.

In connection with the opinion expressed below, I have reviewed:

- (1) the Credit Documents;
- (2) forms of the Notes to be delivered after the date hereof; and
- (3) such other documents as I have deemed relevant or appropriate in
connection with the giving of this opinion.

I have assumed, without any independent investigation or verification
of any kind, (i) the due authorization, execution and delivery by the
Lender of the Credit Agreement; (ii) the validity, binding effect and
enforceability of the Credit Documents under the laws of the State of
Michigan, United States of America; (iii) the genuineness and authenticity
of all opinions, documents and papers submitted to me as well as the
signature contained therein; and (iv) that copies of all opinions,
documents and papers submitted to me are complete and conform to the
originals thereof.

I express no opinion as to any laws other than the laws of the United
Mexican States ("Mexico") and I have assumed that there is nothing in any
other law that affects my opinion which is delivered based upon Mexican law
applicable to the date hereof. In particular, I have made no independent
investigation of the laws of the United States of America or any state or
other political subdivision thereof or therein as a basis for the opinions
stated herein and do not express or imply any opinion on or based on such
laws.

Based upon the foregoing and subject to the further qualifications,
exceptions, assumptions and limitations stated herein, and upon such
investigations as I have deemed necessary, I am of the opinion that:

(a) The Borrower and each of the Guarantors is a corporation (sociedad
anonima de capital variable) duly organized and validly existing under the
laws of Mexico and has the corporate power and authority to enter into,
perform and comply with its obligations under the Credit Documents.

(b)The execution, delivery and performance by the Borrower and each of the Guarantors of the Credit Documents to which such Borrower or Guarantor is a party have been duly authorized by all necessary corporate action and do not violate any material contractual obligation, the Estatutos Sociales requirement of law or judgment, license or order, binding upon the Borrower or the Guarantors or result in the creation or imposition of any lien on any asset of the Borrower or the Guarantors other than the liens intended to be created by such Credit Documents.

(c)No authorization or approval, notice to or filing with, any Governmental Authority in Mexico is required for the execution, delivery and performance by the Borrower and each of the Guarantors of the Credit Documents except for such consents, approvals, authorizations, notices, filings or qualifications which have been obtained prior to the date hereof, for the validity or enforceability of the Credit Documents for the performance of their obligations thereunder.

(d)The Credit Documents have been duly executed and delivered by the Borrower and the Guarantors, as the case may be, and constitute valid and binding obligations of the Borrower and the Guarantors, as the case may be, enforceable against them in accordance with their respective terms, subject to the suspension of payments, bankruptcy, insolvency, liquidation, moratorium and other similar laws of general application relating to or affecting the rights generally.

(e)Neither the Borrower, the Guarantors, nor any of their respective property, has any immunity from the jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) under any applicable law in Mexico in respect of their obligations under the Credit Documents, as the case may be.

(f)There are no legal or governmental proceedings pending or, to the best of my knowledge, threatened to which the Borrower, the Guarantors or any of their respective subsidiaries are a party or of which any property of the Borrower, the Guarantors or any of their respective subsidiaries are the subject which, if determined adversely to the Borrower, the Guarantors or any of their respective subsidiaries, would individually or in the aggregate, have a Material Adverse Effect.

(g)It is not necessary under the laws of Mexico (i) in order to enable the Lender to enforce its rights under the Credit Documents or (ii) solely by reason of the execution, delivery or performance of the Credit Documents, that the Lender be licensed, qualified or entitled to carry on business in Mexico.

(h)Under currently existing Mexican law and regulations the Lender will not be deemed resident, domiciled, carrying on business or subject to taxation in Mexico, by reason solely of the execution, delivery, performance or enforcement of the Credit Documents, provided that the Lender does not have a permanent establishment in Mexico, for tax purposes, it being understood that the mere performing of its obligations under such Credit Documents would not result in the existence of such permanent establishment.

(i)Each Guarantor's obligations under the Guaranty rank and will under current law, rank at least pari passu in priority of payment and in all other respects with all its other present or future unsecured and unsubordinated Indebtedness, except for obligations preferred by mandatory provisions of law including, among others, labor claims, claims of tax authorities for unpaid taxes, duties, social security quotas, retirement funds quotas, and workers' housing funds quotas which have preference over claims arising from the Notes and other Credit Documents.

(j)There is no tax, impost, deduction or withholding imposed by Mexico or any political subdivision thereof on or by virtue of the execution, delivery, enforcement or performance of the Credit Documents, except for withholding taxes imposed on payments of interest and fees made under the Credit Agreement and the Notes by the Borrower to the Lender that is not a resident of Mexico for tax purposes, imposed under the Mexican Income Tax Law (Ley del Impuesto sobre la Renta).

(k)To endure the legality, validity, enforceability or admissibility in evidence of the Credit Documents in Mexico, it is not necessary that the Credit Documents or any other document be filed or recorded with any court or other Governmental Authority in Mexico.

(l)The choice of Michigan law as the governing law of the Agreement is a valid choice of law. The submission by the Borrower to the jurisdiction of the competent United States Federal District Court in the State of Michigan and to the jurisdiction of the courts of the State of Michigan is valid and binding on the Borrower and not subject to revocation.

(m)The Notes qualify as "Pagares" for the purposes of the Mexican General Law of Credit Instruments and Transactions ("ley General de Titulos y Operaciones de Credito") and may be enforced through executory proceedings.

(n)Any final judgment obtained against the Borrower or the Guarantors in any of the courts specified in the Credit Documents, in respect of any sum payable by the Borrower or the Guarantors under the Credit Documents would be recognized and enforced by the courts of Mexico without reexamination of the issues, pursuant to Articles 569 and 571 of the Mexican Federal Code of Civil Procedure ("Codigo Federal de Procedimientos Civiles") and Article 1347A of the Mexican Commerce Code ("Codigo de Comercio"), which provide, inter alia, that any judgment rendered outside Mexico may be enforced by Mexican courts, provided that:

(i)such judgment is obtained in compliance with legal requirements of the jurisdiction of the court rendering such judgment and in compliance with all legal requirements of the Agreement;

(ii)such judgment is strictly for the payment of a certain sum of money and has been rendered in a "in personam" action as opposed to an "in rem" action;

(iii)service of process was made personally on the Borrower or on the appropriate process agent (a court of Mexico would consider the service of process upon the duly appointed agent, by means of a notarial instrument, to be personal service of process meeting procedural requirements of Mexico), provided such service of process is personally made upon the process agent:

(iv)such judgment does not contravene Mexican law, public policy of Mexico, international treaties or agreements binding upon Mexico or generally accepted principles of international law;

(v)the applicable procedural requirements under the law of Mexico with respect to the enforcement of foreign judgments (including the issuance of letters rogatory by the competent authority of such jurisdiction and the certification of such judgment as authentic by the corresponding authorities of such jurisdiction in accordance with the laws thereof), are complied with;

(vi)such judgment is final in the jurisdiction where obtained;

(vii)the action in respect of which such judgment is rendered is not the subject matter of a lawsuit among the same parties, pending before a Mexican court; and

(viii)any such foreign courts would enforce final judgments issued by the federal or state courts of Mexico as a matter of reciprocity;

The opinion is subject to the following qualifications:

(a)Enforcement may be limited or affected by suspension of payments, bankruptcy, insolvency, liquidation, reorganization, moratorium and other similar laws of general application relating to or affecting the rights of creditors generally; also pursuant to the laws of Mexico, labor claims, claims of tax authorities for unpaid taxes, Social Security quotas, Workers' Housing Fund quotas and Retirement Fund quotas will have priority over claims of the Lender;

(b)I note that the payment of interest on interest is prohibited by Mexican law;

(c)In the event that proceedings are brought in Mexico seeking performance of the Borrower's obligations in Mexico, pursuant to Article 8 of the Mexican Monetary Law ("Ley Monetaria de los Estados Unidos Mexicanos"), the Borrower may discharge its obligations by paying any sums due in the currency other than Mexican currency, in Mexican currency at the rate of exchange fixed by Banco de Mexico in Mexico for the date when payment is made;

(d)In the event that any legal proceedings are brought in the courts of Mexico, a Spanish translation of the documents required in such proceedings prepared by a court-approved translator would have to be approved by the court after the defendant had been given an opportunity to be heard with respect to the accuracy of the translation, and proceedings would thereafter be based upon the translated documents.

This opinion is addressed to you solely for your benefit and it is not to be transmitted to anyone else nor is it to be relied upon by anyone else or for any other purpose or quoted, circulated, filed or referred to in any

public document or filed with anyone without my express written consent.

Very truly yours,

