

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 OCTOBER 2, 1999

Commission File number 1-9273

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

DELAWARE (State or other jurisdiction of incorporation or organization)	75-1285071 (I.R.S. Employer Identification No.)
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110 SOUTH TEXAS, PITTSBURG, TX (Address of principal executive offices)	75686-0093 (Zip code)
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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 22, 1999, was \$81,546,439 and \$29,796,834 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 22, 1999.

13,794,529 shares of the Registrant's Class A Common Stock, \$.01 par value, were outstanding as of November 22, 1999.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's proxy statement for the annual meeting of stockholders to be held February 2, 2000 are incorporated by reference into Part III.

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PART I

ITEM 1. BUSINESS

GENERAL

Pilgrim's Pride Corporation (referred to herein as "the Company", "we", "us", "our" and similar terms) is one of the largest producers of prepared and fresh chicken products in North America and has one of the best known brand names in the chicken industry. We are the fourth largest producer of chicken in the United States and the second largest in Mexico. Through vertical integration, we control the breeding, hatching and growing of chickens and the processing, preparation, packaging and sale of our product lines. Our U.S. operations, including U.S. produced chicken products sold for export to Canada, Mexico, Eastern Europe, the Far East and other world markets, accounted for 81.3% of our net sales in fiscal 1999. The remaining 18.7% of our net sales in fiscal 1999 arose from our Mexico operations. In fiscal 1999, we sold 1.8 billion pounds of dressed chicken and generated net sales of \$1.4 billion, net income of \$65.3 million and earnings before interest, taxes and depreciation ("EBITDA") of \$142.3 million.

Our objectives are to increase sales, profit margins and earnings and outpace the growth of the chicken industry. To achieve these goals, we plan to continue the following strategies:

- CAPITALIZE ON ATTRACTIVE U.S. PREPARED FOODS MARKET. We focus our U.S. growth initiatives on sales of prepared foods to the foodservice market because this market segment continues to be one of the fastest growing and most profitable segments in the chicken industry. Products sold to this market segment require further processing, which enables us to charge a premium for our products and also reduces the impact of feed ingredient costs on our profitability. Feed ingredient costs typically decrease from approximately 40-50% of total production cost for fresh chicken products to approximately 20-25% for prepared chicken products. Our sales of prepared food products to the foodservice market grew from \$241.6 million in fiscal 1995 to \$530.3 million in fiscal 1999, a compounded annual growth rate of 21.7%. In addition, these sales increased as a percentage of our total U.S. chicken revenues from 35.9% to 55.1% during the same five-year period.
- 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 where 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 \$141.7 million or 21.6% of our sales to foodservice customers in fiscal 1999 consisted of products which we did not sell in fiscal 1995.
- ENHANCE U.S. FRESH CHICKEN PROFITABILITY THROUGH VALUE-ADDED, BRANDED PRODUCTS. Our U.S. fresh chicken business is an important component of our business and grew from sales of \$279.4 million in fiscal 1995 to \$286.6 million in fiscal 1999. 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. A majority of our fresh chicken products are sold under the Pilgrim's Pride brand name, which is well known in many southwestern markets for quality and freshness.
- IMPROVE OPERATING EFFICIENCIES AND INCREASE CAPACITY ON A COST-EFFECTIVE BASIS. As production and sales have grown, we have continued to focus on improving operating efficiencies by investing in state-of-the-art technology, processes and training and continuing to implement a 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.

We also made cost-effective acquisitions both in the U.S. and Mexico and subsequently increased the capacity and improved the efficiency of the acquired properties. As a result, according to industry data, 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.

- CAPITALIZE ON 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 any exports of U.S. chicken to Mexico.

Our chicken products consist primarily of:

- (1) Prepared foods, which are foods such as portion-controlled breast fillets, tenderloins and strips, formed nuggets and patties 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.
- (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 parts and whole chicken, either refrigerated or frozen for U.S. export or domestic use. Our Mexico products primarily consist 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 chicken products are primarily sold to:

- (1) Foodservice customers, which are customers such as chain restaurants, frozen entree producers, institutions and distributors. We sell to our foodservice customers products ranging from portion-controlled refrigerated chicken parts to fully-cooked and frozen, breaded or non-breaded chicken parts or formed products.
- (2) Retail customers, which are customers such as grocery store chains, retail distributors and wholesale clubs. We sell to our retail customers branded, pre-packaged cut-up and whole chicken, and fresh refrigerated whole chickens and chicken parts in trays, bags or other consumer packs.

The following table sets forth, for the periods since fiscal 1995, net sales attributable to each of our primary product lines and markets served with those products. We based the table on our internal sales reports and their classification of product types and customers.

	FISCAL YEAR ENDED				
	Oct. 2, 1999	Sept. 26, 1998	Sept. 27, 1997	Sept. 28, 1996	Sept. 30, 1995
	(53 WEEKS)	(52 WEEKS)	(52 WEEKS)	(52 WEEKS)	(52 WEEKS)
(IN THOUSANDS)					
U.S. Chicken Sales:					
Prepared Foods:					
Food Service	\$ 530,340	\$ 420,396	\$ 348,961	\$ 305,250	\$ 241,594
Retail	28,254	46,400	42,289	43,442	39,071
Total Prepared Foods	558,594	466,796	391,250	348,692	280,665
Fresh Chicken:					
Food Service	125,395	145,297	174,103	145,377	140,433
Retail	161,180	162,283	153,554	141,876	138,950
Total Fresh Chicken	286,575	307,580	327,657	287,253	279,383
Export and Other	118,327	139,976	142,030	140,614	113,414
Total U.S. Chicken	963,496	914,352	860,937	776,559	673,462
Mexico	254,500	278,087	274,997	228,129	159,491
Total Chicken Sales	1,217,996	1,192,439	1,135,934	1,004,688	832,953
Sales of Other U.S. Products	139,407	139,106	141,715	134,622	98,853
Total Net Sales	\$1,357,403	\$1,331,545	\$1,277,649	\$1,139,310	\$931,806

UNITED STATES

The following table sets forth, since fiscal 1995, the percentage of our net U.S. chicken sales attributable to each of our primary product lines and 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				
	Oct. 2, 1999	Sept. 26, 1998	Sept. 27, 1997	Sept. 28, 1996	Sept. 30, 1995
U.S. Chicken Sales:					
Prepared Foods:					
Foodservice	55.1 %	46.0 %	40.5 %	39.3 %	35.9 %
Retail	2.9	5.1	4.9	5.6	5.8
Total Prepared Foods	58.0	51.1	45.4	44.9	41.7
Fresh Chicken:					
Foodservice	13.0	15.9	20.2	18.7	20.9
Retail	16.7	17.7	17.9	18.3	20.6
Total Fresh Chicken	29.7	33.6	38.1	37.0	41.5
Export and Other	12.3	15.3	16.5	18.1	16.8
Total U.S. Chicken Sales Mix	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %

PRODUCT TYPES

U.S. PREPARED FOODS OVERVIEW. During fiscal 1999, \$558.6 million of our net U.S. chicken sales were in prepared food products to foodservice and retail, as compared to \$280.7 million in fiscal 1995. These numbers reflect the strategic focus for our growth. The market for prepared food products has experienced, and we believe that this market will continue to experience, greater growth and higher margins than fresh chicken products. Also, the production and sale in the U.S. of prepared food products reduce the impact of the costs of feed ingredients on our profitability. Feed ingredient costs are the single largest component of our cost of goods sold, representing approximately 30.9% of our U.S. cost of goods sold in fiscal 1999. The production of feed ingredients is positively or negatively affected primarily by weather patterns throughout the world, the global level of supply inventories 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.

We establish prices for our prepared food 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.

U.S. FRESH CHICKEN OVERVIEW. Our fresh chicken business is an important component of our sales and has grown from sales of \$279.4 million in fiscal 1995 to \$286.6 million in fiscal 1999. 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 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 1999, approximately \$25.3 million of these sales were attributable to exports of U.S. chicken. These exports and other products have historically been characterized by lower prices and greater price volatility than our more value-added product lines.

MARKETS

U.S. 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, frozen entree producers, institutions and distributors located throughout the continental United States. We are a major supplier of chicken to Wendy's (TM) and KFC (TM), and in 1998 began selling chicken to Burger King (TM). 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. These regional chain restaurants often offer better margin opportunities and a growing base of business.

We believe we have significant competitive strengths in terms of product capability, production capacity, research and development expertise, distribution and marketing experience relative to smaller and to non-vertically integrated producers. As a result of these competitive strengths, our sales to the foodservice market from fiscal 1995 through fiscal 1999 grew at a compounded annual growth rate of 14.5% and represented 59.5% of the net sales of our U.S. operations in fiscal 1999. Based on industry data, we estimate that total industry dollar sales to the foodservice market grew at a compounded annual growth rate of 6.9% during the five calendar year period from 1994 to 1998. According to the FOOD INSTITUTE REPORT, food expenditures on "food-away-from-home" are estimated to increase by a 4.8% compounded annual growth rate from 1999 through 2010 as a result of the growth of quick service restaurants and the continuing trend of consumers spending money on food-away-from-home rather than "food-at-home". Food-away-from-home is projected by THE FOOD INSTITUTE REPORT to account for 53% of total food expenditures by 2010, as compared with 45% in 1998.

FOODSERVICE--PREPARED FOODS. The majority of our sales to the foodservice market consist of prepared food products. Prepared food sales to the foodservice market were \$530.3 million in fiscal 1999 compared to \$241.6 million in fiscal 1995, a compounded annual growth rate of approximately 21.7%. We attribute this growth in sales of prepared foods 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 foods 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 supplier to many large foodservice companies because:

- we are vertically integrated, giving us control over our supply of chicken and chicken parts;
- our further processing facilities are particularly well suited to the high volume production runs necessary to meet the capacity and quality requirements of the U.S. 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 \$141.7 million or 21.6% of our sales to foodservice customers in fiscal 1999 consisted of new products which were not sold by us in fiscal 1995.

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.

U.S. RETAIL. The U.S. retail market consists primarily of grocery store chains and retail distributors. We concentrate our efforts in this market on sales of branded, prepackaged cut-up and whole chicken to grocery chains and retail distributors in the midwestern, southwestern and western 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 within these markets.

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 in 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 in 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 foods primarily to grocery store chains located in the midwestern, southwestern and western regions of the U.S. Being a major, national competitor in retail, branded frozen foods is not a part of our current business strategy. After an absence of several years, we have again begun servicing the wholesale club industry. While traditionally this market segment has been characterized as a "high-volume, low-margin" business, with the recent acquisition of Hudson Foods by Tyson Foods, servicing this market segment has become more attractive. We believe that our growth in this market segment will remain relatively modest,

however, as we concentrate our efforts primarily on faster-growing, higher-margin market segments.

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. 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 recent years, we have de-emphasized our marketing of bulk-packaged chicken in the U.S. in favor of more value-added products and export opportunities. 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. Due to U.S. consumers' preference for a chicken's white meat, the U.S. chicken industry has traditionally targeted international markets to generate sales for a chicken's dark meat. We have also begun selling prepared food 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 for high-grade, low-cost protein sources increases. We also believe that worldwide demand for higher margin prepared food products will increase over the next five years. Accordingly, we believe we are well positioned to capitalize on such growth.

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 41 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 1999. We compete with other U.S. egg producers primarily on the basis of product quality, reliability, price and customer service. According to an industry publication, Pilgrim's Pride is the thirty-seventh largest producer of eggs in the United States.

In 1997, we introduced a high-nutrient egg called EggsPlus (TM). 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 (TM) has received national recognition for our progress in being an innovator in the "functional foods" category.

We also convert chicken by-products into protein products primarily for sale to manufacturers of pet foods. 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.

TOTAL QUALITY MANAGEMENT AND PRODUCTIVITY IMPROVEMENTS. Beginning in 1991, we implemented a total quality management program to increase the emphasis by all of our employees on maintaining the highest quality products and lowest cost production. The successful implementation of these initiatives for a company with a size of production base and the number of employees such as we have usually takes several years. As this new management culture has become more entrenched within Pilgrim's Pride, we have begun to experience significant gains resulting from these efforts. For example, cross-geographical business process teams have been formed and are producing significant gains in performance characteristics. The gains range from waste reductions to process yield improvements resulting in annualized cost savings in excess of \$25.0 million. Additionally, in fiscal 1999, centralizing purchasing and combining our purchasing power across company locations has successfully reduced the cost of procured materials by more than \$4.0 million. We have also employed new technology to consolidate administrative support activities such as accounts payable processing, treasury management and accounts receivable management. This consolidation has reduced the transaction costs of providing these services.

MEXICO

BACKGROUND

The Mexican market represented approximately 18.7% of our net sales in 1999. We entered the Mexican market in 1979 by seasonally selling eggs to the Mexican government. 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 1999, we made acquisitions and capital expenditures in Mexico totaling \$188.7 million to expand and improve these operations. 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. For example, we have increased our sales of live birds since 1994, as many smaller producers exited this segment of the business as a result of the recession in Mexico in 1995 and 1996.

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.

COMPETITION

The chicken industry is 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 companies.

In general, the competitive factors in the U.S. chicken industry include price, product quality, product development, brand identification, breadth of product line and customer service. Competitive factors vary by major market. In the foodservice market, competition is based on consistent quality, product development, service and price. In the 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 those tariffs are reduced, increased competition from chicken imported into Mexico from the U.S. may have a material adverse effect on the Mexican chicken industry in general, or on our Mexican operations in particular.

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 U.S.-produced chicken. 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

The chicken industry is subject to government regulation, particularly in the health and environmental areas, including provisions relating to the discharge of materials into the environment, by the Centers for Disease Control, the 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 Texas Natural Resources and Conservation Commission, the Arkansas State Veterinarian Office and the EPA concerning the disposal of chicken by-products and wastewater discharges. Although we do not anticipate any regulations having a material adverse effect upon us, we can give no assurance that such regulations will not have such a material adverse effect.

EMPLOYEES AND LABOR RELATIONS

As of November 23, 1999 we employed approximately 11,200 persons in the U.S. and 3,950 persons in Mexico. Approximately 2,000 employees at our Lufkin and Nacogdoches, Texas facilities are members of collective bargaining units represented by the United Food and Commercial Workers Union. None of our other U.S. employees have union representation. Collective bargaining agreements with the United Food and Commercial Workers Union expire on August 10, 2001 with respect to our Lufkin employees and on October 6, 2001 with respect to our Nacogdoches employees. We believe that the terms of each of these agreements 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 most employees in Mexico are. We have not experienced any work stoppage since a two-day work stoppage at our Lufkin facility in May 1993, and we believe our relations with our employees are satisfactory.

FORWARD-LOOKING STATEMENTS

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements made by (or on behalf of) the Company. Except for historical information contained herein, Management's Discussion and Analysis of Results of Operations and Financial Condition and statements included in Business elsewhere in this Form 10-K are forward-looking statements that are dependent upon a number of risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statement. These risks and uncertainties include changes in commodity prices of feed ingredients and chicken, the Company's substantial indebtedness, risks associated with the Company's foreign operations, including currency exchange rate fluctuations, trade barriers, exchange controls, expropriation and changes in laws and practices, the impact of current and future laws and regulations, the impact of the year 2000 and the other risks described in the Company's SEC filings. The Company does not intend to provide updated information about the matters referred to in these forward looking statements, other than in the context of Management's Discussion and Analysis of Results of Operations and Financial Condition and other disclosures in the Company's SEC filings.

DIRECTORS AND EXECUTIVE OFFICERS

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

EXECUTIVE OFFICERS OF THE COMPANY	AGE	POSITIONS
Lonnie "Bo" Pilgrim (1)	71	Chairman of the Board
Clifford E. Butler	57	Vice Chairman of the Board
David Van Hoose	58	Chief Executive Officer President Chief Operating Officer Director (Principal Executive Officer)
Richard A. Cogdill	39	Executive Vice President Chief Financial Officer Secretary and Treasurer Director (Principal Financial and Accounting Officer)
O.B. Goolsby, Jr.	52	Executive Vice President Prepared Foods Complexes
Robert L. Hendrix	63	Executive Vice President Growout and Processing
Michael J. Murray	41	Executive Vice President Sales and Marketing and Distribution
Randy P. Stroud	44	Executive Vice President Mexican Operations
Ray Gameson	51	Senior Vice President Human Resources
David Hand	42	Senior Vice President Sales and Marketing Retail and Fresh Products

Michael D. Martin	45	Senior Vice President Complex Manager DeQueen and Nashville Arkansas Complex
James J. Miner, Ph.D.	71	Senior Vice President Technical Services
Robert N. Palm	56	Senior Vice President Complex Manager Lufkin/Nacogdoches and Center Texas Complex
Lonnie Ken Pilgrim (1)	41	Senior Vice President Director of Transportation Director
CHARLES L. BLACK (1) (2)	70	DIRECTOR
ROBERT E. HILGENFELD (1) (2)	74	DIRECTOR
VANCE C. MILLER, SR. (1) (2)	65	DIRECTOR
JAMES G. VETTER, JR. (1) (2)	65	DIRECTOR
DONALD L. WASS, PH.D. (1) (2)	67	DIRECTOR

(1) MEMBER OF THE COMPENSATION COMMITTEE

(2) MEMBER OF THE AUDIT COMMITTEE

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

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

DAVID VAN HOOSE serves as Chief Executive Officer, President and Chief Operating Officer, (Principal Executive Officer) of Pilgrim's Pride. He became a Director in July 1998. He was named Chief Executive Officer and Chief Operating Officer in June 1998 and President in July 1998. He was previously President of Mexico Operations from April 1993 to June 1998 and Senior Vice President, Director General, Mexico Operations from August 1990 to April 1993. Mr. Van Hoose was employed by us in September 1988 as Senior Vice President, Texas Processing. Prior to that, Mr. Van Hoose was employed by Cargill, Inc., as General Manager of one of its chicken operations.

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

O.B. GOOLSBY, JR. has served as Executive Vice President, Prepared Foods Operations since June 1998. He was previously Senior Vice President, Prepared Foods Operations from August 1992 to June 1998 and Vice President, Prepared Foods Operations from April 1986 to August 1992 and was previously employed by us from November 1969 to January 1981.

ROBERT L. HENDRIX has been Executive Vice President, Grow-Out and Processing, of Pilgrim's Pride since March 1994. He was a Director from March 1994 to September 1998. Prior to that he served as Senior Vice President, NETEX Processing from August 1992 to March 1994 and as President and Chief of Complex Operations from September 1988 to March 1992. He was on leave from the Company from March 1992 to August 1992. From July 1983 to March 1992 he served as a Director. He was President and Chief Operating Officer of Pilgrim's Pride from July 1983 to September 1988. He joined us as Senior Vice President in September 1981 when Pilgrim's Pride acquired Mountaire Corporation of DeQueen, Arkansas, and, prior thereto, he was Vice President of Mountaire Corporation.

MICHAEL J. MURRAY has been Executive Vice President, Sales & Marketing and Distribution since June 1998. He previously served as Senior Vice President,

Sales & Marketing, Prepared Foods from October 1994 to June 1998 and as Vice President of Sales and Marketing, Food Service from August 1993 to October 1994. From 1990 to July 1993, he was employed by Cargill, Inc. Prior to that, from March 1987 to 1990 he was employed by us as a Vice President for sales and marketing and prior thereto, he was employed by Tyson Foods, Inc.

RANDY P. STROUD has served as Executive Vice President, Mexico Operations since August 1998. Previously he was Live Production Manager at the Lufkin, Texas Complex from May 1989 to August 1998 and as Breeder Department Manager from June 1985 to May 1989. Prior to that he was employed in various operating management positions by Plus-Tex Poultry, Inc., a Lufkin, Texas based company acquired by Pilgrim's Pride in June of 1985.

RAY GAMESON has been Senior Vice President, Human Resources since October 1994. He previously served as Vice President of Human Resources since August 1993. From December 1991 to July 1993, he was employed by Townsends, Inc. and served as Complex Human Resource, Manager. Prior to that, he was employed by us as Complex Human Resource, Manager, at our Mt. Pleasant, Texas location.

DAVID HAND has served as Senior Vice President of Sales and Marketing, Retail and Fresh Products since January 1998. Previously he was Vice President of Commodity and Export Sales from November 1996 to June 1998. Prior to that he was Director of Commodity and Export Sales from October 1992 to November 1996. He joined Pilgrim's Pride in June 1990 and was Export Sales Manager from June 1990 to October 1992. Prior to that he was President of Plantation Marketing and was with ConAgra from 1979 to 1986.

MICHAEL D. MARTIN has been Senior Vice President, DeQueen, Arkansas Complex Manager since April 1993. He previously served as Plant Manager at our Lufkin, Texas operations and Vice President, Processing, at our Mt. Pleasant, Texas, operations up to April 1993. He has served in various other operating management positions in the Arkansas Complex since September 1981. Prior to that, he was employed by Mountaire Corporation of DeQueen, Arkansas, until it was acquired by the Company in September 1981.

JAMES J. MINER, PH.D., has been Senior Vice President, Technical Services, since April 1994. He has been employed by Pilgrim's Pride and its predecessor partnership since 1966 and served as Senior Vice President responsible for live production and feed nutrition from 1968 to April 1994. He was a Director from the incorporation of the Company in 1968 through September 1998.

ROBERT N. PALM has been Senior Vice President, Lufkin, Nacogdoches and Center, Texas Complex since June 1985 and was previously employed in various operating management positions by Plus-Tex Poultry, Inc., a Lufkin, Texas based company acquired by Pilgrim's Pride in June 1985.

LONNIE KEN PILGRIM has been employed by the Company since 1977 and has been Senior Vice President, Transportation since August 1997. Prior to that he served as the Vice President, Director of Transportation. He has been a member of the Board of Directors since March 1985. He is a son of Lonnie "Bo" Pilgrim.

CHARLES L. BLACK was Senior Vice President, Branch President of NationsBank, Mt. Pleasant, Texas, from December 1981 to his retirement in February 1995. He previously was a Director of Pilgrim's Pride from 1968 to August 1992 and has served as a director since his re-election in February 1995.

ROBERT E. HILGENFELD was elected a Director in September 1986. Mr. Hilgenfeld was a Senior Vice President, Marketing/Processing for us from 1969 to 1972 and for seventeen years prior to that worked in various sales and management positions for the Quaker Oat Company. From 1972 until April 1986, he was employed by Church's Fried Chicken Company ("Church's") as Vice President-Purchasing Group, Vice President and Senior Vice President. He was elected a Director of Church's in 1985 and retired from Church's in April 1986. Since retirement he has served as a consultant to various companies including Pilgrim's Pride.

VANCE C. MILLER, SR. was elected a Director in September 1986. Mr. Miller has been Chairman of Vance C. Miller Interests, a real estate development company formed in 1977 and has served as the Chairman of the Board and Chief Executive Officer of Henry S. Miller Cos., a Dallas, Texas real estate services firm since 1991. Mr. Miller also serves as a director of Resurgence Properties, Inc.

JAMES G. VETTER, JR. has practiced law in Dallas, Texas since 1966. He is a shareholder of the Dallas law firm of Godwin, White & Gruber, P.C., (formerly Godwin & Carlton, P.C.) and has served as general counsel and a Director since 1981. Mr. Vetter is a Board Certified-Tax Law Specialist and serves as a lecturer and author in tax matters.

DONALD L. WASS, Ph.D. was elected a Director of the Company in May 1987. He has been President of the William Oncken Company of Texas, a time management consulting company, since 1970.

ITEM 2. PROPERTIES

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 19.0% of them are maintained on 41 company-owned breeder farms. In the U.S., we currently own or contract for approximately 10.4 million square feet of breeder housing on approximately 274 breeder farms. In Mexico, all of our breeder flocks are maintained on company-owned farms totaling approximately 3.5 million square feet.

We own seven hatcheries in the United States. These hatcheries are located in Nacogdoches, Center and Pittsburg, Texas, and DeQueen and Nashville, Arkansas, 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 seven hatcheries in the U.S. have an aggregate production capacity of approximately 10.2 million chicks per week. In Mexico, we own seven hatcheries, which have an aggregate production capacity of approximately 3.3 million chicks per week.

GROW-OUT

We place our U.S. grown chicks on contract grow-out farms located in Texas, Arkansas and Oklahoma, some of which are owned by our affiliates. These contract grow-out farms contain approximately 3,985 chicken houses with approximately 53.4 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 7.6% 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 844 chicken houses with approximately 10.9 million square feet of growing facilities. Additionally, we own and operate grow-out farms containing approximately 523 chicken houses with approximately 7.9 million square feet of growing facilities in Mexico, which account for approximately 42.0% of our total annual Mexican chicken capacity. Arrangements with independent farmers in Mexico are similar to our arrangements with contractors in the United States.

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 components of our total production costs. In the U.S., we operate seven feed mills located in Nacogdoches, Mt. Pleasant, Tenaha and Pittsburg, Texas and Nashville and Hope, Arkansas. In the U.S., we currently have annual feed requirements of approximately 2.4 million tons and the capacity to produce approximately 4.2 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 0.9 million tons. In fiscal 1999, approximately 26% 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. Our six 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, and DeQueen, Arkansas, have the capacity, under present USDA inspection procedures, to slaughter approximately 8.2 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 2.6 million head of chicken per week, assuming a six-day work week, which is typical in Mexico.

PREPARED FOODS PLANT

Our prepared foods plant in Mt. Pleasant, Texas was constructed in 1986 and has been expanded significantly since that time. This facility has

deboning lines, marination systems, batter/breading systems, fryers, ovens, both mechanical and cryogenic freezers, a variety of packaging systems and cold storage. This plant is currently operating at the equivalent of two shifts a day for six days a week. If necessary, we could add additional shifts during the seventh day of the week. We completed construction of a new prepared foods facility at our Dallas, Texas location during the first quarter of fiscal 1998. The Dallas, Texas facility is functionally equivalent to the Mt. Pleasant, Texas facility. During the first calendar quarter of 1999, we acquired a prepared foods plant in Waco, Texas from Plantation Foods, Inc. The Waco, Texas facility is functionally equivalent to the Mt. Pleasant and Dallas, Texas facilities.

EGG PRODUCTION

We produce table eggs at three farms near Pittsburg, Texas. One farm is owned by us, while two farms are operated under contract by 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 2.0 million hens.

OTHER FACILITIES AND INFORMATION

We operate a rendering plant located in Mt. Pleasant, Texas. The rendering plant currently processes by-products from approximately 8.9 million chickens weekly into protein products. These products are used in the manufacture of chicken and livestock feed and pet foods. We operate a commercial feed mill in Mt. Pleasant, Texas which produces various bulk and sacked livestock feed, which are sold to area dairies, ranches and farms. We also operate a feed supply store in Pittsburg, Texas, from which we sell various bulk and sacked livestock feed products, a majority of which is produced in our Mt. Pleasant commercial feed mill. We own an office building in Pittsburg, Texas, which houses our executive offices, and an office building in Mexico City, which houses our Mexican marketing offices.

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

ITEM 3. LEGAL PROCEEDINGS

From time to time we are named as a defendant or co-defendant in lawsuits arising in the course of our business. We do not believe that such pending lawsuits will have a material adverse impact on us.

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

Pilgrim's Pride Corporation held a Special Meeting of Shareholders on July 20, 1999. The meeting was held to amend the Company's Certificate of Incorporation to permit dividends of either Class A Common Stock or Class B Common Stock of the Company, as specified by the Board of Directors of the Company, to holders of the Company's Class B Common Stock. The number of shares represented at the meeting was 20,885,680 with 417,713,600 votes. The amendment was passed with 381,515,040 voting for the amendment, 36,149,000 voting against the amendment and 49,560 votes abstaining. The measure passed and the articles are now amended.

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 (as adjusted for the June 30, 1999 stock dividend referred to in Note F of the Consolidated Financial Statements) were:

QUARTER	Prices 1999		Prices 1998		DIVIDENDS	
	HIGH	LOW	HIGH	LOW	1999	1998
Class B Common Stock						
First	\$16 1/16	\$11 5/16	\$11 1/16	\$ 8 1/2	\$.01	\$.01
Second	15 7/8	10 9/16	10 9/16	7 3/16	.01	.01
Third	20	9 7/8	13 1/8	9 3/16	.01	.01
Fourth	16 5/16	6 1/4	16 1/16	12 3/16	.01	.01
Class A Common Stock						
First	N/A	N/A	N/A	N/A	N/A	N/A
Second	N/A	N/A	N/A	N/A	N/A	N/A
Third	N/A	N/A	N/A	N/A	N/A	N/A
Fourth(1)	\$14 3/4	\$ 4 5/8	N/A	N/A	N/A	N/A

- (1) On July 2, 1999, the Company's board of directors declared a dividend of one share of the Company's Class A common stock for every two shares of the Company's Class B common stock. The additional shares were issued on July 30, 1999. The prices listed above are adjusted to reflect such dividend. Please refer to Note F of the Consolidated Financial Statements for more information regarding the stock dividend.

The Company's Class B common stock (ticker symbol "CHX") and Class A common stock (ticker symbol "CHX.A") are traded on the New York Stock Exchange. The Company estimates there were approximately 13,400 and 12,800 holders (including individual participants in security position listings) of the Company's Class B and Class A common stock, respectively, as of November 22, 1999. 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

Selected Financial Data
Pilgrim's Pride Corporation

	(IN THOUSANDS, EXCEPT PER SHARE DATA)		TEN YEARS ENDED OCTOBER 2, 1999		
	1999(a)	1998	1997	1996	1995
Income Statement Data:					
Net sales	\$1,357,403	\$1,331,545	\$1,277,649	\$1,139,310	\$931,806
Gross margin	185,708	136,103	114,467	70,640	74,144
Operating income (loss)	109,504	77,256	63,894	21,504(b)	24,930(b)
Income (loss) before income taxes and extraordinary charge	90,904	56,522	43,824	47	2,091
Income tax expense (benefit) (c)	25,651	6,512	2,788	4,551	10,058
Income (loss) before extraordinary charge	65,253	50,010	41,036	(4,504)	(7,967)
Extraordinary charge - early repayment of debt, net of tax	--	--	--	(2,780)	--
Net income (loss)	65,253	50,010	41,036	(7,284)	(7,967)
Per Common Share Data: (d)					
Income (loss) before extraordinary charge	\$ 1.58	\$ 1.21	\$ 0.99	\$ (0.11)	\$ (0.19)
Extraordinary charge - early repayment of debt	--	--	--	(0.07)	--
Net income (loss)	1.58	1.21	0.99	(0.18)	(0.19)
Cash dividends	0.045	0.04	0.04	0.04	0.04
Book value	7.11	5.58	4.41	3.46	3.67
Balance Sheet Summary:					
Working capital	\$154,242	\$ 147,040	\$ 133,542	\$ 88,455	\$ 88,395
Total assets	655,762	601,439	579,124	536,722	497,604
Notes payable and current maturities of long-term debt	4,353	5,889	11,596	35,850	18,187
Long-term debt, less current maturities	183,753	199,784	224,743	198,334	182,988
Total stockholders' equity	294,259	230,871	182,516	143,135	152,074
Key Indicators (as a percentage of net sales):					
Gross Margin	13.7%	10.2%	9.0%	6.2%	8.0%
Selling, general and administrative expenses	5.6%	4.4%	4.0%	4.3%	5.3%
Operating income (loss)	8.1%	5.8%	5.0%	1.9%	2.7%
Interest expense, net	1.3%	1.5%	1.7%	1.9%	1.9%
Net income (loss)	4.8%	3.8%	3.2%	(0.6%)	(0.9%)

	(IN THOUSANDS, EXCEPT PER SHARE DATA)		TEN YEARS ENDED OCTOBER 2, 1999		
	1994	1993(a)	1992	1991	1990
Income Statement Data:					
Net Sales	\$922,609	\$887,843	\$817,361	\$786,651	\$720,555
Gross Margin	110,827	106,036	32,802	75,567	74,190
Operating income (loss)	59,698	56,345	(12,475)	31,039	33,379
Income (loss) before income taxes and extraordinary charge	42,448	32,838	(33,712)	12,235	20,463
Income tax expense (benefit) (c)	11,390	10,543	(4,048)	(59)	4,826
Income (loss) before extraordinary					

charge	31,058	22,295	(29,664)	12,294	15,637
Extraordinary charge- early repayment of debt, net of tax	--	(1,286)	--	--	--
Net income (loss)	31,058	21,009	(29,664)	12,294	15,637

Per Common Share Data (d)

Income (loss) before extraordinary charge	\$ 0.75	\$ 0.51	\$ (0.83)	\$ 0.36	\$ 0.46
Extraordinary charge- early repayment of debt, net of tax	--	(0.03)	--	--	--
Net income (loss)	0.75	0.51	(0.83)	0.36	0.46
Cash dividends	0.04	0.02	0.04	0.04	0.04
Book value	3.91	3.20	2.71	2.72	2.45

Balance Sheet Summary:

Working capital	\$ 99,724	\$ 72,688	\$ 11,227	\$ 44,882	\$ 54,161
Total assets	438,683	422,846	434,566	428,090	379,694
Notes payable and current maturities of long-term debt	4,493	25,643	86,424	44,756	30,351
Long-term debt, less current maturities	152,631	159,554	131,534	175,776	154,227
Total stockholders' equity	161,696	132,293	112,112	112,353	101,414

Key Indicators (as a percentage of net sales):

Gross margin	12.0%	11.9%	4.0%	9.6%	10.3%
Selling, general and administrative expenses	5.5%	5.6%	5.7%	5.7%	5.7%
Operating income (loss)	6.5%	6.3%	(1.6%)	3.9%	4.6%
Interest expense, net	2.1%	2.9%	2.8%	2.5%	2.3%
Net income (loss)	3.4%	2.4%	(3.6%)	1.6%	2.2%

- (a) Fiscal 1999 and 1993 had 53 weeks.
- (b) In addition to foreign exchange losses, the peso decline and the related economic recession in Mexico contributed significantly to the operating losses experienced by the Company's Mexico Operations of \$8.2 million and \$17.0 million for fiscal years 1996 and 1995, respectively.
- (c) The Company does not include income or losses from its Mexico Operations in its determination of taxable income for U.S. income tax purposes based upon its determination that such earnings will be indefinitely reinvested in Mexico. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note D of the Consolidated Financial Statements of the Company.
- (d) Historical per share amounts 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.

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

GENERAL

Profitability in the chicken industry can be materially affected by the commodity prices of chicken, chicken parts and feed ingredients. Those commodity prices are determined largely by supply and demand. As a result, the chicken industry as a whole has been characterized by cyclical earnings. These cyclical fluctuations in earnings of individual chicken companies 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 food products. Prepared food products generally have higher profit margins than our other products. Also, the production and sale in the U.S. of prepared food products reduces 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 30.9% of our cost of goods sold in 1999. The production of feed ingredients is positively or negatively affected primarily by weather patterns throughout the world, the global level of supply inventories 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 costs, thereby reducing their impact on our profitability.

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

	October 2, 1999	FISCAL YEAR ENDED	
	(53 weeks)	September 26, 1998 (52 weeks)	September 27, 1997 (52 weeks)
		(in thousands)	
Sales to unaffiliated customers:			
United States	\$1,102,903	\$1,053,458	\$1,002,652
Mexico	254,500	278,087	274,997
Total sales to unaffiliated customers	\$1,357,403	\$1,331,545	\$1,277,649
Operating income:			
United States	\$ 88,177	\$ 36,279	\$ 29,321
Mexico	21,327	40,977	34,573
Total operating income	\$ 109,504	\$ 77,256	\$ 63,894

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

	1999	1998	1997
Net sales	100.0 %	100.0 %	100.0 %
Cost of sales	86.3	89.8	91.0
Gross profit	13.7	10.2	9.0
Selling, general and administrative expense	5.6	4.4	4.0
Operating income	8.1	5.8	5.0
Interest expense, net	1.3	1.5	1.7
Income before income taxes	6.7	4.2	3.4
Net income	4.8	3.8	3.2

Results of Operations

FISCAL 1999 COMPARED TO FISCAL 1998:

Our accounting cycle resulted in 53 weeks of operations in fiscal 1999 compared to 52 weeks in fiscal 1998.

NET SALES. Consolidated net sales were \$1.36 billion for fiscal 1999, an increase of \$25.9 million, or 1.9% from fiscal 1998. The increase in consolidated net sales resulted from a \$49.1 million increase in U.S. chicken sales to \$963.5 million and by a \$0.4 million increase of sales of other U.S. products to \$139.4 million offset by a \$23.6 million decrease in Mexico chicken sales to \$254.5 million. The increase in U.S. chicken sales was primarily due to an 8.7% increase in dressed pounds produced and partially offset by a 3.0% decrease in total revenue per dressed pound. The decrease in Mexico chicken sales was primarily due to a 19.6% decrease in revenue per dressed pound partially offset by a 13.9% increase in dressed pounds sold.

COST OF SALES. Consolidated cost of sales was \$1.2 billion in fiscal 1999, a decrease of \$23.7 million, or 2.0% compared to fiscal 1998. The decrease resulted primarily from an \$18.4 million decrease in the cost of sales of U.S. operations and by a \$5.3 million decrease in the cost of sales in Mexico operations. The cost of sales decrease in U.S. operations of \$18.4 million was due primarily to a 22.1% decrease in feed ingredients cost per pound partially offset by an 8.7% increase in dressed pounds produced.

The \$5.3 million cost of sales decrease in Mexico operations was primarily due to a 15.4% decrease in feed ingredient costs per pound offset partially by a 13.9% increase in dressed pounds produced.

GROSS PROFIT. Gross profit was \$185.7 million for fiscal 1999, an

increase of \$49.6 million, or 36.5% over the same period last year. Gross profit as a percentage of sales increased to 13.7% in fiscal 1999 from 10.2% in fiscal 1998. The increased gross profit resulted primarily from lower feed ingredient costs per pound and higher production volumes.

Beginning in the fourth quarter of fiscal 1999, commodity chicken margins have been under pressure due, in part, to increased levels of chicken production in the U.S. and Mexico. To the extent that these trends continue, subsequent period's 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 \$76.2 million in fiscal 1999 and \$58.8 million in fiscal 1998. Consolidated selling, general and administrative expenses as a percentage of sales increased in fiscal 1999 to 5.6%, compared to 4.4% in fiscal 1998, due primarily to increased retirement and variable compensation costs which are dependent upon U.S. profits.

OPERATING INCOME. Consolidated operating income was \$109.5 million for fiscal 1999, an increase of \$32.2 million, or 41.7% when compared to fiscal 1998, resulting primarily from lower feed ingredient costs per pound and higher production volumes.

INTEREST EXPENSE. Consolidated net interest expense decreased 12.4% to \$17.7 million in fiscal 1999, when compared to \$20.2 million for fiscal 1998, due to lower average outstanding debt levels.

MISCELLANEOUS, NET. Consolidated miscellaneous, net, a component of Other Expenses (Income), was \$1.0 million in fiscal 1999, a \$2.7 million decrease when compared to (\$1.7) for fiscal 1998 due primarily to losses on disposal of assets.

INCOME TAX EXPENSE. Consolidated income tax expense in fiscal 1999 increased to \$25.7 million compared to an expense of \$6.5 million in fiscal 1998. This increase resulted from higher U.S. earnings in fiscal 1999 than in fiscal 1998.

FISCAL 1998 COMPARED TO FISCAL 1997:

NET SALES. Consolidated net sales were \$1.33 billion for fiscal 1998, an increase of \$53.9 million, or 4.2% over fiscal 1997. The increase in consolidated net sales resulted from a \$53.4 million increase in U.S. chicken sales to \$914.4 million and a \$3.1 million increase in Mexican chicken sales to \$278.1 million offset by a \$2.6 million decrease of sales of other U.S. products to \$139.1 million. The increase in U.S. chicken sales was due primarily to a 3.9% increase in dressed pounds produced resulting primarily from the Company's expansion of existing facilities and the purchase of poultry assets capable of producing 650,000 chickens per week from Green Acre Foods, Inc., on April 15, 1997, and by a 2.3% increase in total revenue per dressed pound produced. The increase in Mexico chicken sales was due primarily to a 6.5% increase in total revenue per dressed pound offset partially by a 5.0% decrease in dressed pounds produced. Increased revenues per dressed pound produced in Mexico were primarily the result of higher sales prices as well as generally improved economic conditions in Mexico compared to the previous year.

COST OF SALES. Consolidated cost of sales was \$1.2 billion in fiscal 1998, an increase of \$32.3 million, or 2.8% over fiscal 1997. The increase resulted primarily from a \$37.4 million increase in cost of sales of U.S. operations, offset by a \$5.1 million decrease in the cost of sales in Mexico operations. The cost of sales increase in U.S. operations of \$37.4 million was due to a 3.9% increase in dressed pounds produced and increased production of higher cost and margin products in prepared foods, offset by a 16.5% decrease in the cost of feed ingredient purchases per pound during the period. The \$5.1 million cost of sales decrease in Mexico operations was due primarily to a 5.0% decrease in dressed pounds produced partially offset by a 2.9% increase in average costs of sales per dressed pound produced.

GROSS PROFIT. Gross profit was \$136.1 million for fiscal 1998, an increase of \$21.6 million, or 18.9% over the same period last year. Gross profit as a percentage of sales increased to 10.2% in fiscal 1998 from 9.0% in fiscal 1997. The increased gross profit resulted from higher margins for poultry products in the U.S. and Mexico.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Consolidated selling, general and administrative expenses were \$58.8 million in fiscal 1998 and \$50.6 million in fiscal 1997. Consolidated selling, general and administrative expenses as a percentage of sales increased in fiscal 1998 to 4.4% compared to 4.0% in fiscal 1997 due primarily to higher administration costs.

OPERATING INCOME. Consolidated operating income was \$77.3 million for fiscal 1998, an increase of \$13.4 million, or 20.9% when compared to fiscal 1997, resulting primarily from higher margins experienced in the U.S. and Mexico operations.

INTEREST EXPENSE. Consolidated net interest expense decreased 8.7% to \$20.2 million in fiscal 1998, compared to \$22.1 million for fiscal 1997, due to lower outstanding debt levels.

MISCELLANEOUS, NET. Consolidated miscellaneous, net, a component of Other Expenses (Income), was (\$1.7) million in fiscal 1998, a \$0.7 million, or a 30.4% decrease when compared to (\$2.4) million for fiscal 1997. Consolidated miscellaneous, net in fiscal 1997 included a \$2.2 million final settlement of claims resulting from the January 8, 1992, fire at our prepared foods plant in Mt. Pleasant, Texas.

INCOME TAX EXPENSE. Consolidated income tax expense in fiscal 1998 increased to \$6.5 million compared to an expense of \$2.8 million in fiscal 1997. This increase resulted from higher U.S. earnings in fiscal 1998 than in fiscal 1997. While Mexico earnings were also higher in fiscal 1998 than in fiscal 1997, Mexico earnings are not currently subject to income taxes.

LIQUIDITY AND CAPITAL RESOURCES

The Company maintains \$70 million in revolving credit facilities and \$30 million in secured-term borrowing facilities. The credit facilities provide for interest at rates ranging from LIBOR plus one and three-eighths percent to LIBOR plus one and three-quarters percent and are secured by inventory and fixed assets or are unsecured. As of November 23, 1999, \$63.2 million was available under the revolving credit facilities and \$28.3 million was available under the term borrowing facilities.

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. We may draw from these proceeds over the construction period for our 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. Any amounts we do not borrow by June 2002 will not be available to us. The amounts we do borrow will be reflected as debt when we receive them from the Camp County Industrial Development Corporation. It is expected that the reflection of the bonds as debt on our books will occur before June 2002. The interest rates on amounts borrowed will closely follow the tax-exempt commercial paper rates.

On June 26, 1998 the Company entered into an asset sale agreement to sell up to \$60 million of accounts receivable. Under this agreement, we sell, on a revolving basis, certain of our trade receivables to a special purpose corporation, wholly owned by the Company, which in turn may sell a percentage ownership interest to third parties. As of October 2, 1999, no sold trade receivables were outstanding and the entire facility was available for sales of qualifying receivables.

At October 2, 1999, the Company's working capital increased to \$154.2 million and our current ratio was 2.24 to 1 compared with working capital of \$147.0 million and a current ratio of 2.32 to 1 at September 26, 1998. Strong profits were primarily responsible for the increases in working capital.

Trade accounts and other receivables were \$84.4 million at October 2, 1999, compared to \$81.8 million at September 26, 1998. The 3.1% increase was primarily due to an increase in sales of prepared food products, which normally have longer credit terms than fresh chicken sales.

Inventories were \$168.0 million at October 2, 1999, compared to \$141.7 million at September 26, 1998. The \$26.4 million, or 18.6%, increase in inventories between September 26, 1998 and October 2, 1999 was due primarily to the continuing shift in the sales mix toward prepared foods, which requires a higher level of inventory relative to sales as well as increased production levels in both the U.S. and Mexico.

Accounts payable were \$81.6 million at October 2, 1999, compared to \$70.1 million at September 26, 1998. The 16.4% increase in accounts payable between September 26, 1998 and October 2, 1999 was due primarily to higher levels of purchases needed to support the increased production levels in both U.S. and Mexico.

Capital expenditures of \$69.6 million, \$53.5 million and \$50.2 million for fiscal years 1999, 1998 and 1997, respectively, were primarily incurred to acquire and expand certain facilities, improve efficiencies, reduce costs and for the routine replacement of equipment. We have budgeted an aggregate of approximately \$100.0 million for capital expenditures in each of fiscal years 2000, 2001 and 2002, primarily to increase capacity through either building or acquiring new facilities, to improve efficiencies and for the routine replacement of equipment. However, actual levels of capital expenditures in any fiscal year may be greater or less than those budgeted. We expect to finance such expenditures with available operating cash flows and long-term financing.

Cash flows provided by operating activities were \$81.5 million, \$85.0 million and \$49.6 million in fiscal 1999, 1998 and 1997, respectively. The decrease in cash flows provided by operating activities for fiscal 1999, when compared to fiscal 1998, was due primarily to increased inventory levels offset by increases in payables and accrued expenses. The significant increase in cash flows provided by operating activities for fiscal 1998, when compared to fiscal 1997 was due primarily to increased net income, a reduction of inventory levels and a substantially smaller increase in accounts receivable for fiscal 1998, when compared to fiscal 1997.

Cash flows provided by (used in) financing activities were (\$19.6) million, (\$32.5) million and \$0.3 million for fiscal years 1999, 1998 and 1997, respectively. The cash provided by (used in) financing activities primarily reflects the net proceeds (payments) from notes payable and long-term financing and debt retirements.

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 management may take to mitigate its exposure to such changes. Actual results may differ.

FEED INGREDIENTS. The Company is a purchaser of certain commodities,

primarily corn and soybean meal. As a result, the Company's earnings are affected by changes in the price and availability of such feed ingredients. As market conditions dictate, the Company from time to time will lock-in future feed ingredient prices using various hedging techniques, including forward purchase agreements with suppliers and futures contracts. The Company does not use such financial instruments for trading purposes and is not a party to any leverage derivatives. Market risk is estimated as a hypothetical 10% increase in the weighted-average cost of the Company's primary feed ingredients as of October 2, 1999. Based on projected 2000 feed consumption, such an increase would result in an increase to cost of sales of approximately \$26.6 million in fiscal 2000 after considering the effect of forward purchase commitments and future contracts outstanding as of October 2, 1999. As of October 2, 1999, the Company had hedged none of its fiscal 2000 feed requirements but had entered into forward purchase contracts for 12.7% of its fiscal 2000 feed ingredient requirements.

FOREIGN CURRENCY. The Company's earnings are affected by foreign exchange rate fluctuations related to the Mexican peso net monetary position of its Mexico subsidiaries. The Company primarily manages this exposure by attempting to minimize its Mexican peso net monetary position, but has also from time to time considered executing hedges to help minimize this exposure. However, such instruments have historically not been economically feasible. The Company is also exposed to the effect of potential exchange rate fluctuations to the extent that amounts are repatriated from Mexico to the United States. However, the Company currently anticipates that the cash flows of its Mexico subsidiaries will continue to be reinvested in its Mexico operations. In addition, the Mexican peso exchange rate can directly and indirectly impact the Company's results of operations and financial position in several manners, including potential economic recession in Mexico resulting from a devalued peso. The impact on the Company's 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 the Company's Mexico subsidiaries, were a gain of \$0.1 million in fiscal 1999 and a loss of \$2.3 million and \$0.4 million for fiscal 1998 and 1997, respectively. On November 10, 1999, the Mexican peso closed at 9.39 to 1 U.S. dollar, a decrease from 9.41 at October 2, 1999. No assurance can be given as to the future movements in the peso that could affect future earnings of the Company.

INTEREST RATES. The Company's earnings are also affected by changes in interest rates due to the impact those changes have on its variable-rate debt instruments. The Company has variable-rate debt instruments representing approximately 10.5% of its long-term debt at October 2, 1999. If interest rates average 25 basis points more in fiscal 2000 than they did during fiscal 1999, the Company's interest expense would be increased by \$79,374. These amounts are determined by considering the impact of the hypothetical interest rates on the Company's variable-rate long-term debt at October 2, 1999.

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 \$1.5 million, using discounted cash flow analysis.

NEW ACCOUNTING PRONOUNCEMENTS

ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES. In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS 133), which is required to be adopted by the Company in fiscal years beginning after October 1, 2000. SFAS 133 permits early adoption as of the beginning of any fiscal quarter after its issuance. SFAS 133 will require the Company to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. 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 until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings. The Company is currently evaluating the impact of SFAS 133; however, it is not expected to have a material adverse impact on the Company's financial condition or results of operations.

IMPACT OF YEAR 2000

The Year 2000 issue is the result of computer programs being written using two digits rather than four to define the applicable year. Any of the Company's computer programs that have date-sensitive software may recognize a date using "00" as the year 1900 rather than the Year 2000. This could result in a system failure or miscalculations causing disruptions of operations,

including among other things, a temporary inability to process transactions, send invoices or engage in similar normal business activities.

The Company began assessment of its future business system requirements in 1996. As a part of the Company's review, it determined that it would be required to modify or replace portions of its software and hardware so that its computer systems will function properly with respect to dates in the Year 2000 and thereafter.

To date, the Company has tested the identified systems and updated those systems in the U.S., including the software and hardware components deemed necessary to ensure the uninterrupted fulfillment of the Company's core business processes as they relate to the timely, accurate and quality production and delivery of our products to our customers, the processing of accounting information, and the associated processing and reporting of information as required by our business partners, banks and government agencies. The Company has updated its core systems in Mexico. The Company presently believes that with these modifications and replacements, the Year 2000 issue will not pose significant operational problems for its computer systems.

The Company has reviewed Year 2000 disclosures of the packaged software applications it uses to ensure Year 2000 readiness. The suppliers of these software products have provided approaches for the Company to ensure compliance of core software, either through program options, upgrades or new products. These solutions have been implemented and are operational.

The Company regularly upgrades and replaces hardware platforms such as database and application servers as well as its telephone systems. The Company currently believes that all of its servers are Year 2000 ready and 100% of our core personal computers are Year 2000 compliant. There are 35 core telephone switching systems, all of which the Company believes are Year 2000 ready.

The embedded technology in the production environment, such as programmable logic controllers, computer-controlled valves and other equipment, has been inventoried and all issues identified have been resolved. Based on current evidence, the Company believes there will be no significant exposure with regard to its production equipment.

Systems assessments and minor system modifications were completed using existing internal resources and, as a result, incremental costs were minimal. System replacement, consisting primarily of capital projects, were initiated for other business purposes while at the same time achieving Year 2000 compliance. System replacement projects were completed primarily using external resources. The total cost of the Year 2000 project is not expected to have a material adverse effect on the Company's results of operations.

Additionally, the Company has initiated communications with all of its significant suppliers and certain large customers to determine the extent to which the Company's interface systems are vulnerable to those third parties' failure to remediate their own Year 2000 issues. To date the significant suppliers, such as fuel, electrical, water, rail, grain and container, have responded favorably. Other key vendor and customer assessments are 98% complete with favorable responses. The Company believes it has no significant exposure from the remaining vendors or customers that have not responded. However, there can be no assurance that the systems of other parties upon which the Company relies will be converted on a timely basis. The Company's business, financial condition or results of operations could be materially adversely impacted by the failure of its systems and applications or those operated by others to properly operate or manage dates beyond 1999.

The Company has instituted a two-fold approach to contingency planning; technical and business continuity. The technical contingency planning took place in conjunction with the implementation of the Company's new information systems in the U.S., and will continue through the end of 1999 picking up the non-core hardware and support technology in both the U.S. and Mexico. Business contingency planning is currently underway and the Company will establish contingency plans, if needed, based on supplier evaluation and assessment of risk.

The Company believes that its initiatives and its existing business recovery plans are adequate to reasonably address likely Year 2000 issues; if unforeseen circumstances arise, the Company will attempt to develop contingency plans for these situations.

IMPACT OF INFLATION

Due to moderate inflation in the U.S. and the Company's 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 schedules are included on pages 44 through 55 of this document. Financial statement schedules other than those included herein have been omitted because the required information is contained in the consolidated financial statements or related notes, or such information is not applicable.

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

NOT APPLICABLE

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF REGISTRANT

Reference is made to "Election of Directors" on pages 3 through 5 of Registrant's Proxy Statement for its 2000 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 Registrant's Proxy Statement for its 2000 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 Registrant's Proxy Statement for its 2000 Annual Meeting of Stockholders.

PART IV

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

(a)(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 Securities and Exchange Commission 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 53.

(4) Exhibits

(b) The Company filed a Form 8-K dated July 20, 1999, to report the amending of the Articles of Incorporation to permit dividends of either of its Class A Common Stock or Class B Common Stock to holders of its Class B Common Stock.

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).

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).

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).
- 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).*

12 Ratio of Earnings to Fixed Charges for the years ended October 2, 1999, September 26, 1998, September 27, 1997, September 28, 1996 and September 30, 1995.

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 issuer has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on the 24th day of November 1999.

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
<u>/s/ Lonnie "Bo" Pilgrim</u> Lonnie "Bo" Pilgrim	Chairman of the Board	11/24/99
<u>/s/ Clifford E. Butler</u> Clifford E. Butler	Vice Chairman of the Board	11/24/99
<u>/s/ David Van Hoose</u> David Van Hoose	Chief Executive Officer President Chief Operating Officer Director (Principal Executive Officer)	11/24/99
<u>/s/ Richard A. Cogdill</u> Richard A. Cogdill	Executive Vice President Chief Financial Officer Secretary and Treasurer Director (Principal Financial and Accounting Officer)	11/24/99
<u>/s/ Lonnie Ken Pilgrim</u> Lonnie Ken Pilgrim	Senior Vice President Director of Transportation Director	11/24/99
<u>Charles L. Black</u>	Director	11/24/99
<u>Robert E. Hilgenfeld</u>	Director	11/24/99
<u>Vance C. Miller, Sr.</u>	Director	11/24/99
<u>James J. Vetter, Jr.</u>	Director	11/24/99
<u>Donald L. Wass, Ph.D.</u>	Director	11/24/99

REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS
Pilgrim's Pride Corporation

Stockholders and Board of Directors
Pilgrim's Pride Corporation

We have audited the accompanying consolidated balance sheets of Pilgrim's Pride Corporation and subsidiaries as of October 2, 1999, and September 26, 1998, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended October 2, 1999. Our audits also included the financial statements 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 schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 October 2, 1999, and September 26, 1998, and the consolidated results of its operations and its cash flows for each of the three years in the period ended October 2, 1999, in conformity with generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements, taken as a whole, presents fairly in all material respects the information set forth therein.

ERNST & YOUNG LLP

Dallas, Texas
November 2, 1999

Consolidated Balance Sheets
Pilgrim's Pride Corporation

(IN THOUSANDS)

TWO YEARS ENDED OCTOBER 2, 1999
1999 1998

Assets		
Current Assets:		
Cash and cash equivalents	\$ 15,703	\$ 25,125
Trade accounts and other receivables, less allowance for doubtful accounts	84,368	81,813
Inventories	168,035	141,684
Deferred income taxes	6,913	7,010
Prepaid expenses and other current assets	3,376	2,902
Total Current Assets	278,395	258,534
Other Assets	13,632	11,757
Property, Plant and Equipment:		
Land	26,177	26,404
Buildings, machinery and equipment	514,984	470,763
Autos and trucks	38,479	35,547
Construction-in-progress	42,694	29,385
	622,334	562,099
Less accumulated depreciation	258,599	230,951
	363,735	331,148
	\$655,762	\$601,439
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable	\$ 81,587	\$ 70,069
Accrued expenses	38,213	35,536
Current maturities of long-term debt	4,353	5,889
Total Current Liabilities	124,153	111,494
Long-Term Debt, Less Current Maturities	183,753	199,784
Deferred Income Taxes	52,708	58,401
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; 1999 - 13,794,529 shares issued and outstanding; 1998 - no shares issued or outstanding	138	--
Common stock -- Class B, \$.01 par value, authorized 60,000,000 shares; 1999 and 1998 - 27,589,250 issued and outstanding	276	276
Additional paid-in capital	79,625	79,763
Retained earnings	214,220	150,832
Total Stockholders' Equity	294,259	230,871
	\$655,762	\$601,439

See Notes to Consolidated Financial Statements

Consolidated Statements of Income
Pilgrim's Pride Corporation

	THREE YEARS ENDED OCTOBER 2,		
	1999	1998	1997
(IN THOUSANDS, EXCEPT PER SHARE DATA)			
Net Sales	\$1,357,403	\$1,331,545	\$1,277,649
Cost and Expenses:			
Cost of sales	1,171,695	1,195,442	1,163,152
Selling, general and administrative	76,204	58,847	50,603
	1,247,899	1,254,289	1,213,755
Operating Income	109,504	77,256	63,894
Other Expenses (Income):			
Interest expense, net	17,666	20,148	22,075
Foreign exchange (gain) loss	(50)	2,284	434
Miscellaneous, net	984	(1,698)	(2,439)
	18,600	20,734	20,070
Income Before Income Taxes	90,904	56,522	43,824
Income Tax Expense	25,651	6,512	2,788
Net Income	\$ 65,253	\$ 50,010	\$ 41,036
Net Income per Common Share-Basic and Diluted	\$ 1.58	\$ 1.21	\$ 0.99

See Notes to Consolidated Financial Statements

Consolidated Statements of Stockholders' Equity
Pilgrim's Pride Corporation

(IN THOUSANDS, EXCEPT PER SHARE DATA)

	SHARES OF CLASS A	COMMON STOCK CLASS B	TOTAL PAR VALUE	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	TOTAL
Balance at September 28, 1996	--	27,589,250	\$276	\$79,763	\$63,096	\$143,135
Net income for year					41,036	41,036
Cash dividends declared (\$.04 per share)					(1,655)	(1,655)
Balance at September 27, 1997	--	27,589,250	276	79,763	102,477	182,516
Net income for year					50,010	50,010
Cash dividends declared (\$.04 per share)					(1,655)	(1,655)
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 (\$.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

See notes to Consolidated Financial Statements

Consolidated Statements of Cash Flows
Pilgrim's Pride Corporation

(IN THOUSANDS)	THREE YEARS ENDED OCTOBER 2, 1999		
	1999	1998	1997
Cash Flows From Operating Activities:			
Net income	\$65,253	\$50,010	\$41,036
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	34,536	32,591	29,796
Loss on property disposals	2,668	132	874
Provisions for doubtful accounts	1,122	409	(60)
Deferred income taxes	(5,595)	571	2,613
Changes in operating assets and liabilities:			
Accounts and other receivables	(3,677)	(4,255)	(15,213)
Inventories	(26,351)	4,496	(9,314)
Prepaid expenses and other current assets	(474)	(246)	(999)
Accounts payable and accrued expenses	14,195	996	1,056
Other	(225)	312	(174)
Cash Provided by Operating Activities	81,452	85,016	49,615
Investing Activities:			
Acquisitions of property, plant and equipment	(69,649)	(53,518)	(50,231)
Proceeds from property disposals	1,178	5,629	3,853
Other, net	(2,822)	595	(1,291)
Cash Used in Investing Activities	(71,293)	(47,294)	(47,669)
Financing Activities:			
Proceeds from notes payable to banks	24,500	35,500	68,500
Repayments on notes payable to banks	(24,500)	(35,500)	(95,500)
Proceeds from long-term debt	15,258	21,125	39,030
Payments on long-term debt	(33,029)	(51,968)	(10,027)
Cash dividends paid	(1,865)	(1,655)	(1,655)
Cash Provided by (Used in) Financing Activities	(19,634)	(32,498)	348
Effect of exchange rate changes on cash and cash equivalents	53	(437)	4
(Decrease) increase in cash and cash equivalents	(9,422)	4,787	2,298
Cash and cash equivalents at beginning of year	25,125	20,338	18,040
Cash and Cash Equivalents at End of Year	\$15,703	\$25,125	\$20,338
Supplemental Disclosure Information:			
Cash paid during the year for:			
Interest (net of amount capitalized)	\$18,130	\$20,979	\$22,026
Income taxes	\$31,835	\$ 4,543	\$ 2,021

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements
Pilgrim's Pride Corporation

Note A

Business and Summary of Significant Accounting Policies:

Pilgrim's Pride Corporation (referred to herein as "the Company", "we", "us", "our" and similar terms) is a vertically integrated producer of chicken products, controlling the breeding, hatching and growing of chickens, and the processing, preparation and packaging of its product lines. The Company is the fourth-largest producer of chicken in the United States, with production and distribution facilities located in Texas, Arkansas, Oklahoma and Arizona, and is one of the two largest producers of chicken in Mexico, with production and distribution facilities located in Mexico City and the states of Coahuila, San Luis Potosi, Queretaro and Hidalgo. The Company's chicken products consist primarily of prepared foods, which include portion-controlled breast fillets, tenderloins and strips, formed nuggets and patties, bone-in chicken parts, fresh foodservice chicken, pre-packaged chicken and bulk packaged chicken.

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 1998 and 1997 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 components of "Other Expenses (Income)" in the Consolidated Statement of Income.

Cash Equivalents:

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

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 \$4.7 million and \$3.7 million at October 2, 1999, and September 26, 1998, respectively.

Inventories:

Live chicken inventories are stated at the lower of cost or market and breeder hens at the lower of cost, less accumulated amortization, or market. The costs associated with breeder hens are accumulated up to the production stage and amortized over the productive lives using the unit-of-production method. Finished chicken 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 to cease to have a high correlation to the price changes of the feed ingredients being hedged.

Property, Plant and Equipment:

Property, plant and equipment is stated at cost. For financial reporting purposes, depreciation is computed using the straight-line method over the estimated useful lives of these assets. Depreciation expense was \$33.4 million, \$31.5 million and \$28.7 million in 1999, 1998 and 1997, respectively.

Net Income (Loss) Per Common Share:

Net income (loss) 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 was 41,383,779 as adjusted 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.

Note B

Inventories:

Inventories consist of the following:

(IN THOUSANDS)

	1999	1998
Live chicken and hens	\$ 68,116	\$ 61,295
Feed, eggs and other	48,021	46,199
Finished chicken products	51,898	34,190
	\$168,035	\$141,684

Note C

Notes Payable and Long-Term Debt:

The Company maintains \$70 million in revolving credit facilities and \$30 million in secured term borrowing facilities. The credit facilities provide for interest at rates ranging from LIBOR plus one and three-eighths percent to LIBOR plus one and three quarters percent and are secured by inventory and fixed assets or are unsecured. At October 2, 1999, \$64.8 million was available under the revolving credit facilities and \$28.3 million was available under the term borrowing facilities. Annual maturities of long-term debt for the five years subsequent to October 2, 1999 are: 2000 -- \$4.4 million; 2001 -- \$9.0 million; 2002 -- \$9.3 million; 2003 -- \$109.9 million and 2004 -- \$5.6 million.

On March 30, 1999, the Company borrowed \$15 million on a pre-existing secured term borrowing facility, the proceeds of which were used primarily to acquire additional production facilities.

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 and any amounts not borrowed by June 2002 will not be available. All amounts borrowed from these funds will be due in 2029 and will be reflected as debt when received. The interest rates on amounts borrowed will closely follow the tax-exempt commercial paper rates.

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.

Total interest was \$20.8 million, \$23.2 million and \$23.4 million in 1999, 1998 and 1997, respectively. Interest related to new construction capitalized in 1999, 1998 and 1997 was \$2.0 million, \$1.7 million and \$0.5 million, respectively.

The fair value of long-term debt, at October 2, 1999, and September 26, 1998, based upon quoted market prices for the same or similar issues where available or by using discounted cash flow analysis, was approximately \$209.7 million and \$206.7 million, respectively.

Long-term debt consists of the following:

(IN THOUSANDS)	MATURITY	1999	1998
Senior subordinated notes, interest at 10 7/8% (effective rate of 11 1/8%)	2003	\$ 93,364	\$ 95,512
Notes payable to an insurance company at 7.07% - 7.21%	2006	67,843	56,554
Notes payable to bank at LIBOR plus 1.8%	2003	18,000	32,000
Notes payable to an agricultural lender at a rate approximating libor plus 1.65%	2003	1,729	14,224
Other notes payable	Various	7,170	7,383
		188,106	205,673
Less current maturities		4,353	5,889
		\$183,753	\$199,784

Note D

Income Taxes:

Income before income taxes after allocation of certain expenses to foreign operations for 1999, 1998 and 1997 was \$76.6 million, \$23.7 million and \$15.8 million, respectively, for U.S. operations and \$14.3 million, \$32.8 million and \$28.0 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)

	1999	1998	1997
Current:			
Federal	\$28,449	\$4,985	\$1,113
Foreign	318	948	245
State and other	2,480	8	(1,183)
	31,247	5,941	175
Deferred	(5,596)	571	2,613
	\$25,651	\$6,512	\$2,788

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

(IN THOUSANDS)

	1999	1998	1997
Federal income tax rate	35.0%	35.0%	35.0%
State tax rate, net	1.3	(0.4)	(0.8)
Difference in U.S. statutory tax rate and Mexico's effective tax rate	(8.1)	(23.1)	(27.8)
Other, net	-	-	-
	28.2%	11.5%	6.4%

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)

	1999	1998
Deferred tax liabilities:		
Tax over book depreciation	\$24,345	\$25,304
Prior use of cash accounting	30,130	32,905
Other	1,210	1,059
Total deferred tax liabilities	55,685	59,268

Deferred tax assets:

AMT credit carryforward	-	234
Expense deductible		
in different years	9,889	7,643
Total deferred tax asset	9,889	7,877
Net deferred tax liabilities	\$45,796	\$51,391

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 October 2, 1999, the cumulative undistributed earnings of these subsidiaries were approximately \$116.2 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:

On June 26, 1998, the Company entered into an asset sale agreement to sell up to \$60 million of accounts receivable. Under this agreement, the Company sells on a revolving basis certain of its accounts receivable to a special purpose corporation, which in turn may sell a percentage ownership interest in the receivables to third parties. As of October 2, 1999, no interest in sold accounts receivable was outstanding and the entire facility was available for sales of qualifying receivables.

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. Historical per share and weighted average shares outstanding amounts have been restated to give effect to the stock dividend.

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 \$4.6 million, \$1.7 million and \$1.2 million in 1999, 1998 and 1997, 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)

	1999	1998	1997
Contract egg grower fees to major stockholder	\$ 4,501	\$ 4,989	\$ 4,926
Chick, feed and other sales to major stockholder	25,076	21,396	20,116
Live chicken purchases from major stockholder	26,899	21,883	20,442

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 1999, 1998 and 1997. Operating expenses were \$135,786, \$52,950 and \$107,000 in 1999, 1998 and 1997, respectively. As of October 2, 1999 the Company had accounts receivable of \$1.2 million from related parties, including its major stockholder.

Note I

Commitments and Contingencies:

The Consolidated Statements of Income include rental expense for operating leases of approximately \$17.3 million, \$14.3 million and \$11.3 million in 1999, 1998 and 1997, respectively. The Company's future minimum lease commitments under non-cancelable operating leases are as follows: 2000 -- \$16.0 million; 2001 -- \$15.3 million; 2002 -- \$13.3 million; 2003 -- \$10.8 million; 2004 -- \$7.0 million and thereafter \$11.7 million.

At October 2, 1999, the Company had \$5.2 million in letters of credit

outstanding relating to normal business transactions.

The Company is subject to various 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 J

Business Segments:

The Company operates in a single business segment as a producer of agricultural products and conducts separate operations in the United States and Mexico.

Inter-area sales, which are not material, are accounted for at prices comparable to normal trade customer sales. Identifiable assets by geographic area are those assets which are used in the Company's operations in each area.

Information about the Company's operations in these geographic areas is as follows:

(IN THOUSANDS)

	1999	1998	1997
Sales to unaffiliated customers:			
United States	\$1,102,903	\$1,053,458	\$1,002,652
Mexico	254,500	278,087	274,997
	\$1,357,403	\$1,331,545	\$1,277,649
Operating income:			
United States	\$ 88,177	\$ 36,279	\$ 29,321
Mexico	21,327	40,977	34,573
	\$ 109,504	\$ 77,256	\$ 63,894
Long-lived assets:			
United States	\$ 260,456	\$ 227,273	\$ 214,976
Mexico	116,911	115,632	113,001
	\$ 377,367	\$ 342,905	\$ 327,977

As of October 2, 1999, the Company had net assets in Mexico of \$151.7 million. During the year ended October 2, 1999, revenue from one customer represented 13.9% of Consolidated Net Sales.

Note K
Quarterly Results (Unaudited)

	YEAR ENDED OCTOBER 2, 1999				
	FIRST QUARTER(A)	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	FISCAL YEAR
Net sales	\$336,088	\$329,894	\$344,160	\$347,261	\$1,357,403
Gross profit	43,901	46,262	49,415	46,130	185,708
Operating income	26,186	25,292	29,212	28,814	109,504
Net income	15,920	14,580	18,317	16,436	65,253
Per Share: (b)					
Net income	.39	.35	.44	.40	1.58
Cash dividends	.01	.01	.01	.015	.045
Market price:					
Class B common stock					
High	16 11/16	15 7/8	20	16 5/16	20
Low	11 5/16	10 9/16	9 7/8	6 1/4	6 1/4
Class A common stock					
High	n/a	n/a	n/a	14 3/4	14 3/4
Low	n/a	n/a	n/a	4 5/8	4 5/8

	YEAR ENDED SEPTEMBER 26, 1998				
	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	FISCAL YEAR
Net sales	\$337,887	\$324,446	\$328,500	\$340,712	\$1,331,545
Gross profit	29,380	26,861	32,736	47,126	136,103
Operating income	15,371	11,398	19,043	31,444	77,256
Net income	11,117	6,768	11,835	20,290	50,010
Per Share: (b)					
Net income	.27	.16	.29	.49	1.21
Cash dividends	.01	.01	.01	.01	.04
Market price:					
Class B common stock					
High	11 1/16	10 9/16	13 1/8	16 1/16	16 1/16
Low	8 1/2	7 3/16	9 3/16	12 3/16	7 3/16

(a) The first quarter of 1999 includes 14 weeks.

(b) Historical per share amounts have been restated to give effect to a stock dividend issued on July 30, 1999. See Note F of the Consolidated

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 of Period	ADDITIONS		Deductions- Describe	Balance at End of Period
		Charged to Costs and Expenses	Charged to Other Accounts- Describe		
Year ended October 2, 1999:					
Reserves and allowances deducted					
From asset accounts:					
Allowance for doubtful accounts	\$3,694,000	\$1,122,000	\$ --	\$112,527(1)	\$4,703,483
Year ended September 26, 1998:					
Reserves and allowances deducted					
From asset accounts:					
Allowance for doubtful accounts	\$3,823,000	\$ 409,000	\$ --	\$538,000(1)	\$3,694,000
Year ended September 27, 1997:					
Reserves and allowances deducted					
From asset accounts:					
Allowance for doubtful accounts	\$3,985,000	\$ (60,000)	\$ --	\$102,000(1)	\$3,823,000

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

EXHIBIT 12
PILGRIM'S PRIDE CORPORATION
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
YEAR ENDED

OCTOBER 2, SEPTEMBER 26, SEPTEMBER 27, SEPTEMBER 28, SEPTEMBER 30,
1999 1998 1997 1996 1995

(amounts in thousands)

EARNINGS:

Income before income taxes and extraordinary charge	\$90,904	\$56,522	\$43,824	\$47	\$2,091
Add: Total fixed charges (see below)	26,706	27,987	27,647	26,788	22,309
Less: Interest Capitalized	2,032	1,675	502	1,250	634
Total Earnings	\$115,578	\$82,834	\$70,969	\$25,585	\$23,766

FIXED CHARGES:

Interest(1)	\$20,889	\$23,239	\$23,889	\$23,423	\$19,076
Portion of rental expense representative of the Interest factor	5,817	4,748	3,758	3,365	3,233
Total fixed charges	\$26,706	\$27,987	\$27,647	\$26,788	\$22,309
Ratio of earnings to fixed charges	4.33	2.96	2.57	-	1.07
Coverage deficiency	-	-	-	\$1,203	-

(1) Interest includes amortization of capitalized financing fees.

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. DE C.V.
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.

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 November 2, 1999, 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 October 2, 1999.

ERNST & YOUNG LLP

Dallas, Texas
November 24, 1999

YEAR

OCT-02-1999
OCT-02-1999
15703
0
90172
5804
168035
278395
622334
258599
655762
124153
0
0
414
293845
655762
1357403
1357403
1171695
1247899
984
0
17666
90904
25651
0
0
0
0
65253
1.58
0

SECOND AMENDED AND RESTATED SECURED CREDIT AGREEMENT

Among

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 as of November 5, 1999

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Pilgrim's Pride Corporation

SECOND AMENDED AND RESTATED
Secured Credit Agreement

Harris Trust and Savings Bank
Chicago, Illinois

The lenders from time to time
parties hereto

Ladies and Gentlemen:

The undersigned, PILGRIM'S PRIDE CORPORATION, a Delaware corporation (the "COMPANY"), refers to the Amended and Restated Secured Credit Agreement dated as of August 11, 1997, as amended and currently in effect between the Company and you (such Secured Credit Agreement as so amended is hereinafter referred to as the "CREDIT AGREEMENT") pursuant to which you agreed to make a revolving credit (the "REVOLVING CREDIT") available to the Company, all as more fully set forth therein. Each of you is hereinafter referred to individually as "BANK" and collectively as "BANKS." Harris Trust and Savings Bank in its individual capacity is sometimes referred to herein as "HARRIS", and in its capacity as Agent for the Banks is hereinafter in such capacity called the "AGENT." The Company requests you to make certain further amendments to the Credit Agreement and, for the sake of convenience and clarity, to restate the Credit Agreement in its entirety as so amended. Accordingly, upon your acceptance hereof in the space provided for that purpose below and upon satisfaction of the conditions precedent to effectiveness hereinafter set forth, Section 1 through 11 of the Credit Agreement and Exhibits A through N thereto shall be amended and as so amended shall be restated in their entirety to read as follows:

SECTION 1. THE REVOLVING CREDIT.

SECTION 1.1. THE REVOLVING CREDIT. (a) Subject to all of the terms and conditions hereof, the Banks agree, severally and not jointly, to extend a Revolving Credit to the Company which may be utilized by the Company in the form of loans (individually a "REVOLVING CREDIT LOAN" and collectively the "REVOLVING CREDIT LOANS"), and L/Cs (as hereinafter defined). The aggregate principal amount of all Revolving Credit Loans under the Revolving Credit plus the aggregate principal amount of all Bid Loans outstanding under this Agreement plus the amount available for drawing under all L/Cs and the aggregate principal amount of all unpaid Reimbursement Obligations (as hereinafter defined) at any time outstanding shall not exceed the lesser of (i) the sum of the Banks' Revolving Credit Commitments (as hereinafter defined) in effect from time to time during the term of this Agreement (as hereinafter defined) or (ii) the Borrowing Base as determined on the basis of the most recent Borrowing Base Certificate. The Revolving Credit shall be available to the Company, and may be availed of by the Company from time to time, be repaid (subject to the restrictions on prepayment set forth herein) and used again, during the period from the date hereof to and including May 31, 2004 (the "TERMINATION DATE").

(b) At any time not earlier than 120 days prior to, nor later than 60 days prior to, the date that is two years before the Termination Date then in effect (the "ANNIVERSARY DATE"), the Company may request that the Banks extend the then scheduled Termination Date to the date one year from such Termination Date. If such request is made by the Company each Bank shall inform the Agent of its willingness to extend the Termination Date no later than 20 days prior to such Anniversary Date. Any Bank's failure to respond by such date shall indicate its unwillingness to agree to such requested extension, and all Banks must approve any requested extension. At any time more than 15 days before such Anniversary Date the Banks may propose, by written notice to the Company, an extension of this Agreement to such later date on such terms and conditions as the Banks may then require. If the extension of this Agreement to such later date is acceptable to the Company on the terms and conditions proposed by the Banks, the Company shall notify the Banks of its acceptance of such terms and conditions no later than the Anniversary Date, and such later date will become the Termination Date hereunder and this Agreement shall otherwise be amended in the manner described in the Banks' notice proposing the extension of this Agreement upon the Agent's receipt of (i) an amendment to this Agreement signed by the Company and all of the Banks, (ii) resolutions of the Company's Board of Directors authorizing such extension and (iii) an opinion of counsel to the Company equivalent in form and substance to the form of opinion

attached hereto as Exhibit E and otherwise acceptable to the Banks.

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

Harris Trust and Savings Bank	\$14,285,714	28.57144%
U.S. Bancorp Ag Credit, Inc.	\$10,714,286	21.42857%
CoBank, ACB	\$10,714,286	21.42857%
SunTrust Bank, Atlanta	\$7,142,857	14.28571%
Credit Agricole Indosuez, Chicago Branch	\$7,142,857	14.28571%
Total	\$50,000,000	100%

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

(d) Loans under the Revolving Credit may be Eurodollar Loans, CD Rate Loans or Domestic Rate Loans. All Loans under the Revolving Credit shall be made from each Bank in proportion to its respective Revolving Credit Commitment as above set forth, as adjusted from time to time to reflect outstanding Bid Loans. Each Domestic Rate Loan shall be in an amount not less than \$3,000,000 or such greater amount which is an integral multiple of \$500,000 and each Fixed Rate Loan shall be in an amount not less than \$3,000,000 or such greater amount which is an integral multiple of \$1,000,000.

SECTION 1.2. THE NOTES. All Revolving Credit Loans made by each Bank hereunder shall be evidenced by a single Secured Revolving Credit Note of the Company substantially in the form of Exhibit A hereto (individually, a "REVOLVING NOTE" and together, the "REVOLVING NOTES") payable to the order of each Bank. The aggregate principal amount of indebtedness evidenced by such Revolving Note at any time shall be, and the same is to be determined by, the aggregate principal amount of all Revolving Credit Loans and Bid Loans made by such Bank to the Company pursuant hereto on or prior to the date of determination less the aggregate amount of principal repayments on such Revolving Credit Loans and Bid Loans received by or on behalf of such Bank on or prior to such date of determination. Each Revolving Note shall be dated as of the execution date of this Agreement, and shall be expressed to mature on the Termination Date and to bear interest as provided in Section 1.3 hereof. Each Bank shall record on its books or records or on a schedule to its Revolving Note the amount of each Revolving Credit Loan and Bid Loan made by it hereunder, whether each Revolving Credit Loan is a Domestic Rate Loan, CD Rate Loan or Eurodollar Loan, and, with respect to Fixed Rate Loans and Bid Loans, the interest rate and Interest Period applicable thereto, and all payments of principal and interest and the principal balance from time to time outstanding, provided that prior to any transfer of such Revolving Note all such amounts shall be recorded on a schedule to such Revolving Note. The record thereof, whether shown on such books or records or on the schedule to the Revolving Note, shall be PRIMA FACIE evidence as to all such amounts; provided, however, that the failure of any Bank to record or any mistake in recording any of the foregoing shall not limit or otherwise affect the obligation of the Company to repay all Revolving Credit Loans and Bid Loans made hereunder together with accrued interest thereon. Upon the request of any Bank, the Company will furnish a new Revolving Note to such Bank to replace its outstanding Revolving Note and at such time the first notation appearing on the schedule on the reverse side of, or attached to, such Revolving Note shall set forth the aggregate unpaid principal amount of Revolving Credit Loans and Bid Loans then outstanding from such Bank, and, with respect to each Fixed Rate Loan, the interest rate and Interest Period applicable thereto. Such Bank will cancel the outstanding Revolving Note upon receipt of the new Revolving Note.

SECTION 1.3. INTEREST RATES. (a) DOMESTIC RATE LOANS. Each Domestic Rate Loan shall bear interest (computed on the basis of a year of 360 days and actual days elapsed) on the unpaid principal amount thereof from the date such Loan is made until maturity (whether by acceleration, upon prepayment or otherwise) at a rate per annum equal to the lesser of (i) the Highest Lawful Rate and (ii) the sum of the Applicable Margin plus the Domestic Rate from time to time in effect, payable quarterly in arrears on the last day of each calendar quarter, commencing on the first of such dates occurring after the date hereof and at maturity (whether by acceleration, upon prepayment or otherwise).

(b) EURODOLLAR LOANS. Each Eurodollar Loan under the Revolving Credit

shall bear interest (computed on the basis of a year of 360 days and actual days elapsed) on the unpaid principal amount thereof from the date such Loan is made until the last day of the Interest Period applicable thereto or, if earlier, until maturity (whether by acceleration or otherwise) at a rate per annum equal to the lesser of (i) the Highest Lawful Rate and (ii) the sum of the Applicable Margin plus the Adjusted Eurodollar Rate, payable on the last day of each Interest Period applicable thereto and at maturity (whether by acceleration or otherwise) and, with respect to Eurodollar Loans with an Interest Period in excess of three months, on the date occurring every three months from the first day of the Interest Period applicable thereto.

(c) CD RATE LOANS. Each CD Rate Loan under the Revolving Credit shall bear interest (computed on the basis of a year of 360 days and actual days elapsed) on the unpaid principal amount thereof from the date such Loan is made until the last day of the Interest Period applicable thereto or, if earlier, until maturity (whether by acceleration or otherwise) at a rate per annum equal to the lesser of (i) the Highest Lawful Rate and (ii) the sum of the Applicable Margin plus the Adjusted CD Rate, payable on the last day of each Interest Period applicable thereto and at maturity (whether by acceleration or otherwise) and, with respect to CD Rate Loans with an Interest Period in excess of 90 days, on the date occurring every 90 days from the first day of the Interest Period applicable thereto.

(d) DEFAULT RATE. During the existence of an Event of Default all Loans and Reimbursement Obligations shall bear interest (computed on the basis of a year of 360 days and actual days elapsed) from the date of such Event of Default until paid in full, payable on demand, at a rate per annum equal to the sum of 2.5% plus the Domestic Rate from time to time in effect plus the Applicable Margin.

SECTION 1.4. CONVERSION AND CONTINUATION OF REVOLVING CREDIT LOANS.

(a) Provided that no Event of Default or Potential Default has occurred and is continuing, the Company shall have the right, subject to the other terms and conditions of this Agreement, to continue in whole or in part (but, if in part, in the minimum amount specified for Fixed Rate Loans in Section 1.1 hereof) any Fixed Rate Loan made under the Revolving Credit from any current Interest Period into a subsequent Interest Period, provided that the Company shall give the Agent notice of the continuation of any such Loan as provided in Section 1.7 hereof.

(b) In the event that the Company fails to give notice pursuant to Section 1.7 hereof of the continuation of any Fixed Rate Loan under the Revolving Credit or fails to specify the Interest Period applicable thereto, or an Event of Default or Potential Default has occurred and is continuing at the time any such Loan is to be continued hereunder, then such Loan shall be automatically converted as (and the Company shall be deemed to have given notice requesting) a Domestic Rate Loan, subject to Sections 1.7(b), 8.2 and 8.3 hereof, unless paid in full on the last day of the then applicable Interest Period.

(c) Provided that no Event of Default or Potential Default has occurred and is continuing, the Company shall have the right, subject to the terms and conditions of this Agreement, to convert Revolving Credit Loans of one type (in whole or in part) into Revolving Credit Loans of another type from time to time provided that: (i) the Company shall give the Agent notice of each such conversion as provided in Section 1.7 hereof, (ii) the principal amount of any Revolving Credit Loan converted hereunder shall be in an amount not less than the minimum amount specified for the type of Revolving Credit Loan in Section 1.1 hereof, (iii) after giving effect to any such conversion in part, the principal amount of any Fixed Rate Loan under the Revolving Credit then outstanding shall not be less than the minimum amount specified for the type of Loan in Section 1.1 hereof, (iv) any conversion of a Revolving Credit Loan hereunder shall only be made on a Banking Day, and (v) any Fixed Rate Loan may be converted only on the last day of the Interest Period then applicable thereto.

SECTION 1.5. LETTERS OF CREDIT. Subject to all the terms and conditions

hereof, satisfaction of all conditions precedent to borrowing under this Agreement and so long as no Potential Default or Event of Default is in existence, at the Company's request Harris may in its discretion issue letters of credit (an "L/C" and collectively the "L/Cs") for the account of the Company subject to availability under the Revolving Credit, and the Banks hereby agree to participate therein as more fully described in Section 1.8 hereof. Each L/C shall be issued pursuant to an Application for Letter of Credit (the "L/C Agreement") in the form of Exhibit B hereto. The L/Cs shall consist of standby letters of credit in an aggregate face amount not to exceed \$20,000,000. Each L/C shall have an expiry date not more than one year from the date of issuance thereof (but in no event later than the Termination Date). The amount available to be drawn under each L/C issued pursuant hereto shall be deducted from the credit otherwise

available under the Revolving Credit. In consideration of the issuance of L/Cs the Company agrees to pay Harris a fee (the "L/C FEE") in the amount per annum equal to (a) 1.0% of the face amount of each Performance L/C and (b) the Applicable Margin for Eurodollar Loans MINUS one-half of one percent of the stated amount of each Financial Guarantee L/C (in each case computed on the basis of a 360 day year and actual days elapsed) of the face amount for any L/C issued hereunder. In addition the Company shall pay Harris for its own account an issuance fee (the "L/C ISSUANCE FEE") in an amount equal to one-eighth of one percent (0.125%) of the stated amount of each L/C issued by Harris hereunder. All L/C Fees shall be payable quarterly in arrears on the last day of each calendar quarter and on the Termination Date, and all L/C Issuance Fees shall be payable on the date of issuance of each L/C hereunder and on the date of each extension, if any, of the expiry date of each L/C.

SECTION 1.6. REIMBURSEMENT OBLIGATION. The Company is obligated, and hereby unconditionally agrees, to pay in immediately available funds to the Agent for the account of Harris and the Banks who are participating in L/Cs pursuant to Section 1.8 hereof the face amount of each draft drawn and presented under an L/C issued by Harris hereunder not later than 11:00 a.m. (Chicago Time) on the date such draft is presented for payment to Harris (the obligation of the Company under this Section 1.7 with respect to any L/C is a "REIMBURSEMENT OBLIGATION"). If at any time the Company fails to pay any Reimbursement Obligation when due, the Company shall be deemed to have automatically requested a Domestic Rate Loan from the Banks hereunder, as of the maturity date of such Reimbursement Obligation, the proceeds of which Loan shall be used to repay such Reimbursement Obligation. Such Loan shall only be made if no Potential Default or Event of Default shall exist and upon approval by all of the Banks, and shall be subject to availability under the Revolving Credit. If such Loan is not made by the Banks for any reason, the unpaid amount of such Reimbursement Obligation shall be due and payable to the Agent for the pro rata benefit of the Banks upon demand and shall bear interest at the rate of interest specified in Section 1.3(d) hereof.

SECTION 1.7. MANNER OF BORROWING AND RATE SELECTION. (a) The Company shall give telephonic, telex or telecopy notice to the Agent (which notice, if telephonic, shall be promptly confirmed in writing) no later than (i) 11:00 a.m. (Chicago time) on the date the Banks are requested to make each Domestic Rate Loan, (ii) 11:00 a.m. (Chicago time) on the date at least three (3) Banking Days prior to the date of (A) each Eurodollar Loan which the Banks are requested to make or continue, and (B) the conversion of any CD Rate Loan or Domestic Rate Loan into a Eurodollar Loan and (iii) 11:00 a.m. (Chicago time) on the date at least one (1) Business Day prior to the date of (A) each CD Rate Loan which the Banks are requested to make and (B) the conversion of any Eurodollar Loan or Domestic Rate Loan into a CD Rate Loan. Each such notice shall specify the date of the Revolving Credit Loan requested (which shall be a Business Day in the case of Domestic Rate Loans and CD Rate Loans and a Banking Day in the case of a Eurodollar Loan), the amount of such Revolving Credit Loan, whether the Revolving Credit Loan is to be made available by means of a Domestic Rate Loan, CD Rate Loan or Eurodollar Loan and, with respect to Fixed Rate Loans, the Interest Period applicable thereto; provided, that in no event shall the principal amount of any requested Revolving Credit Loan plus the aggregate principal or face amount, as appropriate, of all Revolving Credit Loans, L/Cs, and unpaid Reimbursement Obligations outstanding hereunder exceed the amounts specified in Section 1.1 hereof. The Company agrees that the Agent may rely on any such telephonic, telex or telecopy notice given by any person who the Agent believes is authorized to give such notice without the necessity of independent investigation and in the event any notice by such means conflicts with the written confirmation, such notice shall govern if any Bank has acted in reliance thereon. The Agent shall, no later than 12:30 p.m. (Chicago time) on the day any such notice is received by it, give telephonic, telex or telecopy (if telephonic, to be confirmed in writing within one Business Day) notice of the receipt of notice from the Company hereunder to each of the Banks, and, if such notice requests the Banks to make, continue or convert any Fixed Rate Loans, the Agent shall confirm to the Company by telephonic, telex or telecopy means, which confirmation shall be conclusive and binding on the Company in the absence of manifest error, the Interest Period and the interest rate applicable thereto promptly after such rate is determined by the Agent.

(b) Subject to the provisions of Section 6 hereof, the proceeds of each Revolving Credit Loan shall be made available to the Company at the principal office of the Agent in Chicago, Illinois, in immediately available funds, on the date such Revolving Credit Loan is requested to be made, except to the extent such Revolving Credit Loan represents (i) the conversion of an existing Revolving Credit Loan or (ii) a refinancing of a Reimbursement Obligation, in which case each Bank shall record such conversion on the schedule to its Revolving Note, or in lieu thereof, on its books and records, and shall effect such conversion or refinancing, as

the case may be, on behalf of the Company in accordance with the provisions of Section 1.4(a) hereof and 1.8 hereof, respectively. Not later than 2:00 p.m. Chicago time, on the date specified for any Revolving Credit Loan to be made hereunder, each Bank shall make its portion of such Revolving Credit Loan available to the Company in immediately available funds at the principal office of the Agent, except (i) as otherwise provided above with respect to converting or continuing any outstanding Revolving Credit Loans and (ii) to the extent such Revolving Credit Loan represents a refinancing of any outstanding Reimbursement Obligations.

(c) Unless the Agent shall have been notified by a Bank prior to 1:00 p.m. (Chicago time) on the date a Revolving Credit Loan is to be made by such Bank (which notice shall be effective upon receipt) that such Bank does not intend to make the proceeds of such Revolving Credit Loan available to the Agent, the Agent may assume that such Bank has made such proceeds available to the Agent on such date and the Agent may in reliance upon such assumption (but shall not be required to) make available to the Company a corresponding amount. If such corresponding amount is not in fact made available to the Agent by such Bank, the Agent shall be entitled to receive such amount on demand from such Bank (or, if such Bank fails to pay such amount forthwith upon such demand, to recover such amount, together with interest thereon at the rate otherwise applicable thereto under Section 1.3 hereof, from the Company) together with interest thereon in respect of each day during the period commencing on the date such amount was made available to the Company and ending on the date the Agent recovers such amount, at a rate per annum equal to the effective rate charged to the Agent for overnight Federal funds transactions with member banks of the Federal Reserve System for each day, as determined by the Agent (or, in the case of a day which is not a Business Day, then for the preceding Business Day) (the "FED FUNDS RATE"). Nothing in this Section 1.7(c) shall be deemed to permit any Bank to breach its obligations to make Loans under the Revolving Credit or to limit the Company's claims against any Bank for such breach.

SECTION 1.8. PARTICIPATION IN L/Cs. Each of the Banks will acquire a risk participation for its own account, without recourse to or representation or warranty from Harris, in each L/C upon the issuance thereof ratably in accordance with its Commitment Percentage. In the event any Reimbursement Obligation is not immediately paid by the Company pursuant to Section 1.6 hereof, each Bank will pay to Harris funds in an amount equal to such Bank's ratable share of the unpaid amount of such Reimbursement Obligation (based upon its proportionate share relative to its percentage of the Revolving Credit (as set forth in Section 1.1 hereof)). At the election of all of the Banks, such funding by the Banks of the unpaid Reimbursement Obligations shall be treated as additional Revolving Credit Loans to the Company hereunder rather than a purchase of participations by the Banks in the related L/Cs held by Harris. The availability of funds to the Company under the Revolving Credit shall be reduced in an amount equal to any such L/C. The obligation of the Banks to Harris under this Section 1.8 shall be absolute and unconditional and shall not be affected or impaired by any Event of Default or Potential Default which may then be continuing hereunder. Harris shall notify each Bank by telephone of its proportionate share relative to its percentage of the total Banks' Revolving Credit Commitments set forth in Section 1.1 hereof (a "COMMITMENT PERCENTAGE") of such unpaid Reimbursement Obligation. If such notice has been given to each Bank by 12:00 Noon, Chicago time, each Bank agrees to pay Harris in immediately available and freely transferable funds on the same Business Day. If such notice is received after 12:00 noon, Chicago time, each Bank agrees to pay Harris in immediately available and freely transferable funds no later than the following Business Day. Funds shall be so made available at the account designated by Harris in such notice to the Banks. Upon the election by the Banks to treat such funding as additional Revolving Credit Loans hereunder and payment by each Bank, such Loans shall bear interest in accordance with Section 1.3(a) hereof. Harris shall share with each Bank on a pro rata basis relative to its Commitment Percentage a portion of each payment of a Reimbursement Obligation (whether of principal or interest) and any L/C Fee (but not any L/C Issuance Fee) payable by the Company. Any such amount shall be promptly remitted to the Banks when and as received by Harris from the Company.

SECTION 1.9. CAPITAL ADEQUACY. If, after the date hereof, any Bank or the Agent shall have determined in good faith that the adoption of any applicable law, rule or regulation regarding capital adequacy, or any change therein (including, without limitation, any revision in the Final Risk-Based Capital Guidelines of the Board of Governors of the Federal Reserve System (12 CFR Part 208, Appendix A; 12 CFR Part 225, Appendix A) or of the Office of the Comptroller of the Currency (12 CFR Part 3, Appendix A), or in any other applicable capital rules heretofore adopted and issued by any governmental authority), or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or

administration thereof, or compliance by any Bank (or its Lending Office) with any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on such Bank's capital, or on the capital of any corporation controlling such Bank, in each case as a consequence of its obligations hereunder to a level below that which such Bank would have achieved but for such adoption, change or compliance (taking into consideration such Bank's policies with respect to capital adequacy) by an amount reasonably deemed by such Bank to be material, then from time to time, within fifteen (15) days after demand by such Bank (with a copy to the Agent), the Company shall pay to such Bank such additional amount or amounts as will compensate such Bank for such reduction.

SECTION 1.10. THE BOND LETTER OF CREDIT. Subject to all the terms and conditions hereof, Harris has issued a standby letter of credit (as amended (including any amendments increasing the amount thereof) and reinstated from time to time, the "BOND L/C") in an original stated amount of up to \$25,239,727.00 (the "BOND L/C COMMITMENT") for the account of the Company. The Bond L/C Commitment shall be separate and apart from, and in addition to, the Revolving Credit Commitments. The Bond L/C was issued pursuant to a Reimbursement Agreement (the "REIMBURSEMENT AGREEMENT") for the purpose of supporting the Company's obligations relating to the Bonds. The Bond L/C shall have an expiry date not later than the Termination Date, subject to extension as provided in the Reimbursement Agreement. Nothing contained in this Agreement shall be deemed to require the Company to cause the Bonds to be issued, it being agreed that the issuance of Bonds shall be within the Company's sole discretion. The Company shall pay Harris for its own account an annual issuance fee (the "BOND L/C ISSUANCE FEE") in an amount equal to one-eighth of one percent (0.125%) of the stated amount of the Bond L/C, payable on the date the Bond L/C is issued by Harris and on each annual anniversary thereof.

SECTION 1.11. BOND REIMBURSEMENT OBLIGATION. The Company will pay in immediately available funds to Harris the amount of each demand for payment made under the Bond L/C immediately upon payment by Harris of each amount so demanded and on the date of each such payment by Harris (the obligation of the Company under this Section 1.11 is hereinafter referred to as a "BOND REIMBURSEMENT OBLIGATION").

SECTION 1.12. PARTICIPATION IN THE BOND L/C. Each of the Banks will acquire a risk participation for its own account, without recourse to or representation or warranty from Harris, in the Bond L/C upon the issuance thereof ratably in accordance with its Commitment Percentage. In the event any Bond Reimbursement Obligation is not immediately paid by the Company pursuant to Section 1.11 hereof, each Bank will pay to Harris funds in an amount equal to such Bank's Commitment Percentage of the unpaid amount of such Bond Reimbursement Obligation. The obligation of the Banks to Harris under this Section 1.12 shall be absolute and unconditional and shall not be affected or impaired by any Event of Default or Potential Default which may then be continuing hereunder. Harris shall notify each Bank by telephone of its Commitment Percentage of such unpaid Bond Reimbursement Obligation. If such notice has been given to each Bank by 1:00 p.m., Chicago time, each Bank agrees to pay Harris in immediately available and freely transferable funds on the same Business Day. If such notice is received after 1:00 p.m., Chicago time, each Bank agrees to pay Harris in immediately available and freely transferable funds no later than the following Business Day. Funds shall be so made available at the account designated by Harris in such notice to the Banks. Harris shall share with each Bank on a pro rata basis relative to its Commitment Percentage a portion of each payment of a Bond Reimbursement Obligation (whether of principal or interest) and any Bond L/C Fee (but not the Bond L/C Issuance Fee or any Bond L/C Administration Fee) payable by the Company. Any such amount shall be promptly remitted to the Banks when and as received by Harris from the Company.

SECTION 1.13. REDUCTIONS AND REINSTATEMENTS. The Company and the Banks recognize, acknowledge and agree that (i) the Bond L/C provides for automatic reductions and reinstatements as set forth in the provisions of such Bond L/C, and (ii) the Bond L/C provides for the beneficiary thereof to reduce from time to time the amounts available to be drawn thereon. Each Bank acknowledges that, because the interest component of the Bond L/C may be reinstated at a time when the Company has not reimbursed Harris in full for an interest drawing under the Bond L/C, the total may exceed the Bond L/C Commitment pursuant to Section 1.10 hereof and each Bank agrees to pay Harris its pro rata share of any drawing under the Bond L/C notwithstanding that any such payment may result in the aggregate principal amount owing such Bank hereunder exceeding the Bond L/C Commitment of such Bank.

SECTION 1.14. LIABILITY OF HARRIS. None of the Harris-Related Persons

shall (i) be liable for any action taken or omitted to be taken by any of them under or in connection with the Reimbursement Agreement or any Bond Document (except for its own gross negligence or willful misconduct), or (ii) be responsible in any manner to any of the Banks for any recital, statement, representation or warranty made by the Company or any Affiliate of the Company, or any officer thereof, contained in the Reimbursement Agreement or any Bond Document, or in any certificate, report, statement or other document referred to or provided for in, or received by Harris under or in connection with, the Reimbursement Agreement or any Bond Document, or for the validity, effectiveness, genuineness, enforceability or sufficiency of the Reimbursement Agreement or any Bond Document, or for any failure of the Company or any other party to the Reimbursement Agreement or any Bond Document to perform its obligations thereunder (other than for the gross negligence or willful misconduct of Harris). No Harris-Related Person shall be under any obligation to any Bank to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, the Reimbursement Agreement or any Bond Document, or to inspect the properties, books or records of the Company or any of its Affiliates.

SECTION 1.15. RELIANCE BY HARRIS. Harris shall be entitled to rely, and shall be fully protected in relying, upon any writing, resolution, notice, consent, certificate, affidavit, letter, telegram, facsimile, telex or telephone message, statement or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons, and upon advice and statements of legal counsel (including counsel to the Company). Harris shall be fully justified in failing or refusing to take any action under the Reimbursement Agreement or any Bond Document which would otherwise require the consent of the Required Banks or all of the Banks unless it shall first receive such advice or concurrence of the Required Banks (or, if required by this Agreement, all Banks) as it deems appropriate and, if it so requests, it shall first be indemnified to its satisfaction by the Banks against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. Harris shall in all cases be fully protected in acting, or in refraining from acting, under the Reimbursement Agreement or any Bond Document in accordance with a request or consent of the Required Banks (or, if required by this Agreement, all Banks) and such request and any action taken or failure to act pursuant thereto shall be binding upon all of the Banks.

SECTION 1.16. NOTICE OF DEFAULT. Harris shall not be deemed to have knowledge or notice of the occurrence of any Potential Default or Event of Default under Section 8.1(1) hereof, unless Harris shall have received written notice from the Company or any other party to a Bond Document. Harris shall take such action with respect to such Potential Default or Event of Default under the Reimbursement Agreement and the Bond Documents as shall be required pursuant to Section 8 hereof; PROVIDED that unless and until Harris shall have received direction under Section 8, Harris may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Potential Default or Event of Default as it shall deem advisable and in the best interest of the Banks, except any action resulting in the acceleration or redemption of any Bonds.

SECTION 1.17. INDEMNIFICATION. The Banks shall indemnify upon demand the Harris-Related Persons (to the extent not reimbursed by or on behalf of the Company and without limiting the obligation of the Company to do so), ratably according to such Bank's Commitment Percentage from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses and disbursements of any kind whatsoever which may at any time (including at any time following the termination of the Bond L/C) be imposed on, incurred by or asserted against any such Person and which are in any way relating to or arising out of this Agreement or any document contemplated by or referred to herein or the transactions contemplated hereby or thereby or any action taken or omitted by any such Person under or in connection with any of the foregoing; PROVIDED that no Bank shall be liable for the payment to the Harris-Related Persons of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting solely from such Person's gross negligence or willful misconduct or for the fees and expenses of counsel in connection with the preparation, execution, delivery, administration, or modification of the Reimbursement Agreement or any Bond Document or any amendments thereto. The obligation of the Banks in this Section shall survive the payment of all amounts owing by the Company hereunder.

SECTION 1.18. DOCUMENTS AND REPORTS. Harris agrees to deliver to the Banks promptly upon receipt thereof copies of all documents and reports delivered to Harris pursuant to the Reimbursement Agreement or any Bond Document.

SECTION 1.19. AMENDMENTS. Harris may enter into any amendment or

modification of, or may waive compliance with the terms of any Bond Document (other than an Indenture) without the consent of any Bank; PROVIDED (a) that without the consent of the Required Banks, Harris shall not execute any instrument agreeing to any amendment or modification of, or waiver of compliance with the Reimbursement Agreement or any Bond Document, which would waive any "EVENT OF DEFAULT" arising under the Reimbursement Agreement or any Bond Document, and (b) without the consent of all of the Banks, Harris shall not execute any instrument agreeing to any amendment or modification of, or waiver of compliance with the Reimbursement Agreement or any Bond Document, (i) which would (A) reduce the principal of, or interest on, any Bond Reimbursement Obligation, (B) postpone the due date for any payment of principal of, or interest on, any Bond Reimbursement Obligation, (C) extend the stated expiration date of the Bond L/C, (D) increase in any material manner (in the reasonable opinion of Harris) the obligations of the Banks, or (E) release or otherwise adversely affect the interests of the Banks in any collateral granted under the Reimbursement Agreement or any Bond Document, or (ii) after the occurrence of a Potential Default or Event of Default.

SECTION 2. THE COMPETITIVE BID FACILITY.

SECTION 2.1. AMOUNT AND TERM. The Company may from time to time before the Termination Date request Competitive Bids from the Banks and the Banks may make, at their sole discretion, Bid Loans to the Company on the terms and conditions set forth in this Agreement. Notwithstanding any provision to the contrary contained in this Agreement, (a) the aggregate principal amount of all Bid Loans outstanding hereunder at any time may not exceed \$50,000,000, (b) no Bank may make Bid Loans in an aggregate principal amount in excess of the maximum amount of such Bank's Revolving Credit Commitment set forth in Section 1.1(b) of this Agreement, and (c) the aggregate principal amount of all Bid Loans outstanding hereunder at any time together with the aggregate principal amount of all Revolving Credit Loans outstanding under the Revolving Credit shall not exceed the Banks' Revolving Credit Commitments from time to time in effect. The Company may request Competitive Bids and the Banks may, in their discretion, make such Competitive Bids on the terms and conditions set forth in this Section 2.

SECTION 2.2. COMPETITIVE BID REQUESTS. In order to request Competitive Bids, the Company shall give telephonic notice to be received by the Agent no later than 11:00 A.M., Chicago time, one Business Day before the date, which must be a Business Day, on which a proposed Bid Loan is to be made (the "BORROWING DATE"), followed on the same day by a duly completed Competitive Bid Request Confirmation in the form of Exhibit L hereto to be received by the Agent not later than 11:30 A.M., Chicago time. Competitive Bid Request Confirmations that do not conform substantially to the format of Exhibit L may be rejected and the Agent shall give telephonic notice to the Company of such rejection promptly after it determines (which determination shall be conclusive) that a Competitive Bid Request Confirmation does not substantially conform to the format of Exhibit L. Competitive Bid Requests shall in each case refer to this Agreement and specify (x) the proposed Borrowing Date (which shall be a Business Day), (y) the aggregate principal amount thereof (which shall not be less than \$3,000,000 and shall be an integral multiple of \$1,000,000), and (z) up to 3 Interest Periods with respect to the entire amount specified in such Competitive Bid Request (which must be of no less than 30 and no more than 180 days duration and may not end after the Termination Date). Upon receipt by the Agent of a Competitive Bid Request Confirmation which conforms substantially to the format of Exhibit L attached hereto, the Agent shall invite, by telephone promptly confirmed in writing in the form of Exhibit M attached hereto, the Banks to bid, on the terms and conditions of this Agreement, to make Bid Loans pursuant to the Competitive Bid Request.

SECTION 2.3. SUBMISSION OF COMPETITIVE BIDS. Each Bank may, in its sole discretion, make one or more Competitive Bids to the Company responsive to the Competitive Bid Request. Each Competitive Bid by a Bank must be received by the Agent by telephone not later than 8:45 A.M., Chicago time, on the Borrowing Date, promptly confirmed in writing by a duly completed Confirmation of Competitive Bid substantially in the form of Exhibit N attached hereto to be received by the Agent no later than 9:00 A.M. on the same day; PROVIDED, HOWEVER, that any Competitive Bid made by Harris must be made by telephone to the Company no later than 8:30 A.M., Chicago time, and confirmed by telecopier to the Company no later than 8:45 A.M., Chicago time, on the Borrowing Date. Competitive Bids which do not conform precisely to the terms of this Section 2.3 may be rejected by the Agent and the Agent shall notify the Bank submitting such Competitive Bid of such rejection by telephone as soon as practicable after determining that the Competitive Bid does not conform precisely to the terms of this Section 2.3. Each Competitive Bid shall refer to this Agreement and specify (x) the maximum principal amount (which shall not be less than \$3,000,000 and shall be an integral multiple of \$1,000,000) of the Bid Loan

that the Bank is willing to make to the Company (y) the Yield (which shall be computed on the basis of a 360-day year and actual days elapsed and for a period equal to the Interest Period applicable thereto) at which the Bank is prepared to make the Bid Loan and (z) the Interest Period applicable thereto. The Agent shall reject any Competitive Bid if such Competitive Bid (i) does not specify all of the information specified in the immediately preceding sentence, (ii) contains any qualifying, conditional, or similar language, (iii) proposes terms other than or in addition to those set forth in the Competitive Bid Request to which it responds, or (iv) is received by the Agent later than 8:45 A.M. (Chicago time). Any Competitive Bid submitted by a Bank pursuant to this Section 2.3 shall be irrevocable and shall be promptly confirmed in writing in the form of Exhibit N; PROVIDED THAT in all events the telephone Competitive Bid received by the Agent shall be binding on the relevant Bank and shall not be altered, modified, or in any other manner affected by any inconsistent terms contained in, or terms missing from, the Bank's Confirmation of Competitive Bid.

SECTION 2.4. NOTICE OF BIDS. The Agent shall give telephonic notice to the Company no later than 9:15 A.M., Chicago time, on the proposed Borrowing Date, of the number of Competitive Bids made, the Yield with respect to each proposed Bid Loan, the Interest Period applicable thereto and the maximum principal amount of each Bid Loan in respect of which a Competitive Bid was made and the identity of the Bank making each bid. The Agent shall send a summary of all Competitive Bids received by the Agent to the Company as soon as practicable after receipt of a Competitive Bid from each Bank that has made a Competitive Bid.

SECTION 2.5. ACCEPTANCE OR REJECTION OF BIDS. The Company may in its sole and absolute discretion, subject only to the provisions of this Section, irrevocably accept or reject, in whole or in part, any Competitive Bid referred to in Section 2.4 above. No later than 9:45 A.M., Chicago time, on the proposed Borrowing Date, the Company shall give telephonic notice to the Agent of whether and to what extent it has decided to accept or reject any or all the Competitive Bids referred to in Section 2.4 above, which notice shall be promptly confirmed in a writing to be received by the Agent on the proposed Borrowing Date; PROVIDED, HOWEVER, that (x) no bid shall be accepted for a Bid Loan in a minimum principal amount of less than \$3,000,000, (y) the Company shall accept bids solely on the basis of ascending Yields for each Interest Period, (z) if the Company declines to borrow, or it is restricted by other conditions hereof from borrowing, the maximum principal amount of Bid Loans in respect of which bids at such Yield have been made, then the Company shall accept a pro rata portion of each bid made at the same Yield, based as nearly as possible on the ratio of the maximum aggregate principal amounts of Bid Loans for which each such bid was made (provided that if the available principal amount of Bid Loans to be so allocated is not sufficient to enable Bid Loans to be so allocated to each such Bank in integral multiples of \$1,000,000, the Company shall select which Banks will be allocated such Bid Loans and will round allocations up or down to the next higher or lower multiple of \$1,000,000 as it shall deem appropriate but in no event shall any Bid Loan be allocated in a principal amount of less than \$3,000,000), and (w) the aggregate principal amount of all Competitive Bids accepted by the Company shall not exceed the amount contained in the related Confirmation of Competitive Bid Request. A notice given by the Company pursuant to this Section 2.5 shall be irrevocable and shall not be altered, modified, or in any other manner affected by any inconsistent terms contained in, or terms missing from, any written confirmation of such notice.

SECTION 2.6. NOTICE OF ACCEPTANCE OR REJECTION OF BID. The Agent shall promptly (but in any event no later than 10:30 A.M., Chicago time) give telephonic notice to the Banks whether or not their Competitive Bids have been accepted (and if so, in what amount and at what Yield) on the proposed Borrowing Date, and each successful bidder will thereupon become bound, subject to Section 7 and the other applicable conditions hereof, to make the Bid Loan in respect of which its bid has been accepted. Each Bank so bound shall notify the Agent upon making the Bid Loan. As soon as practicable on each Borrowing Date, the Agent shall notify each Bank of the aggregate principal amount of all Bid Loans made pursuant to a Competitive Bid Request on such Borrowing Date, the Interest Period(s) applicable thereto and the highest and lowest Yields at which such Bid Loans were made for each Interest Period.

SECTION 2.7. RESTRICTIONS ON BID LOANS. A Bid Loan shall not be made if an Event of Default or Potential Default shall have occurred and be continuing on the date on which such Bid Loan is to be made and the Company may not obtain more than three Bid Loans in any calendar week.

SECTION 2.8. MINIMUM AMOUNT. Each Bid Loan made to the Company on any date shall be in an integral multiple of \$1,000,000 and in a minimum principal amount of \$3,000,000. Bid Loans shall be made in the amounts

accepted by the Company in accordance with Section 2.5.

SECTION 2.9. THE NOTES. The Bid Loans made by each Bank to the Company shall be evidenced by the Revolving Note of the Company payable to the order of such Bank as described in Section 1.2. The outstanding principal balance of each Bid Loan, as evidenced by a Note, shall be payable at the end of every Interest Period applicable to such Bid Loan. Each Bid Loan evidenced by each Revolving Note shall bear interest from the date such Bid Loan is made on the outstanding principal balance thereof as set forth in Section 2.10 below.

SECTION 2.10. TERM OF AND INTEREST ON BID LOANS. Each Bid Loan shall bear interest during the Interest Period applicable thereto at a rate per annum equal to the rate of interest offered in the Competitive Bid therefor submitted by the Bank making such Bid Loan and accepted by the Company pursuant to Section 2.5 above. The principal amount of each Bid Loan, together with all accrued interest thereon, shall be due and payable on the last day of the Interest Period applicable thereto and at maturity (whether by acceleration or otherwise) and, with respect to any Interest Period in excess of three months, interest on the unpaid principal amount shall be due on the date occurring every three months after the date the relevant Bid Loan was made. If any payment of principal or interest on any Bid Loan is not made when due, such Bid Loan shall bear interest (computed on the basis of a year of 360 days and actual days elapsed) from the date such payment was due until paid in full, payable on demand, at a rate per annum equal to the sum of 2.5% plus the rate of interest in effect thereon at the time of such default until the end of the Interest Period then applicable thereto, and, thereafter, at a rate per annum equal to the sum of 2.5 plus the Domestic Rate from time to time in effect.

SECTION 2.11. DISBURSEMENT OF BID LOANS. (a) Subject to the provisions of Section 6 hereof, the proceeds of each Bid Loan shall be made available to the Company by, at the Company's option, crediting an account maintained by the Company at Harris Trust and Savings Bank or by wire transfer of such proceeds to such account as the Company shall designate in writing to the Agent from time to time, in immediately available funds. Not later than 12:00 Noon, Chicago time, on the date specified for any Bid Loan to be made hereunder, each Bank which is bound to make such Bid Loan pursuant to Section 2.6 hereof shall make its portion of such Bid Loan available to the Company in immediately available funds at the principal office of the Agent in Chicago, Illinois.

(b) Unless the Agent shall have been notified by a Bank no later than the time the Agent gives such Bank a notice pursuant to Section 2.6 hereof (which notice shall be effective upon receipt) that such Bank does not intend to make the proceeds of such Bid Loan available to the Agent, the Agent may assume that such Bank has made such proceeds available to the Agent on such date and the Agent may in reliance upon such assumption (but shall not be required to) make available to the Company a corresponding amount. If such corresponding amount is not in fact made available to the Agent by such Bank, the Agent shall be entitled to receive such amount on demand from such Bank (or, if such Bank fails to pay such amount forthwith upon such demand, to recover such amount from the Company) together with interest thereon in respect of each day during the period commencing on the date such amount was made available to the Company and ending on the date the Agent recovers such amount, at a rate per annum equal to the effective rate charged to the Agent for overnight Federal funds transactions with member banks of the Federal Reserve System for each day, as determined by the Agent (or, in the case of a day which is not a Business Day, then for the preceding Business Day). Nothing in this Section 2.11(b) shall be deemed to permit any Bank to breach its obligations to make Bid Loans hereunder, or to limit the Company's claims against any Bank for such breach.

SECTION 2.12. RELIANCE ON TELEPHONIC NOTICES; INDEMNITY. (a) The Company agrees that the Agent may rely on any telephonic notice referred to in this Section 2 and given by any person the Agent reasonably believes is authorized to give such notice without the necessity of independent investigation, and in the event any such telephonic notice conflicts with any written notice relating thereto, or in the event no such written notice is received by the Agent, such telephonic notice shall govern if the Agent or any Bank has acted in reasonable reliance thereon. The Agent's books and records shall be PRIMA FACIE evidence of all of the matters set forth in Sections 2.2, 2.3, 2.4., 2.5 and 2.6 hereof.

(b) The Company hereby agrees to indemnify and hold the Agent harmless from and against any and all claims, damages, losses, liabilities and expenses, including court costs and legal expenses, paid or incurred by the Agent in connection with any action the Agent may take, or fail to take, in reasonable reliance upon and in accordance with any telephonic notice received by the Agent as described in this Section 2.

(c) The Banks hereby agree to indemnify and hold the Agent harmless from and against any and all claims, damages, losses, liabilities and expenses, including court costs and legal expenses, paid or incurred by the Agent in connection with any action the Agent may take, or fail to take, in reasonable reliance upon and in accordance with any telephonic notice received by the Agent as described in this Section 2, to the extent the Agent is not promptly reimbursed therefor by the Company.

SECTION 2.13. TELEPHONIC NOTICE. Each Bank's telephonic notice to the Agent of its Competitive Bid pursuant to Section 2.3, and the Company's telephonic acceptance of any offer contained in a Bid pursuant to Section 2.5, shall be irrevocable and binding on such Bank and the Company, as applicable, and shall not be altered, modified, or in any other manner affected by any inconsistent terms contained in, or missing from, any written confirmation of such telephonic notice. It is understood and agreed by the parties hereto that the Agent shall be entitled to act, or to fail to act, hereunder in reliance on its records of any telephonic notices provided for herein and that the Agent shall not incur any liability to any Person in so doing if its records conflict with any written confirmation of a telephone notice or otherwise, provided that any such action taken or omitted by the Agent is taken or omitted reasonably and in good faith. It is further understood and agreed by the parties hereto that each party hereto shall in good faith endeavor to provide the notices specified herein by the times of day as set forth in this Section 2 but that no party shall incur any liability or other responsibility for any failure to provide such notices within the specified times; PROVIDED, HOWEVER, that the Agent shall have no obligation to notify the Company of any Competitive Bid received by it later than 8:45 A.M. (Chicago time) on the proposed Borrowing Date, and no acceptance by the Company of any offer contained in a Competitive Bid shall be effective to bind any Bank to make a Bid Loan, nor shall the Agent be under any obligation to notify any Person of an acceptance, if notice of such acceptance is received by the Agent later than 9:45 A.M. (Chicago time) on the proposed Borrowing Date.

SECTION 3. FEES, PREPAYMENTS, TERMINATIONS AND PLACE AND APPLICATION OF PAYMENTS.

SECTION 3.1. FACILITY FEE. For the period from the date hereof to and including the Termination Date, the Company shall pay to the Agent for the account of the Banks a facility fee with respect to the Revolving Credit at the rate of three-eighths of one percent (0.375%) per annum if the Company's Leverage Ratio is equal to or greater than 0.45 to 1 and one-quarter of one percent (0.25%) per annum if the Company's Leverage Ratio is less than 0.45 to 1 (in each case computed in each case on the basis of a year of 360 days for the actual number of days elapsed) of the aggregate maximum amount of the Banks' Revolving Credit Commitments hereunder in effect from time to time and whether or not any credit is in use under the Revolving Credit, all such fees to be payable quarterly in arrears on the last day of each calendar quarter commencing on December 31, 1999, and on the Termination Date, unless the Revolving Credit is terminated in whole on an earlier date, in which event the facility fee for the final period shall be paid on the date of such earlier termination in whole.

SECTION 3.2. AGENT'S FEE. The Company shall pay to and for the sole account of the Agent such fees as may be agreed upon in writing from time to time by the Agent and the Company. Such fees shall be in addition to any fees and charges the Agent may be entitled to receive under Section 10 hereunder or under the other Loan Documents.

SECTION 3.3. OPTIONAL PREPAYMENTS. The Company shall have the privilege of prepaying without premium or penalty and in whole or in part (but if in part, then in a minimum principal amount of \$2,500,000 or such greater amount which is an integral multiple of \$100,000) any Domestic Rate Loan at any time upon prior telex or telephonic notice to the Agent on or before 12:00 Noon on the same Business Day. The Company may not prepay any Eurodollar Loan, CD Rate Loan or Bid Loan. Any amount prepaid under the Revolving Credit may, subject to the terms and conditions of this Agreement, be borrowed, repaid and borrowed again.

SECTION 3.4. MANDATORY PREPAYMENTS - BORROWING BASE. The Company shall not permit the sum of the principal amount of all Loans plus the amount available for drawing under all L/Cs and the aggregate principal amount of all unpaid Reimbursement Obligations at any time outstanding to exceed the lesser of (i) the sum of the Banks' Revolving Credit Commitments or (ii) the Borrowing Base as determined on the basis of the most recent Borrowing Base Certificate. In addition to the Company's obligations to pay any outstanding Reimbursement Obligations as set forth in Section 1.6 hereof, the Company will make such payments on any outstanding Loans and Reimbursement Obligations (and, if any L/Cs are then outstanding, deposit an amount equal to the aggregate amount available for drawing under all

L/Cs into an interest bearing account with the Agent which shall be held as additional collateral security for such L/Cs) which are necessary to cure any such excess within three Business Days after the occurrence thereof. Any amount prepaid under the Revolving Credit may, subject to the terms and conditions of this Agreement, be borrowed, prepaid and borrowed again.

SECTION 3.5. PLACE AND APPLICATION OF PAYMENTS. All payments of principal and interest made by the Company in respect of the Notes, Bond Reimbursement Obligations and Reimbursement Obligations and all fees payable by the Company hereunder, shall be made to the Agent at its office at 111 West Monroe Street, Chicago, Illinois 60690 and in immediately available funds, prior to 12:00 noon Chicago time on the date of such payment. All such payments shall be made without setoff or counterclaim and without reduction for, and free from, any and all present and future levies, imposts, duties, fees, charges, deductions withholdings, restrictions or conditions of any nature imposed by any government or any political subdivision or taxing authority thereof. Unless the Banks otherwise agree, any payments received after 12:00 noon Chicago time shall be deemed received on the following Business Day. The Agent shall remit to each Bank its proportionate share of each payment of principal, interest and facility fees, and L/C fees received by the Agent by 3:00 P.M. Chicago time on the same day of its receipt if received by the Agent by 12:00 noon, Chicago time, and its proportionate share of each such payment received by the Agent after 12:00 noon on the Business Day following its receipt by the Agent. In the event the Agent does not remit any amount to any Bank when required by the preceding sentence, the Agent shall pay to such Bank interest on such amount until paid at a rate per annum equal to the Fed Funds Rate. The Company hereby authorizes the Agent to automatically debit its account with Harris for any principal, interest and fees when due under the Notes, any L/C Agreement or this Agreement and to transfer the amount so debited from such account to the Agent for application as herein provided. All proceeds of Collateral shall be applied in the manner specified in the Security Agreement.

SECTION 4. DEFINITIONS.

SECTION 4.1. CERTAIN TERMS DEFINED. The terms hereinafter set forth when used herein shall have the following meanings:

"ACCOUNT DEBTOR" shall mean the Person who is obligated on a Receivable.

"ADJUSTED CD RATE" shall mean a rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) determined in accordance with the following formula:

$$\text{Adjusted CD Rate} = 100\% - \text{CD Reserve Percentage} + \frac{\text{CD RATE Assessment}}{\text{Rate}}$$

"ADJUSTED EURODOLLAR RATE" means a rate per annum determined pursuant to the following formula:

$$\text{Adjusted Eurodollar Rate} = \{ \} 100\% - \text{Reserve Percentage} \quad \text{EURODOLLAR RATE}$$

"AFFILIATE" shall mean any person, firm or corporation which, directly or indirectly controls, or is controlled by, or is under common control with, the Company. As used in this definition the term "CONTROLS" (including the terms "CONTROLLED BY" and "UNDER COMMON CONTROL WITH") shall have the meaning given below.

"AGENT" is defined in the first paragraph of this Agreement.

"AGREEMENT" shall mean this Second Amended and Restated Secured Credit Agreement as supplemented, modified, restated and amended from time to time.

"ALTERNATIVE CREDIT FACILITY" shall mean any irrevocable letter of credit, surety bond, insurance policy or other similar instruments, other than the Bond L/C, issued by any Person to support the Company's obligations with respect to the Bonds.

"ANNIVERSARY DATE" has the meaning specified in Section 1.1(b) hereof.

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

0.35 to 1 >0.45 to 1 >0.50 to 1 >0.60 to 1
and and and and
<0.45 to 1 <0.5 to 1 <0.60 to 1 <0.70 to 1

Eurodollar Loans 0.625% 1.00% 1.375% 1.625% 2.0%
Domestic Rate Loans 0.0% 0.0% 0.125% 0.375% 0.75%
CD Rate Loans 0.75% 1.125% 1.50% 1.75% 2.125%

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

"ASSESSMENT RATE" shall mean the assessment rate (rounded upwards, if necessary, to the nearest 1/100 of 1%) imposed by the Federal Deposit Insurance Corporation or its successors for insuring the Agent's liability for time deposits, as in effect from time to time.

"BANK" and "BANKS" shall have the meanings specified in the first paragraph of this Agreement.

"BANKING DAY" shall mean a day on which banks are open for business in Nassau, Bahamas, London, England, Atlanta, Georgia, Denver, Colorado, Wichita, Kansas, Dallas, Texas and Chicago, Illinois, other than a Saturday or Sunday, and dealing in United States Dollar deposits in London, England and Nassau, Bahamas.

"BID LOAN" shall mean an advance from a Bank to the Company pursuant to the bidding procedures described in Section 2 hereof.

"BONDS" shall mean the \$25,000,000 aggregate principal amount of the Issuer's Environmental Facilities Reserve Bonds (Pilgrim's Pride Corporation Project), Series 1999.

"BOND DOCUMENTS" shall mean the Indenture and any other instrument and documents relating to the issuance and sale of the Bonds.

"BOND L/C" shall have the meaning specified in Section 1.10 hereof.

"BOND L/C ADMINISTRATIVE FEES" shall mean the fees payable by the Company pursuant to Sections 2.4(b) and (c) of the Reimbursement Agreement.

"BOND L/C COMMITMENT" shall have the meaning specified in Section 1.10 hereof.

"BOND L/C EXPOSURE" shall mean, as of any date of determination, the sum of (a) the unused amount of the Bond L/C Commitment, if any, (b) the aggregate principal amount of all outstanding Bond Reimbursement Obligations, if any, and (c) the maximum amount available to be drawn under the Bond L/C (after giving effect to any reductions thereof as provided in the Bond L/C), each determined on such date.

"BOND L/C FEE" shall mean the fee payable by the Company pursuant to Section 2.4(a) of the Reimbursement Agreement.

"BOND REIMBURSEMENT OBLIGATION" shall have the meaning specified in Section 1.11 hereof.

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

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

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

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

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

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

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

(g) the Bond L/C Exposure.

"BORROWING BASE CERTIFICATE" shall mean the certificate in the form of Exhibit G hereto which is required to be delivered to the Banks in accordance with Section 7.4(d) hereof.

"BUSINESS DAY" shall mean any day except Saturday or Sunday on which banks are open for business in Chicago, Illinois, Dallas, Texas, Atlanta, Georgia, Denver, Colorado and Wichita, Kansas.

"CAPITALIZED LEASE" shall mean, as applied to any Person, any lease of any Property the discounted present value of the rental obligations of such person as lessee under which, in accordance with generally accepted accounting principles, is required to be capitalized on the balance sheet of such Person.

"CAPITALIZED LEASE OBLIGATION" shall mean, as applied to any Person, the discounted present value of the rental obligation, as aforesaid, under any Capitalized Lease.

"CAPITAL STOCK" means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated) of such Person's capital stock, whether or not outstanding on the date of this Agreement, including, without limitation, any option, warrant or other right relating to any such capital stock.

"CASH EQUIVALENT" shall mean any short-term investments that are classified as cash equivalents on the Company's consolidated balance sheet in accordance with generally accepted accounting principles, consistently applied.

"CD RATE" shall mean, with respect to each Interest Period applicable to a CD Rate Loan, the rate per annum determined by the Agent to be the arithmetic average of the rate per annum determined by the Agent to be the average of the bid rates quoted to the Agent at approximately 10:00 a.m. Chicago time (or as soon thereafter as practicable) on the first day of such Interest Period by at least two certificate of deposit dealers of recognized national standing selected by the Agent for the purchase at face value of certificates of deposit of the Agent having a term comparable to such Interest Period and in an amount comparable to the principal amount of the CD Rate Loan to be made by the Agent for such Interest Period. Each determination of the CD Rate made by the Agent in accordance with this paragraph shall be conclusive and binding on the Company except in the case of manifest error or willful misconduct.

"CD RESERVE PERCENTAGE" shall mean the rate (as determined by the Bank) of the maximum reserve requirement (including, without limitation, any supplemental, marginal and emergency reserves) imposed on the Agent by the Board of Governors of the Federal Reserve System (or any successor) from time to time on non-personal time deposits having a maturity equal to the applicable Interest Period and in an amount equal to the unpaid principal amount of the relevant CD Rate Loan, subject to any amendments of such reserve requirement by such Board or its successor, taking into account any transitional adjustments thereto. The Adjusted CD Rate shall automatically be adjusted as of the date of any change in the CD Reserve Percentage.

"CERCLA" shall mean the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended.

"CERCLIS" shall mean the CERCLA Information System.

"CHANGE IN CONTROL" means (a) a sale of all or substantially all the assets of the Company to any Person or related group of Persons as an entirety or substantially as an entirety in one transaction or series of transactions, (b) the merger or consolidation of the Company with or into

another corporation or the merger of another corporation into the Company with the effect that immediately after such transaction the stockholders of the Company immediately prior to such transaction hold less than 51% of the total voting power generally entitled to vote in the election of directors, managers or trustees of the Person surviving such merger or consolidation, (c) the Guarantor or the Pilgrim Family shall cease to own legally or beneficially more than 51% of the total voting power generally entitled to vote in the election of directors, managers or trustees of the Company, (d) during any period of two consecutive years, individuals who at the beginning of such period constituted the Board of Directors of the Company (together with any new directors whose election by such Board or whose nomination for election by the stockholders of the Company was approved by a vote of a majority of the directors then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the Board of Directors of the Company then in office, or (e) the stockholders of the Company shall approve any plan for the liquidation or dissolution of the Company.

"CHANGE IN LAW" shall have the meaning specified in Section 9.3 hereof.

"COLLATERAL" shall mean the collateral security provided to the Agent for the benefit of the Banks pursuant to the Security Agreement.

"COMMITMENT PERCENTAGE" shall have the meaning set forth in Section 1.8 hereof.

"COMPANY" shall have the meaning specified in the first paragraph of this Agreement.

"COMPETITIVE BID" shall mean an offer by a Bank to make a Bid Loan pursuant to Section 2 hereof.

"COMPETITIVE BID REQUEST" shall mean a request made by the Company pursuant to Section 2.2 hereof.

"CONTROL" or "CONTROLLED BY" or "UNDER COMMON CONTROL" shall mean possession, directly or indirectly, of power to direct or cause the direction of management or policies (whether through ownership of voting securities, by contract or otherwise); provided that, in any event any Person which beneficially owns, directly or indirectly, 10% or more (in number of votes) of the securities having ordinary voting power for the election of directors of a corporation shall be conclusively presumed to control such corporation, and provided further that any Consolidated Subsidiary shall be conclusively presumed to be controlled by the Company.

"CURRENT ASSETS" of any Person shall mean the aggregate amount of assets of such Person which in accordance with generally accepted accounting principles may be properly classified as current assets after deducting adequate reserves where proper.

"CURRENT LIABILITIES" shall mean all items (including taxes accrued as estimated) which in accordance with generally accepted accounting principles may be properly classified as current liabilities, and including in any event all amounts outstanding from time to time under this Agreement.

"CURRENT RATIO" shall mean the ratio of Current Assets to Current Liabilities of the Company and its Subsidiaries.

"DEBT" of any Person shall mean as of any time the same is to be determined, the aggregate of:

(a) all indebtedness, obligations and liabilities of such Person with respect to borrowed money (including by the issuance of debt securities);

(b) all guaranties, endorsements and other contingent obligations of such Person with respect to indebtedness arising from money borrowed by others;

(c) all reimbursement and other obligations with respect to letters of credit, bankers acceptances, customer advances and other extensions of credit whether or not representing obligations for borrowed money;

(d) the aggregate of the principal components of all leases and other agreements for the use, acquisition or retention of real or personal property which are required to be capitalized under generally accepted accounting principles consistently applied;

(e) all indebtedness, obligations and liabilities representing the deferred purchase price of property or services (excluding trade payables incurred in the ordinary course of business); and

(f) all indebtedness secured by a lien on the Property of such Person, whether or not such Person has assumed or become liable for the payment of such indebtedness.

"DOMESTIC RATE" means for any day the rate of interest announced by Harris from time to time as its prime commercial rate in effect on such day, with any change in the Domestic Rate resulting from a change in said prime commercial rate to be effective as of the date of the relevant change in said prime commercial rate (the "HARRIS PRIME RATE"), provided that if the rate per annum determined by adding 1/2 of 1% to the rate at which Harris would offer to sell federal funds in the interbank market on or about 10:00 a.m. (Chicago time) on any day (the "ADJUSTED FED FUNDS RATE") shall be higher than the Harris Prime Rate on such day, then the Domestic Rate for such day and for any succeeding day which is not a Business Day shall be such Adjusted Fed Funds Rate. The determination of the Adjusted Fed Funds Rate by Harris shall be final and conclusive except in the case of manifest error or willful misconduct.

"DOMESTIC RATE LOAN" means a Revolving Credit Loan which bears interest as provided in Section 1.3(a) hereof.

"EBITDA" shall mean, in any fiscal year of the Company, all earnings (other than extraordinary items) of the Company before interest and income tax obligations of the Company for said year and before depreciation and amortization charges of the Company for said year, all determined in accordance with generally accepted accounting principles, consistently applied.

"ELIGIBLE INVENTORY" shall mean any Inventory of the Company in which the Agent has a first priority perfected security interest, which the Banks in their sole judgment deem to be acceptable for inclusion in the Borrowing Base and which complies with each of the following requirements:

(a) it consists solely of feed grains, feed, ingredients, live broiler chickens, dressed broiler chickens, commercial eggs, prepared food products, breeder hens, breeder pullets, hatching eggs, commercial hens, commercial pullets, packaging materials, vaccines, general supplies and maintenance supplies;

(b) it is in first class condition, not obsolete, and is readily usable or salable by the Company in the ordinary course of its business;

(c) it substantially conforms to the advertised or represented specifications and other quality standards of the Company, and has not been determined by the Banks to be unacceptable due to age, type, category, quality and/or quantity;

(d) all warranties as set forth in this Agreement and the Security Agreement are true and correct with respect thereto;

(e) it has been identified to the Banks in the manner prescribed pursuant to the Security Agreement;

(f) it is located at a location within the United States disclosed to and approved by the Banks and, if requested by the Agent, any Person (other than the Company) owning or controlling such location shall have waived all right, title and interest in and to such Inventory in a manner satisfactory to the Banks; and

(g) it is not subject to any other lien, security interest or counterclaim.

"ENVIRONMENTAL LAWS" shall have the meaning specified in Section 5.10 hereof.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.

"EURODOLLAR LOAN" shall mean a Revolving Credit Loan which bears interest as provided in Section 1.3(b) hereof.

"EURODOLLAR RATE" shall mean for each Interest Period applicable to a Eurodollar Loan, (a) the LIBOR Index Rate for such Interest Period, if such rate is available, and (b) if the LIBOR Index Rate cannot be determined, the arithmetic average of the rate of interest per annum (rounded upwards,

if necessary, to nearest 1/100 of 1%) at which deposits in U.S. dollars in immediately available funds are offered to the Agent at 11:00 a.m. (London, England time) two (2) Business Days before the beginning of such Interest Period by major banks in the interbank eurodollar market for a period equal to such Interest Period and in an amount equal or comparable to the principal amount of the Eurodollar Loan scheduled to be made by the Agent during such Interest Period.

"EVENT OF DEFAULT" shall mean any event or condition identified as such in Section 8.1 hereof.

"FED FUNDS RATE" shall have the meaning specified in Section 1.7(c) hereof.

"FINANCIAL GUARANTEE L/C" shall mean an L/C issued hereunder that constitutes a financial guaranty letter of credit under the capital adequacy requirements applicable to any of the Banks.

"FISCAL YEAR" shall mean the 52 or 53 week period ending on the Saturday closest to September 30 in each calendar year, regardless of whether such Saturday occurs in September or October of any calendar year.

"FIXED CHARGE COVERAGE RATIO" shall mean the ratio of (a) the sum of EBITDA and all amounts payable under all non-cancellable operating leases (determined on a consolidated basis in accordance with generally accepted accounting principles, consistently applied) for the period in question, to (b) the sum of (without duplication) (i) Interest Expense for such period, (ii) the sum of the scheduled current maturities (determined in accordance with generally accepted accounting principles consistently applied) of Funded Debt during the period in question, (iii) all amounts payable under non-cancellable operating leases (determined as aforesaid) during such period, and (iv) all amounts payable with respect to capitalized leases (determined on a consolidated basis in accordance with generally accepted accounting principles, consistently applied) for the period in question.

"FIXED RATE" shall mean either of the Eurodollar Rate or the Adjusted CD Rate.

"FIXED RATE LOAN" shall mean a Eurodollar Loan, a CD Rate Loan or a Bid Loan, and "FIXED RATE LOANS" shall mean any one or more of such types of Loans.

"FUNDED DEBT," with respect to any Person shall mean all indebtedness for borrowed money of such Person and with respect to the Company all indebtedness for borrowed money of the Company, in each case maturing by its terms more than one year after, or which is renewable or extendible at the option of such Person for a period ending one year or more after, the date of determination, and shall include indebtedness for borrowed money of such maturity created, assumed or guaranteed by such Person either directly or indirectly, including obligations of such maturity secured by liens upon Property of such Person and upon which such entity customarily pays the interest, all current maturities of all such indebtedness of such maturity and all rental payments under capitalized leases of such maturity.

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

"GROWER PAYABLES" shall mean all amounts owed from time to time by the Company to any Person on account of the purchase price of agricultural products or services (including poultry and livestock) if the Agent reasonably determines that such Person is entitled to the benefits of any grower's lien, statutory trust or similar security arrangements to secure the payment of any amounts owed to such Person.

"GUARANTOR" shall mean Pilgrim Interests, Ltd., a Texas limited partnership.

"GUARANTY FEES" shall have the meaning specified in Section 7.30 hereof.

"HARRIS" shall have the meaning specified in the first paragraph of this Agreement.

"HARRIS - RELATED PERSONS" shall mean Harris, together with its Affiliates, and the officers, directors, employees, agents and attorneys-in-fact of Harris and such Affiliates.

"HIGHEST LAWFUL RATE" shall have the meaning specified in Section 11.19 hereof.

"INDENTURE" shall mean the Trust Indenture dated as of June 15, 1999

between the Issuer and the Trustee, relating to the Bonds, as amended.

"INTANGIBLE ASSETS" shall mean license agreements, trademarks, trade names, patents, capitalized research and development, proprietary products (the results of past research and development treated as long term assets and excluded from Inventory) and goodwill (all determined on a consolidated basis in accordance with generally accepted accounting principles consistently applied).

"INTEREST EXPENSE" for any period shall mean all interest charges during such period, including all amortization of debt discount and expense and imputed interest with respect to capitalized lease obligations, determined on a consolidated basis in accordance with generally accepted accounting principles, consistently applied.

"INTEREST PERIOD" shall mean with respect to (a) the Eurodollar Loans, the period used for the computation of interest commencing on the date the relevant Eurodollar Loan is made, continued or effected by conversion and concluding on the date one, two, three or six months thereafter and, (b) to the CD Rate Loans, the period used for the computation of interest commencing on the date the relevant CD Rate Loan is made, continued or effected by conversion and concluding on the date 30, 60, 90 or 180 days thereafter, and (c) the Bid Loans, the period used for the computation of interest commencing on the date the relevant Bid Loan is made and ending on the date such Bid Loan is scheduled to mature, but in no event may such period have a duration of less than 30 days or more than 180 days; PROVIDED, HOWEVER, that no Interest Period for any Fixed Rate Loan may extend beyond the Termination Date. For purposes of determining an Interest Period applicable to a Eurodollar Loan, a month means a period starting on one day in a calendar month and ending on a numerically corresponding day in the next calendar month; PROVIDED, HOWEVER, that if there is no numerically corresponding day in the month in which an Interest Period is to end or if an Interest Period begins on the last day of a calendar month, then such Interest Period shall end on the last Banking Day of the calendar month in which such Interest Period is to end.

"INVENTORY" shall mean all raw materials, work in process, finished goods, and goods held for sale or lease or furnished or to be furnished under contracts of service in which the Company or any Subsidiary now has or hereafter acquires any right.

"ISSUER" shall mean the Camp County Industrial Development Corporation, a nonstock, nonprofit industrial development corporation existing under the laws of the State of Texas.

"L/C" shall have the meaning set forth in Section 1.5 hereof.

"L/C Agreement" shall have the meaning set forth in Section 1.5 hereof.

"L/C FEE" has the meaning specified in Section 1.5 hereof.

"L/C ISSUANCE FEE" has the meaning specified in Section 1.5 hereof.

"LEVERAGE RATIO" shall mean the ratio for the Company and its Subsidiaries of (a) an amount equal to the sum of the aggregate outstanding principal amount of all Debt (other than (i) Debt consisting of reimbursement and other obligations with respect to undrawn letters of credit, and (ii) the outstanding principal amount of the Company's Senior Subordinated Notes, so long as the trustee for the Senior Subordinated Notes shall hold cash in an amount sufficient to repay the Senior Subordinated Notes in full) minus the aggregate principal amount of all cash and Cash Equivalents reflected on the Company's balance sheet that is not restricted to secure the payment of off-balance sheet liabilities of the Company or any Subsidiary, to (b) the amount included in clause (a) above plus Net Worth.

"LIBOR INDEX RATE" shall mean, for any Interest Period applicable to a Eurodollar Loan, the rate per annum (rounded upwards, if necessary, to the next higher one hundred-thousandth of a percentage point) for deposits in U.S. Dollars for a period equal to such Interest Period, which appears on the Telerate Page 3750 as of 11:00 a.m. (London, England time) on the day two Banking Days before the commencement of such Interest Period.

"LOAN" shall mean a Revolving Credit Loan or a Bid Loan, and "Loans" shall mean any two or more Revolving Credit Loans and/or Bid Loans.

"LOAN DOCUMENTS" shall mean this Agreement and any and all exhibits hereto, the Notes, the L/C Agreements, the Reimbursement Agreement and the Security Agreement.

"NET INCOME" shall mean the net income of the Company and its Subsidiaries determined on a consolidated basis in accordance with generally accepted accounting principles, consistently applied.

"NET TANGIBLE ASSETS" shall mean the excess of the value of the Total Assets over the value of the Intangible Assets of the Company and its Subsidiaries.

"NET WORKING CAPITAL" shall mean as to any Person in the excess for such Person of current assets over current liabilities, each as determined in accordance with generally accepted accounting principles in the jurisdiction of such Person (or residence, in the case of an individual).

"NET WORTH" shall mean the Total Assets minus the Total Liabilities of the Company and its Subsidiaries, all determined on a consolidated basis in accordance with generally accepted accounting principles, consistently applied.

"NOTES" shall mean the Revolving Notes, and "NOTE" means any of the Notes.

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

"PARTNERSHIP GUARANTY" shall mean the Guaranty Agreement from the Guarantor to the Banks, as the same may be supplemented and amended from time to time.

"PBGC" shall mean the Pension Benefit Guaranty Corporation.

"PERFORMANCE L/C" shall mean any L/C issued hereunder that does not constitute a Financial Guarantee L/C.

"PERSON" shall mean and include any individual, sole proprietorship, partnership, joint venture, trust, unincorporated organization, association, corporation, institution, entity, party or government (whether national, federal, state, county, city, municipal, or otherwise, including, without limitation, any instrumentality, division, agency, body or department thereof).

"PILGRIM FAMILY" means Lonnie A. "Bo" Pilgrim, his spouse, his issue, his estate and any trust, partnership or other entity primarily for the benefit of his spouse and/or issue.

"PLAN" shall mean any employee benefit plan covering any officers or employees of the Company or any Subsidiary, any benefits of which are, or are required to be, guaranteed by the PBGC.

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

"PPAHC" shall mean Pilgrim's Pride Affordable Housing Corp., a Nevada corporation.

"PROPERTY" shall mean any interest in any kind of property or asset, whether real, personal or mixed or tangible or intangible.

"RECEIVABLES" shall mean all accounts, contract rights, instruments, documents, chattel paper and general intangibles in which the Company now has or hereafter acquires any right.

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

"REIMBURSEMENT AGREEMENT" shall have the meaning specified in Section 1.10 hereof.

"REIMBURSEMENT OBLIGATION" has the meaning specified in Section 1.6 hereof.

"REQUIRED BANKS" shall mean any Bank or Banks which in the aggregate hold at least 66-2/3% of the aggregate unpaid principal balance of the Loans, Bond Reimbursement Obligations and Reimbursement Obligations or, if no Loans are outstanding hereunder, any Bank or Banks in the aggregate

having at least 66-2/3% of the Revolving Credit Commitments.

"RESERVE PERCENTAGE" means the daily arithmetic average maximum rate at which reserves (including, without limitation, any supplemental, marginal and emergency reserves) are imposed on member banks of the Federal Reserve System during the applicable Interest Period by the Board of Governors of the Federal Reserve System (or any successor) under Regulation D on "EUROCURRENCY LIABILITIES" (as such term is defined in Regulation D), subject to any amendments of such reserve requirement by such Board or its successor, taking into account any transitional adjustments thereto. For purposes of this definition, the Eurodollar Loans shall be deemed to be eurocurrency liabilities as defined in Regulation D without benefit or credit for any prorations, exemptions or offsets under Regulation D.

"REVOLVING CREDIT" shall have the meaning specified in the first paragraph of this Agreement.

"REVOLVING CREDIT COMMITMENT" and "REVOLVING CREDIT COMMITMENTS" shall have the meanings specified in Section 1.1(c) hereof.

"REVOLVING CREDIT LOAN" and "REVOLVING CREDIT LOANS" shall have the meanings specified in Section 1.1(a) hereof.

"REVOLVING NOTE" or "REVOLVING NOTES" shall have the meanings specified in Section 1.1(d) hereof.

"SECURITY AGREEMENT" shall mean that certain Security Agreement Re: Accounts Receivable, Farm Products and Inventory, dated as of May 27, 1993, from the Company to Harris, as Agent, as such agreement may be supplemented and amended from time to time.

"SUBORDINATED DEBT" shall mean indebtedness for borrowed money of the Company which is subordinate in right of payment to the prior payment in full of the Company's indebtedness, obligations and liabilities to the Banks under the Loan Documents pursuant to written subordination provisions satisfactory in form and substance to the Banks.

"SUBSIDIARY" shall mean collectively any corporation or other entity at least a majority of the outstanding voting equity interests (other than directors' qualifying shares) of which is at the time owned directly or indirectly by the Company or by one of more Subsidiaries or by the Company and one or more Subsidiaries. The term "CONSOLIDATED SUBSIDIARY" shall mean any Subsidiary whose accounts are consolidated with those of the Company in accordance with generally accepted accounting principles. The term "FOREIGN SUBSIDIARY" shall mean any Subsidiary substantially all of whose assets, operations and business are located outside of the United States and the term "MEXICAN SUBSIDIARY" shall mean a Foreign Subsidiary substantially all of whose assets, business and operations are located in the Republic of Mexico. The term "MATERIAL SUBSIDIARY" shall mean any Subsidiary whose assets total 5% or more of the Total Assets of the Company.

"TANGIBLE NET WORTH" shall mean the Net Worth minus the amount of all Intangible Assets of the Company and its Subsidiaries, determined on a consolidated basis in accordance with generally accepted accounting principles, consistently applied.

"TELERATE PAGE 3750" shall mean the display designated as "PAGE 3750" on the Telerate Service (or such other page as may replace Page 3750 on that service or such other service as may be nominated by the British Bankers' Association as the information vendor for the purpose of displaying British Bankers' Association Interest Settlement Rates for U.S. Dollar deposits).

"TERMINATION DATE" shall have the meaning set forth in Section 1.1(a) hereof.

"TOTAL ASSETS" shall mean at any date, the aggregate amount of assets of the Company and its Subsidiaries determined on a consolidated basis in accordance with generally accepted accounting principles consistently applied.

"TOTAL LIABILITIES" shall mean at any date, the aggregate amount of all liabilities of the Company and its Subsidiaries determined on a consolidated basis in accordance with generally accepted accounting principles, consistently applied.

"TRUSTEE" shall mean Harris Trust and Savings Bank, as Trustee under the Indenture, and any successor trustee thereunder.

"VALUE OF ELIGIBLE INVENTORY" shall mean as of any given date with respect to Eligible Inventory:

(a) With respect to Eligible Inventory consisting of feed grains, feed, ingredients, dressed broiler chickens and commercial eggs, an amount equal to the lower of (i) costs determined on a first-in-first-out inventory basis (determined in accordance with generally accepted accounting principles consistently applied), or (ii) wholesale market value;

(b) With respect to Eligible Inventory consisting of live broiler chickens, a price per pound equal to 75% of (i) the price quoted on the Los Angeles Majority Market on the date of calculation minus (ii) \$0.085, rounded up to the nearest 1/4 cent;

(c) With respect to Eligible Inventory consisting of prepared food products, the standard cost value;

(d) With respect to Eligible Inventory consisting of: breeder hens, \$1.50 per head; breeder pullets, \$1.00 per head; commercial hens, \$0.70 per head; commercial pullets, \$0.40 per head; and hatching eggs, \$1.25 a dozen; or in each case such other values as may be agreed upon by the Company and the Required Banks; and

(e) With respect to Eligible Inventory consisting of packaging materials, vaccines, general supplies and maintenance supplies, actual costs.

SECTION 4.2. ACCOUNTING TERMS. Any accounting term or the character or amount of any asset or liability or item of income or expense required to be determined under this Agreement, shall be determined or made in accordance with generally accepted accounting principles at the time in effect, to the extent applicable, except where such principles are inconsistent with the requirements of this Agreement.

SECTION 5. Representations and Warranties.

The Company represents and warrants to the Banks as follows:

SECTION 5.1. ORGANIZATION AND QUALIFICATION. The Company is a corporation duly organized and existing and in good standing under the laws of the State of Delaware, has full and adequate corporate power to carry on its business as now conducted, is duly licensed or qualified in all jurisdictions wherein the nature of its activities requires such licensing or qualification except where the failure to be so licensed or qualified would not have a material adverse effect on the condition, financial or otherwise, of the Company, has full right and authority to enter into this Agreement and the other Loan Documents, to make the borrowings herein provided for, to issue the Notes in evidence thereof, to encumber its assets as collateral security for such borrowings and to perform each and all of the matters and things herein and therein provided for; and this Agreement does not, nor does the performance or observance by the Company of any of the matters or things provided for in the Loan Documents, contravene any provision of law or any charter or by-law provision or any covenant, indenture or agreement of or affecting the Company or its Properties.

SECTION 5.2. SUBSIDIARIES. Each Subsidiary is duly organized and existing under the laws of the jurisdiction of its incorporation or organization, has full and adequate corporate or other organizational power to carry on its business as now conducted and is duly licensed or qualified in all jurisdictions wherein the nature of its business requires such licensing or qualification and the failure to be so licensed or qualified would have a material adverse effect upon the business, operations or financial condition of such Subsidiary and the Company taken as a whole. As of the date hereof, the only Subsidiaries of the Company are set forth on Exhibit H hereto.

SECTION 5.3. FINANCIAL REPORTS. The Company has heretofore delivered to the Banks a copy of the Audit Report as of September 26, 1998 of the Company and its Subsidiaries and unaudited financial statements (including a balance sheet, statement of income and retained earnings, statement of cash flows, footnotes and comparison to the comparable prior year period) of the Company as of, and for the period ending July 3, 1999. Such audited financial statements have been prepared in accordance with generally accepted accounting principles on a basis consistent, except as otherwise noted therein, with that of the previous fiscal year or period and fairly reflect in all material respects the consolidated financial position of the Company and its Subsidiaries as of the dates thereof, and the consolidated results of its operations for the periods covered thereby. The Company and its Subsidiaries have no material contingent liabilities other than as

indicated on said financial statements and since said date of September 26, 1998 there has been no material adverse change in the condition, financial or otherwise, of the Company and its Subsidiaries, taken as a whole that has not been disclosed in writing to the Banks.

SECTION 5.4. LITIGATION; TAX RETURNS; APPROVALS. There is no litigation or governmental proceeding pending, nor to the knowledge of the Company threatened, against the Company or any Subsidiary which, if adversely determined, is likely to result in any material adverse change in the Properties, business and operations of the Company and its Subsidiaries, taken as a whole. All income tax returns for the Company required to be filed have been filed on a timely basis, all amounts required to be paid as shown by said returns have been paid except where the failure to make such filing or payment could not reasonably be expected to have a material adverse effect on the business, operations, Property or condition (financial or otherwise) of the Company and its Subsidiaries, taken as a whole. There are no pending or, to the best of the Company's knowledge, threatened objections to or controversies in respect of the United States federal income tax returns of the Company for any fiscal year except such objection or controversies that could not reasonably be expected to have a material adverse effect on the business, operations, Property or condition (financial or otherwise) of the Company and its Subsidiaries, taken as a whole or are being contested in good faith by appropriate proceedings and adequate reserves have been provided therefor in accordance with generally accepted accounting principles consistently applied. No authorization, consent, license, exemption or filing (other than the filing of financing statements) or registration with any court or governmental department, agency or instrumentality, is or will be necessary to the valid execution, delivery or performance by the Company of the Loan Documents.

SECTION 5.5. REGULATION U. Neither the Company nor any Subsidiary is engaged in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulation U of the Board of Governors of the Federal Reserve System) and no part of the proceeds of any Loan made hereunder will be used to purchase or carry any margin stock or to extend credit to others for such a purpose.

SECTION 5.6. NO DEFAULT. As of the date of this Agreement, the Company is in full compliance with all of the terms and conditions of this Agreement, and no Potential Default or Event of Default is existing under this Agreement.

SECTION 5.7. ERISA. The Company and its Subsidiaries are in compliance in all material respects with ERISA to the extent applicable to them and have received no written notice to the contrary from the PBGC or any other governmental entity or agency.

SECTION 5.8. SECURITY INTERESTS AND DEBT. There are no security interests, liens or encumbrances on any of the Property of the Company or any Subsidiary except such as are permitted by Section 7.16 of this Agreement, and the Company and its Subsidiaries have no Debt except such as is permitted by Section 7.17 of this Agreement.

SECTION 5.9. ACCURATE INFORMATION. No information, exhibit or report furnished by the Company to the Banks in connection with the negotiation of the Loan Documents contained any misstatement of material fact or omitted to state a material fact or any fact necessary to make the statements contained therein not misleading in light of the circumstances in which made.

SECTION 5.10. ENVIRONMENTAL MATTERS. (a) Except as disclosed on EXHIBIT C, the Company has not received any written notice to the effect, or has any knowledge, that its or any Subsidiary's Property or operations are not in compliance with any of the requirements of applicable federal, state and local environmental, health and safety statutes and regulations ("ENVIRONMENTAL LAWS") or are the subject of any federal or state investigation evaluating whether any remedial action is needed to respond to a release of any toxic or hazardous waste or substance into the environment, which non-compliance or remedial action could reasonably be expected to have a material adverse effect on the business, operations, Property, assets or conditions (financial or otherwise) of the Company and its Subsidiaries, taken as a whole;

(b) there have been no releases of hazardous materials at, on or under any Property now or previously owned or leased by the Company or any Subsidiary that, singly or in the aggregate, have, or may reasonably be expected to have, a material adverse effect on the financial condition, operations, assets, business or Properties of the Company and its Subsidiaries, taken as a whole;

(c) there are no underground storage tanks, active or abandoned,

including petroleum storage tanks, on or under any property now or previously owned or leased by the Company or any Subsidiary that, singly or in the aggregate, have, or may reasonably be expected to have, a material adverse effect on the financial condition, operations, assets, business or Properties of the Company and its Subsidiaries, taken as a whole;

(d) neither the Company nor any Subsidiary has directly transported or directly arranged for the transportation of any hazardous material to any location which is listed or proposed for listing on the National Priorities List pursuant to CERCLA, on the CERCLIS or on any similar state list or which is the subject of federal, state or local enforcement actions or other investigations which could reasonably be expected to lead to material claims against the Company or any Subsidiary thereof for any remedial work, damage to natural resources or personal injury, including claims under CERCLA; and

(e) no conditions exist at, on or under any Property now or previously owned or leased by the Company or any Subsidiary which, with the passage of time, or the giving of notice or both, would give rise to any material liability under any Environmental Law.

SECTION 5.11. ENFORCEABILITY. This Agreement and the other Loan Documents are legal, valid and binding agreements of the Company, enforceable against it in accordance with their terms, except as may be limited by (a) bankruptcy, insolvency, reorganization, fraudulent transfer, moratorium or other similar laws or judicial decisions for the relief of debtors or the limitation of creditors' rights generally; and (b) any equitable principles relating to or limiting the rights of creditors generally.

SECTION 5.12. RESTRICTIVE AGREEMENTS. Neither the Company nor any Subsidiary is a party to any contract or agreement, or subject to any charge or other corporate restriction, which adversely affects its ability to execute, deliver and perform the Loan Documents to which it is a party and repay its indebtedness, obligations and liabilities under the Loan Documents or which materially and adversely affects or, insofar as the Company can reasonably foresee, could reasonably be expected to materially and adversely affect, the property, business, operations or condition (financial or otherwise) of the Company and its Subsidiaries, taken as a whole, or would in any respect materially and adversely affect the Collateral, the repayment of the indebtedness, obligations and liabilities under the Loan Documents, or any Bank's or the Agent's rights under the Loan Documents.

SECTION 5.13. LABOR DISPUTES. Except as set forth on EXHIBIT J, (a) as of the date hereof, there is no collective bargaining agreement or other labor contract covering employees of the Company or any of its Subsidiaries; (b) no such collective bargaining agreement or other labor contract is scheduled to expire during the term of this Agreement; (c) no union or other labor organization is seeking to organize, or to be recognized as, a collective bargaining unit of employees of the Company or any of its Subsidiaries; and (d) there is no pending or (to the best of the Company's knowledge) threatened strike, work stoppage, material unfair labor practice claim or other material labor dispute against or affecting the Company or any of its Subsidiaries or their respective employees.

SECTION 5.14. NO VIOLATION OF LAW. Neither the Company nor any Subsidiary is in violation of any law, statute, regulation, ordinance, judgment, order or decree applicable to it which violation could reasonably be expected to in any respect materially and adversely affect the Collateral, the repayment of the indebtedness, obligations and liabilities under the Loan Documents, any Bank's or the Agent's rights under the Loan Documents, or the Property, business, operations or condition (financial or otherwise) of the Company and its Subsidiaries, taken as a whole.

SECTION 5.15. NO DEFAULT UNDER OTHER AGREEMENTS. Neither the Company nor any Subsidiary is in default with respect to any note, indenture, loan agreement, mortgage, lease, deed, or other agreement to which it is a party or by which it or its Property is bound, which default could reasonably be expected to materially and adversely affect the Collateral, the repayment of the indebtedness, obligations and liabilities under the Loan Documents, any Bank's or the Agent's rights under the Loan Documents or the Property, business, operations or condition (financial or otherwise) of the Company and its Subsidiaries, taken as a whole.

SECTION 5.16. STATUS UNDER CERTAIN LAWS. Neither the Company nor any of its Subsidiaries is an "INVESTMENT COMPANY" or a person directly or indirectly controlled by or acting on behalf of an "INVESTMENT COMPANY" within the meaning of the Investment Company Act of 1940, as amended, or a "HOLDING COMPANY," or a "SUBSIDIARY COMPANY" of a "HOLDING COMPANY," or an "AFFILIATE" of a "HOLDING COMPANY" or a "SUBSIDIARY COMPANY" of a "HOLDING COMPANY," within the meaning of the Public Utility Holding Company Act of

1935, as amended.

SECTION 5.17. FEDERAL FOOD SECURITY ACT. The Company has received no written notice given pursuant to Section 1324(e)(1) or (3) of the Federal Food Security Act and there has not been filed any financing statement or notice, purportedly in compliance with the provisions of the Federal Food Security Act, purporting to perfect a security interest in farm products purchased by the Company in favor of a secured creditor of the seller of such farm products. The Company has registered, pursuant to Section 1324(c)(2)(D) of the Federal Food Security Act, with the Secretary of State of each State in which are produced farm products purchased by the Company and which has established or hereafter establishes a central filing system, as a buyer of farm products produced in such State; and each such registration is in full force and effect.

Section 5.18. FAIR LABOR STANDARDS ACT. The Company and each Subsidiary has complied in all material respects with, and will continue to comply with, the provisions of the Fair Labor Standards Act of 1938, 29 U.S.C. section 201, ET SEQ., as amended from time to time (the "FLSA"), including specifically, but without limitation, 29 U.S.C. section 215(a). This representation and warranty, and each reconfirmation hereof, shall constitute written assurance from the Company, given as of the date hereof and as of the date of each reconfirmation, that the Company and each Subsidiary has complied in all material respects with the requirements of the FLSA, in general, and Section 15(a)(1), 29 U.S.C. section 215(a)(1), thereof, in particular.

SECTION 5.19. ORGANIZATION AND QUALIFICATION OF THE GUARANTOR. The Guarantor is a limited partnership duly organized and existing and in good standing under the laws of the State of Texas, has full and adequate partnership power to carry on its business as now conducted, is duly licensed or qualified in all jurisdictions wherein the nature of its activities requires such licensing or qualification except where the failure to be so licensed or qualified would not have a material adverse effect on the condition, financial or otherwise, of the Guarantor, has full right and authority to enter into the Partnership Guaranty, to guaranty the payment when due of the Company's indebtedness, obligations and liabilities to the Banks under the Loan Documents pursuant to the Partnership Guaranty and to perform each and all of the matters and things therein provided for; and the Partnership Guaranty does not, nor does the performance or observance by the Guarantor of any of the matters or things provided for in the Partnership Guaranty, contravene any provision of law or any provision of the Guarantor's certificate of limited partnership or its limited partnership agreement or any covenant, indenture or agreement of or affecting the Guarantor or its Properties.

SECTION 6. CONDITIONS PRECEDENT.

The obligation of the Banks to make any Loan pursuant hereto or to issue any L/C shall be subject to the following conditions precedent:

SECTION 6.1. GENERAL. The Agent shall have received the notice of borrowings and requests for L/Cs and the Notes hereinabove provided for.

SECTION 6.2. EACH EXTENSION OF CREDIT. As of the time of the making of each Loan and the issuance of each L/C hereunder (including the initial Loan or L/C, as the case may be):

(a) each of the representations and warranties set forth in Section 5 hereof shall be and remain true and correct as of said time as if made at said time, except that (i) the representations and warranties made under Section 5.3 shall be deemed to refer to the most recent financial statements furnished to the Banks pursuant to Section 7.4 hereof and (ii) with respect to the Company's Foreign Subsidiaries the representations and warranties made under Section 5.13(d) shall be deemed to refer only to material strikes, work stoppages, unfair labor practice claims or other material labor disputes;

(b) the Company shall be in full compliance with all of the terms and conditions hereof, and no Potential Default or Event of Default shall have occurred and be continuing;

(c) after giving effect to the requested extension of credit and to each Loan that has been made and L/C issued hereunder, the aggregate principal amount of all Loans, the amount available for drawing under all L/Cs and the aggregate principal amount of all Reimbursement Obligations then outstanding shall not exceed the lesser of (i) the sum of the Banks' Revolving Credit Commitments then in effect and (ii) the Borrowing Base as determined on the basis of the most recent Borrowing Base Certificate, except as otherwise agreed by the Company and all of the Banks; and

(d) no change shall have occurred in the condition or operation of the Company or any Subsidiary since the date of the financial statements (quarterly or annual, as applicable) most recently provided by the Company to the Banks pursuant to Sections 7.4(a) or (b), as applicable, which, when considered in the aggregate, could reasonably be expected to have a material adverse effect on the business, operations, Property or condition (financial or otherwise) of the Company and its Subsidiaries taken as a whole;

and the request by the Company for any Loan or L/C pursuant hereto shall be and constitute a warranty to the foregoing effects.

SECTION 7. COVENANTS.

It is understood and agreed that so long as credit is in use or available under this Agreement or any amount remains unpaid on any Note, Reimbursement Obligation, L/C, Bond Reimbursement Obligation or Bond L/C, except to the extent compliance in any case or cases is waived in writing by the Required Banks:

SECTION 7.1. MAINTENANCE. The Company will, and will cause each Subsidiary to, maintain, preserve and keep its plant, Properties and equipment in good repair, working order and condition and will from time to time make all needful and proper repairs, renewals, replacements, additions and betterments thereto so that at all times the efficiency thereof shall be preserved and maintained in all material respects, normal wear and tear excepted.

SECTION 7.2. TAXES. The Company will, and will cause each Subsidiary to, duly pay and discharge all taxes, rates, assessments, fees and governmental charges upon or against the Company or its Subsidiaries or against their respective Properties in each case before the same become delinquent and before penalties accrue thereon unless and to the extent that the same are being contested in good faith and by appropriate proceedings diligently conducted and for which adequate reserves in form and amount reasonably satisfactory to the Required Banks have been established or where the failure to make such payment could not reasonably be expected to have a material adverse effect on the business, operations, Property or condition (financial or otherwise) of the Company and its Subsidiaries, taken as a whole, provided that the Company shall pay or cause to be paid all such taxes, rates, assessments, fees and governmental charges forthwith upon the commencement of proceedings to foreclose any lien which is attached as security therefor, unless such foreclosure is stayed by the filing of an appropriate bond in a manner satisfactory to the Required Banks.

SECTION 7.3. MAINTENANCE OF INSURANCE. The Company will, and will cause each Subsidiary to, maintain insurance coverage by good and responsible insurance underwriters in such forms and amounts and against such risks and hazards as are customary for companies engaged in similar businesses and owning and operating similar Properties, provided that the Company and its Subsidiaries may self-insure for workmen's compensation, group health risks and their live chicken inventory in accordance with applicable industry standards. In any event, the Company will insure any of its Property which is insurable against loss or damage by fire, theft, burglary, pilferage and loss in transit, all in amounts and under policies containing loss payable clauses to the Agent as its interest may appear (and, if the Required Banks request, naming the Agent as additional insured therein) and providing for advance notice to the Agent of cancellation thereof, issued by sound and reputable insurers accorded a rating of A-XII or better by A.M. Best Company, Inc. or A or better by Standard & Poor's Corporation or Moody's Investors Service, Inc. and all premiums thereon shall be paid by the Company and certificates summarizing the same delivered to the Agent.

SECTION 7.4. FINANCIAL REPORTS. The Company will, and will cause each Subsidiary to, maintain a standard and modern system of accounting in accordance with sound accounting practice and will furnish to the Banks and their duly authorized representatives such information respecting the business and financial condition of the Company and its Subsidiaries as may be reasonably requested and, without any request, will furnish to the Banks:

(a) as soon as available, and in any event within 45 days after the close of each quarterly fiscal period of the Company a copy of the consolidated balance sheet, statement of income and retained earnings, statement of cash flows, and the results of operations of the Company and its Subsidiaries, for such period of the Company and its Subsidiaries, and unaudited consolidating balance sheets, statement of income and retained earnings and the results of operations for the Company and its Material Subsidiaries, in each case, together with all such information for the year to date, all in reasonable detail,

prepared by the Company and certified on behalf of the Company by the Company's chief financial officer;

(b) as soon as available, and in any event within 90 days after the close of each fiscal year, a copy of the audit report for such year and accompanying financial statements, including a consolidated balance sheet, a statement of income and retained earnings, and a statement of cash flows, together with all footnotes thereto, for the Company and its Subsidiaries, and unaudited consolidating balance sheets, statement of income and retained earnings and statements of cash flows for the Company and its Material Subsidiaries, in each case, showing in comparative form the figures for the previous fiscal year of the Company, all in reasonable detail, accompanied by an unqualified opinion of Ernst & Young or other independent public accountants of nationally recognized standing selected by the Company and reasonably satisfactory to the Required Banks, such opinion to indicate that such statements are prepared in accordance with generally accepted accounting principles;

(c) each of the financial statements furnished to the Banks pursuant to paragraph (a) and (b) above shall be accompanied by a Compliance Certificate in the form of Exhibit F hereto signed on behalf of the Company by its chief financial officer;

(d) within 30 days after the end of each month, a Borrowing Base Certificate in the form of Exhibit G hereto, setting forth a computation of the Borrowing Base as of that month's end date, certified as correct on behalf of the Company by the Company's chief financial officer and certifying that as of the last day of the preceding monthly period the signer thereof has re-examined the terms and provisions of this Agreement and the Security Agreement and that to the best of his knowledge and belief, no Potential Default or Event of Default has occurred or, if any such Potential Default or Event of Default has occurred, setting forth the description of such Potential Default or Event of Default and specifying the action, if any, taken by the Company to remedy the same;

(e) promptly upon their becoming available, copies of all registration statements and regular periodic reports, if any, which the Company shall have filed with the Securities and Exchange Commission or any governmental agency substituted therefor, or any national securities exchange, including copies of the Company's form 10-K annual report, including financial statements audited by Ernst & Young or other independent public accountants of nationally recognized standing selected by the Company and reasonably satisfactory to the Bank, its form 10-Q quarterly report to the Securities and Exchange Commission and any Form 8-K filed by the Company with the Securities and Exchange Commission; and

(f) promptly upon the mailing thereof to the shareholders of the Company generally, copies of all financial statements, reports and proxy statements so mailed.

SECTION 7.5. INSPECTION AND REVIEWS. The Company shall, and shall cause each Subsidiary to, permit the Agent and the Banks, by their representatives and agents, to inspect any of the properties, corporate books and financial records of the Company and its Subsidiaries, to review and make copies of the books of accounts and other financial records of the Company and its domestic Subsidiaries, and to discuss the affairs, finances and accounts of the Company and its Subsidiaries with, and to be advised as to the same by, its officers at such reasonable times and intervals as the Agent or the Banks may designate. In addition to any other compensation or reimbursement to which the Agent and the Banks may be entitled under the Loan Documents, after the occurrence of an Event of Default and during the continuation thereof the Company shall pay to the Agent from time to time upon demand the amount necessary to compensate it for all fees, charges and expenses incurred by the Agent or its designee in connection with the audits of Collateral, or inspections or review of the books, records and accounts of the Company or any domestic Subsidiary conducted by the Agent or its designee or any of the Banks.

SECTION 7.6. CONSOLIDATION AND MERGER. The Company will not, and will not permit any Subsidiary to, consolidate with or merge into any Person, or permit any other Person to merge into it, or acquire (in a transaction analogous in purpose or effect to a consolidation or merger) all or substantially all the Property of the other Person, or acquire substantially as an entirety the business of any other Person, without the prior written consent of the Required Banks; PROVIDED, HOWEVER, that (a) if no Potential Default or Event of Default shall have occurred and be continuing or shall result therefrom (including compliance on a pro forma basis with Sections 7.8, 7.9, 7.10, 7.11, 7.12 and 7.13) the Company may

acquire all or substantially all the Property of the other Person, or acquire substantially as an entirety the business of any other Person if the aggregate fair market value of all consideration paid or payable by the Company in all such acquisitions made in any Fiscal Year does not exceed \$50,000,000 and (b) a Subsidiary or the Company may acquire, merge with or into or consolidate with another Subsidiary so long as, in the case of an acquisition, a merger or a consolidation involving the Company, the Company is the surviving or resulting entity.

SECTION 7.7. TRANSACTIONS WITH AFFILIATES. The Company will not, and will not permit any Subsidiary to, enter into any transaction, including without limitation, the purchase, sale, lease or exchange of any Property, or the rendering of any service, with any Affiliate of the Company or such Subsidiary except (a) in the ordinary course of and pursuant to the reasonable requirements of the Company's or such Subsidiary's business and upon fair and reasonable terms not materially less favorable to the Company than would be obtained in a comparable arm's-length transaction with a Person not an Affiliate of the Company or such Subsidiary; PROVIDED, that in the case of any such transaction involving the Company or a Subsidiary, on the one hand, and another Subsidiary, on the other hand, such transaction is in the ordinary course and pursuant to the reasonable requirements of the Company's or such Subsidiary's business, (b) on-going transactions with Affiliates of the type disclosed in the Company's proxy statement for its Fiscal Year ended September 26, 1998; (c) the sale of all or substantially all of the Company's Receivables pursuant to a Receivables Securitization Program; and (d) the guaranties and environmental indemnities described in Section 7.17(o) hereof.

SECTION 7.8. LEVERAGE RATIO. The Company will not permit its Leverage Ratio at any time to exceed 0.625 to 1.

SECTION 7.9. TANGIBLE NET WORTH. The Company shall maintain its Tangible Net Worth at all times during the periods specified below in an amount not less than the minimum required amount for each period set forth below:

(a) from the date hereof through the next to last day in Fiscal Year 1999, \$181,091,000; and

(b) from the last day of Fiscal Year 1999 and at all times during each Fiscal Year thereafter, an amount in any Fiscal Year equal to the minimum amount required to be maintained during the preceding Fiscal Year plus an amount equal to 75% of the Company's Net Income (but not less than zero) during such Fiscal Year, if the Company's Leverage Ratio for such Fiscal Year is equal to or greater than 0.5 to 1, or 50% of the Company's Net Income (but not less than zero) if the Company's Leverage Ratio for such Fiscal Year is less than 0.5 to 1.

SECTION 7.10. CURRENT RATIO. The Company will maintain at all times and measured as of the last day of each quarterly fiscal accounting period a Current Ratio of not less than 1.35 to 1.

SECTION 7.11. NET TANGIBLE ASSETS TO TOTAL LIABILITIES. The Company will not permit the ratio of its Net Tangible Assets to its Total Liabilities at any time but measured as of the last day of each quarterly fiscal accounting period to be less than 1.3 to 1.

SECTION 7.12. FIXED CHARGE COVERAGE RATIO. The Company will not permit, as of the last day of each fiscal quarter of the Company, its Fixed Charge Coverage Ratio in the eight consecutive fiscal quarters of the Company then ended to be less than 1.5 to 1 on the last day of each fiscal quarter of the Company.

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

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

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

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

SECTION 7.14. INTENTIONALLY OMITTED.

SECTION 7.15. DIVIDENDS AND CERTAIN OTHER RESTRICTED PAYMENTS. The Company will not (a) declare or pay any dividends or make any distribution on any class of its capital stock (other than dividends payable solely in its capital stock) or (b) directly or indirectly purchase, redeem or otherwise acquire or retire any of its capital stock (except out of the proceeds of, or in exchange for, a substantially concurrent issue and sale of capital

stock) or (c) make any other distributions with respect to its capital stock; PROVIDED, HOWEVER, that if no Potential Default or Event of Default shall exist before and after giving effect thereto, the Company may (i) pay dividends in an aggregate amount not to exceed \$3,400,000 in any Fiscal Year, (ii) pay dividends permitted under Section 7.15(i) during the immediately preceding Fiscal Year that were declared but not paid in the immediately preceding Fiscal Year, and (iii) repurchase the Company's capital stock in an aggregate amount not to exceed \$25,000,000.

SECTION 7.16. LIENS. The Company will not, and will not permit any Subsidiary to, pledge, mortgage or otherwise encumber or subject to or permit to exist upon or be subjected to any lien, charge or security interest of any kind (including any conditional sale or other title retention agreement and any lease in the nature thereof), on any of its Properties of any kind or character other than:

(a) liens, pledges or deposits for workmen's compensation, unemployment insurance, old age benefits or social security obligations, taxes, assessments, statutory obligations or other similar charges, good faith deposits made in connection with tenders, contracts or leases to which the Company or a Subsidiary is a party or other deposits required to be made in the ordinary course of business, provided in each case the obligation secured is not overdue or, if overdue, is being contested in good faith by appropriate proceedings and adequate reserves have been provided therefor in accordance with generally accepted accounting principles and that the obligation is not for borrowed money, customer advances, trade payables or obligations to agricultural producers;

(b) the pledge of Property for the purpose of securing an appeal or stay or discharge in the course of any legal proceedings, provided that the aggregate amount of liabilities of the Company and its Subsidiaries so secured by a pledge of Property permitted under this subsection (b) including interest and penalties thereon, if any, shall not be in excess of \$5,000,000 at any one time outstanding;

(c) liens, pledges, mortgages, security interests, or other charges granted to the Agent to secure the Notes, L/Cs, or the Reimbursement Obligations;

(d) liens, pledges, security interests or other charges now or hereafter created under the Security Agreement;

(e) security interests or other interests of a lessor in equipment leased by the Company or any Subsidiary as lessee under any financing lease, to the extent such security interest or other interest secures rental payments payable by the Company thereunder;

(f) liens of carriers, warehousemen, mechanics and materialmen and other like liens, in each case arising in the ordinary course of the Company's or any Subsidiary's business to the extent they secure obligations that are not past due or, if past due, which do not exceed an aggregate at any one time of \$5,000,000 or are being contested in good faith by appropriate proceedings and adequate reserves have been provided therefor in accordance with generally accepted accounting principals;

(g) such minor defects, irregularities, encumbrances, easements, rights of way, and clouds on title as normally exist with respect to similar properties which do not materially impair the Property affected thereby for the purpose for which it was acquired;

(h) liens, pledges, mortgages, security interests or other charges granted by any of the Company's Foreign Subsidiaries in such Foreign Subsidiary's Inventory, fixed assets and accounts receivable, in each case securing only indebtedness in an aggregate principal amount of up to 75% of the Net Working Capital of such Foreign Subsidiaries incurred by such Subsidiaries for working capital purposes;

(i) statutory landlord's liens under leases;

(j) existing liens described on Exhibit D hereto;

(k) liens on the cash surrender value of the life insurance policy maintained by the Company on the life of Mr. Lonnie A. Pilgrim, to the extent such liens secure loans in an aggregate principal amount not to exceed \$900,000;

(l) liens, security interests, pledges, mortgages or other charges in any Property other than the Collateral securing obligations

in an aggregate amount not exceeding \$1,000,000 at any time;

(m) liens, mortgages and security interests in the Company's real estate, buildings, machinery and equipment securing indebtedness permitted only by Section 7.17(j) of this Agreement;

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

(o) liens and security interests granted by PPAHC on its real estate and all buildings and improvements thereon and all rents, issues and profits thereof securing indebtedness permitted by Sections 7.17(n) and (o) hereof;

(p) (i) liens, pledges, mortgages, security interests, or other charges granted to the Agent to secure the Bond L/C or the Bond Reimbursement Obligations, and (ii) liens, pledges, mortgages, security interests or other charges in Property other than the Collateral granted to the issuer of an Alternate Credit Facility to secure the Company's obligations to such issuer with respect to the Alternate Credit Facility;

(q) liens, pledges, mortgages and security interests on assets (other than the Collateral) of the Company and its Subsidiaries to secure indebtedness permitted by Section 7.17(u) hereof; and

(r) liens of Agricultural Production Credit Association on equity interests in Agricultural Production Credit Association.

SECTION 7.17. BORROWINGS AND GUARANTIES. The Company will not, and will not permit any Subsidiary to, issue, incur, assume, create or have outstanding any indebtedness for borrowed money (including as such all indebtedness representing the deferred purchase price of Property) or customer advances, nor be or remain liable, whether as endorser, surety, guarantor or otherwise, for or in respect of any liability or indebtedness of any other Person, other than:

(a) indebtedness of the Company arising under or pursuant to this Agreement or the other Loan Documents;

(b) the liability of the Company arising out of the endorsement for deposit or collection of commercial paper received in the ordinary course of business;

(c) trade payables of the Company arising in the ordinary course of the Company's business;

(d) indebtedness disclosed on the audited financial statements referred to in Section 5.3 hereof;

(e) Subordinated Debt in an aggregate principal amount not to exceed \$100,000,000 maturing no earlier than August 1, 2003;

(f) indebtedness in an aggregate principal amount of up to 75% of each Foreign Subsidiary's working capital incurred by the Company's Foreign Subsidiaries for working capital purposes;

(g) Debt arising from sale/leaseback transactions permitted by Section 7.32 hereof and under Capitalized Lease Obligations;

(h) indebtedness of any Foreign Subsidiary to any other Foreign Subsidiary;

(i) loans in an aggregate principal amount of up to \$900,000 against the cash surrender value of the life insurance policy maintained on the life of Mr. Lonnie A. Pilgrim;

(j) Funded Debt incurred to finance capital expenditures;

(k) in addition to the indebtedness permitted by Section 7.17(f) hereof, unsecured indebtedness of the Company or its Foreign Subsidiaries in an aggregate principal amount not to exceed \$20,000,000 outstanding at any time incurred to finance the Company's or its Foreign Subsidiaries working capital needs;

(l) indebtedness in an aggregate principal amount not to exceed \$85,000,000, which includes \$15,000,000 currently unfunded at principal and interest payments yet to be determined, owed to John Hancock Mutual Life Insurance Company and Signature 1A (Cayman), Ltd.; notes payable with interest rates at 7.21%, 9.39%, 9.45%, 7.11% and

7.07%, payable in monthly installments of \$455,305, \$61,839, \$23,860, \$134,750 and \$135,412, respectively, plus balloon payments at maturity on February 28, 2006 and any indebtedness incurred to refinance such indebtedness; PROVIDED such refinancing does not exceed the greater of the original principal amount of the indebtedness being refinanced and 75% of the appraised value (as shown in an appraisal performed by an appraiser satisfactory to the Agent; PROVIDED that the Agent shall be deemed to have approved any appraiser that has prepared an appraisal on or before the date hereof for any assets pledged on or before the date hereof to John Hancock Mutual Life Insurance Company and Signature 1A (Cayman), Ltd., pursuant to the terms of that certain Amended and Restated Note Purchase Agreement among the Company, John Hancock Mutual Life Insurance Company and Signature 1A (Cayman), Ltd., so long as such appraiser prepares the appraisal or update to such appraisal for the same assets referenced above on or before October 31, 2001) of the collateral securing such indebtedness;

(m) indebtedness of the Company and its Subsidiaries pursuant to Receivables Securitization Programs;

(n) indebtedness of PPAHC to Harris in an aggregate principal amount not to exceed \$1,820,000 incurred to finance the construction by PPAHC of an apartment building in Camp County, Texas, and any indebtedness incurred to refinance such indebtedness;

(o) indebtedness of the Company under its guaranty of payment to Harris, and any refinancing lender or lenders, of PPAHC's indebtedness described in subsection (n) above and its environmental indemnity given to Harris, and any refinancing lender or lenders, in connection with PPAHC's indebtedness described in subsection (n) above;

(p) indebtedness of the Company relating to the Bonds, the Bond L/C and any Alternate Credit Facility;

(q) unsecured indebtedness of the Company evidenced by its senior notes due no earlier than August 1, 2009 in an original aggregate principal amount not to exceed \$150,000,000 (the "ORIGINAL SENIOR NOTES"), PROVIDED that concurrently with the issuance of the Original Senior Notes the Company shall deposit, or cause to be deposited, with the trustee for the Company's 10-7/8% Senior Subordinated Notes Due 2003 (the "SENIOR SUBORDINATED NOTES") proceeds of the Original Senior Notes in an amount sufficient to repay the Senior Subordinated Notes in full;

(r) additional unsecured indebtedness of the Company in an original aggregate principal amount not to exceed \$75,000,000 evidenced by additional senior notes of the Company having identical terms as the Original Senior Notes, PROVIDED that after giving effect to the incurrence of such indebtedness the Company shall be in compliance on a PRO FORMA basis with the financial requirements of Sections 7.8, 7.9, 7.10, 7.11, 7.12 and 7.13 of this Agreement;

(s) unsecured indebtedness of any Subsidiary to any other Subsidiary and unsecured indebtedness of the Company to any Subsidiary, PROVIDED that any such indebtedness of the Company is expressly subordinated to the prior payment in full in cash of all of the Company's indebtedness, obligations and liabilities to the Agent and the Banks under this Agreement and the other Loan Documents;

(t) guarantee by any Subsidiary of the indebtedness of the Company permitted under subsections (q) and (r) of this Section 7.17; PROVIDED that such Subsidiary guarantees all of the Company's indebtedness, obligations and liabilities to the Agent and the Banks under this Agreement and the other Loan Documents; and

(u) senior secured indebtedness of the Company under credit facilities agented by CoBank, ACB or other lenders in an aggregate principal amount not to exceed the greater of (i) \$200,000,000, or (ii) 75% of the appraised value (as shown in an appraisal performed by an appraiser satisfactory to the Agent; PROVIDED that the Agent shall be deemed to have approved any appraiser that has prepared an appraisal on or before the date hereof for any assets pledged to CoBank, ACB, as agent, on or before December 31, 1999 pursuant to the terms of that certain Credit Agreement among the Company, CoBank, ACB, and certain lenders a party thereto, so long as such appraiser prepares the appraisal or update to such appraisal for the same assets referenced above on or before October 31, 2001) of the assets of the Company and its Subsidiaries incurred to finance the expansion of the Company's production and processing facilities, fixture acquisitions, repayment of existing indebtedness and for general corporate purposes.

SECTION 7.18. INVESTMENTS, LOANS AND ADVANCES. The Company will not, and will not permit any Subsidiary to, make or retain any investment (whether through the purchase of stock, obligations or otherwise) in or make any loan or advance to, any other Person, other than:

(a) investments in certificates of deposit having a maturity of one year or less issued by any United States commercial bank having capital and surplus of not less than \$50,000,000;

(b) investments in an aggregate amount of up to \$8,000,000 in deposits maintained with the Pilgrim Bank of Pittsburg;

(c) investments in commercial paper rated P1 by Moody's Investors Service, Inc. or A1 by Standard & Poor's Ratings Group maturing within 180 days of the date of issuance thereof;

(d) marketable obligations of the United States;

(e) marketable obligations guaranteed by or insured by the United States, or those for which the full faith and credit of the United States is pledged for the repayment of principal and interest thereof; provided that such obligations have a final maturity of no more than one year from the date acquired by the Company;

(f) repurchase, reverse repurchase agreements and security lending agreements collateralized by securities of the type described in subsection (c) and having a term of no more than 90 days, PROVIDED, HOWEVER, that the Company shall hold (individually or through an agent) all securities relating thereto during the entire term of such arrangement;

(g) loans, investments (excluding retained earnings) and advances by the Company to its Subsidiaries located in Mexico in an aggregate outstanding amount not to exceed \$145,000,000 at any time, PROVIDED, HOWEVER, that the Company may make loans, investments (excluding retained earnings) and advances to its Subsidiaries located in Mexico in an aggregate amount equal to the aggregate amount of any capital withdrawn from its Mexican Subsidiaries after the date hereof but not to exceed an aggregate amount of \$25,000,000 in any Fiscal Year of the Company, PROVIDED FURTHER that any such investments (excluding retained earnings), loans and advances shall not cause the aggregate outstanding amount of all such loans, investments (excluding retained earnings) and advances to exceed \$145,000,000 at any time;

(h) loans and advances to employees and contract growers (other than executive officers and directors of the Company) for reasonable expenses incurred in the ordinary course of business;

(i) loans and advances from any Subsidiary to any another Subsidiary or to the Company;

(j) investments in an aggregate amount not to exceed \$1,000,000 in Southern Hens, Inc.;

(k) investments in and loans and advances to each of PPC Delaware Business Trust, Pilgrim's Pride International, Inc. and PPC Marketing, Ltd. in an aggregate amount not to exceed \$1,000,000 for each such entity;

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

(m) loans and advances to officers and employees of the Company and its Subsidiaries made in connection with such officer's and employee's for housing related expenses or loans associated with the procurement or sale of personal residences or necessary for the moving of key personnel, in an aggregate outstanding amount not to exceed \$3,000,000 at any time;

(n) investments in Subsidiaries to the extent permitted by Section 7.29 hereof;

(o) investments permitted by Section 7.6;

(p) investments made prior to the date hereof in Persons, which are not Subsidiaries, identified on Exhibit K hereto;

(q) investments existing on the date of this Agreement in Subsidiaries listed on Exhibit H; and

(r) investments not covered by subsections (a) through (q) above, in an amount not to exceed at any time an aggregate of \$25,000,000.

SECTION 7.19. SALE OF PROPERTY. The Company will not, and will not permit any Subsidiary to, sell, lease, assign, transfer or otherwise dispose of (whether in one transaction or in a series of transactions) all or a material part of its Property to any other Person in any Fiscal Year of the Company; PROVIDED, HOWEVER, that this Section shall not prohibit:

(a) sales of Inventory by the Company in the ordinary course of business;

(b) sales or leases by the Company of its surplus, obsolete or worn-out machinery and equipment;

(c) the sale by the Company of all or substantially all of its Receivables pursuant to Receivables Securitization Programs; and

(d) transfers of assets from any Subsidiary to any other Subsidiary or to the Company.

For purposes of this Section 7.19, "MATERIAL PART" shall mean 5% or more of the lesser of the book or fair market value of the Property of the Company.

SECTION 7.20. NOTICE OF SUIT, ADVERSE CHANGE IN BUSINESS OR DEFAULT. The Company shall, as soon as possible, and in any event within fifteen (15) days after the Company learns of the following, give written notice to the Banks of (a) any proceeding(s) that, if determined adversely to the Company or any Subsidiary could reasonably be expected to have a material adverse effect on the Properties, business or operations of the Company and its Subsidiaries, taken as a whole, being instituted or threatened to be instituted by or against the Company or such Subsidiary in any federal, state, local or foreign court or before any commission or other regulatory body (federal, state, local or foreign); (b) any material adverse change in the business, Property or condition, financial or otherwise, of the Company and its Subsidiaries, taken as a whole; and (c) the occurrence of a Potential Default or Event of Default.

SECTION 7.21. ERISA. The Company will, and will cause each Subsidiary to, promptly pay and discharge all obligations and liabilities arising under ERISA of a character which if unpaid or unperformed might result in the imposition of a lien against any of its Property and will promptly notify the Agent of (a) the occurrence of any reportable event (as defined in ERISA) which could reasonably be expected to result in the termination by the PBGC of any Plan covering any officers or employees of the Company or any Subsidiary any benefits of which are, or are required to be, guaranteed by PBGC, (b) receipt of any notice from PBGC of its intention to seek termination of any Plan or appointment of a trustee therefor, and (c) its intention to terminate or withdraw from any Plan. The Company will not, and will not permit any Subsidiary to, terminate any Plan or withdraw therefrom unless it shall be in compliance with all of the terms and conditions of this Agreement after giving effect to any liability to PBGC resulting from such termination or withdrawal.

SECTION 7.22. USE OF LOAN PROCEEDS. The Company will use the proceeds of all Loans and L/Cs made or issued hereunder solely to refinance existing Debt and for general corporate purposes.

SECTION 7.23. CONDUCT OF BUSINESS AND MAINTENANCE OF EXISTENCE. The Company will, and will cause each Subsidiary to, continue to engage in business of the same general type as now conducted by it and, in the case of PPAHC, to engage in no business other than the construction, acquisition and renting, as landlord, an apartment building in Camp County, Texas, and the Company will, and will cause each Subsidiary to, preserve, renew and keep in full force and effect the Company's corporate existence and the Company's and each Subsidiary's rights, privileges and franchises necessary or desirable in the normal conduct of business; except where the failure to preserve, renew and keep in full force and effect such rights, privileges and licenses could not reasonably be expected to have a material adverse effect on the business, operations, Property or condition (financial or otherwise) of the Company and its Subsidiaries, taken as a whole.

SECTION 7.24. ADDITIONAL INFORMATION. Upon request of the Agent, the Company shall provide any reasonable additional information pertaining to any of the Collateral.

SECTION 7.25. SUPPLEMENTAL PERFORMANCE. The Company will at its own expense, register, file, record and execute all such further agreements and documents, including without limitation financing statements, and perform such acts as are necessary and appropriate, or as the Agent or any Bank may

reasonably request, to effect the purposes of the Loan Documents.

SECTION 7.26. Intentionally Omitted.

SECTION 7.27. COMPLIANCE WITH LAWS, ETC. The Company will, and will cause each of its Subsidiaries to, comply in all material respects with all applicable laws, rules, regulations and orders, such compliance to include (without limitation) (a) in the case of the Company, the maintenance and preservation of its corporate existence, (b) qualification as a foreign corporation wherein the nature of its activities requires such qualification except where the failure to be so qualified would not have a material adverse effect on the business, operations, Property or condition (financial or otherwise) of the Company and its Subsidiaries, taken as a whole, (c) the registration pursuant to the Food Security Act of 1985, as amended, with the Secretary of State of each State in which are produced any farm products purchased by the Company and which has established a central filing system, as a buyer of farm products produced in such state, and the maintenance of each such registration, (d) compliance with the Packers and Stockyard Act of 1921, as amended, (e) compliance with all applicable rules and regulations promulgated by the United States Department of Agriculture and all similar applicable state rules and regulations, and (f) compliance with all rules and regulations promulgated pursuant to the Occupational Safety and Health Act of 1970, as amended; PROVIDED that the failure of the Company to comply with this Section 7.27 in any instance not directly involving the Agent and the Banks or adversely affecting the Agent's security interest in the Collateral shall not constitute an Event of Default unless such failure would have a material adverse effect on the business, operations, Property or condition (financial or otherwise) of the Company and its Subsidiaries, taken as a whole.

SECTION 7.28. ENVIRONMENTAL COVENANT. The Company will, and will cause each of its Subsidiaries to:

(a) use and operate all of its facilities and Properties in material compliance with all Environmental Laws, keep all necessary permits, approvals, certificates, licenses and other authorizations relating to environmental matters in effect and remain in material compliance therewith, and handle all hazardous materials in material compliance with all applicable Environmental Laws;

(b) immediately notify the Agent and provide copies upon receipt of all material written claims, complaints, notices or inquiries relating to the condition of its facilities and Property or compliance with Environmental Laws, and shall promptly cure and have dismissed, to the reasonable satisfaction of the Required Banks, any actions and proceedings relating to compliance with Environmental Laws unless and to the extent that the same are being contested in good faith and by appropriate proceedings diligently conducted and for which adequate reserves in form and amount reasonably satisfactory to the Required Banks have been established, provided that no proceedings to foreclose any lien which is attached as security therefor shall have been commenced unless such foreclosure is stayed by the filing of an appropriate bond in a manner satisfactory to the Required Banks; and

(c) provide such information and certifications which the Agent may reasonably request from time to time to evidence compliance with this Section 7.28.

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

SECTION 7.30. GUARANTY FEES. The Company will not, and it will not permit any Subsidiary to, directly or indirectly, pay to the Guarantor or any other guarantor of any of the Company's indebtedness, obligations and liabilities, any fee or other compensation, but excluding salary, bonus and other compensation for services rendered as an employee (collectively the "GUARANTY FEES") in an aggregate amount in excess of \$3,600,000 in any Fiscal Year of the Company. For purposes of this Section 7.30, any Guaranty Fees paid within 45 days after the last day of any Fiscal Year shall be deemed to have been paid during such Fiscal Year.

SECTION 7.31. KEY MAN LIFE INSURANCE. The Company shall continuously maintain a policy of insurance on the life of Mr. Lonnie A. Pilgrim in the amount of \$1,500,000.00, of which the Company shall be the beneficiary, such policy to be maintained with a good and responsible insurance company acceptable to the Required Banks.

SECTION 7.32. SALE AND LEASEBACKS. The Company will not, and will not permit any Subsidiary to, enter into any arrangement with any lender or investor providing for the leasing by the Company or any Subsidiary of any real or personal property previously owned by the Company or any Subsidiary, except:

(a) any such sale and leaseback transaction, PROVIDED that (i) such transactions may be entered into only in the year, or in the year immediately preceding the year, in which net operating losses, credits or other tax benefits would otherwise expire unutilized and the Company delivers on officer's certificate to the Agent to the effect that such expiration of such net operating losses, credits or other tax benefits would occur but for entering into the sale/leaseback transaction; (ii) the Company shall be completely discharged with respect to any Debt of the Company or such Subsidiary assumed by the purchaser/lessor in such sale/leaseback transaction; (iii) the Company shall deliver to the Agent an opinion of counsel that the sale of assets and related lease will be treated as a sale and lease, respectively, for federal income tax purposes; and (iv) the proceeds of such transactions are applied to the payment of Debt; and

(b) such transactions in which the aggregate consideration received by the Company upon the sale of such property does not exceed \$6,000,000 in any Fiscal Year.

SECTION 8. EVENTS OF DEFAULT AND REMEDIES.

SECTION 8.1. DEFINITIONS. Any one or more of the following shall constitute an Event of Default:

(a) Default in the payment when due of any interest on or principal of any Note, Bond Reimbursement Obligation or Reimbursement Obligation, whether at the stated maturity thereof or as required by Section 3.4 hereof or at any other time provided in this Agreement, or of any fee or other amount payable by the Company pursuant to this Agreement;

(b) Default in the observance or performance of any covenant set forth in Sections 7.4, 7.5, 7.6, 7.15, 7.17, 7.19 and 7.20, inclusive, hereof, or of any provision of any Security Document requiring the maintenance of insurance on the Collateral subject thereto or dealing with the use or remittance of proceeds of such Collateral;

(c) Default in the observance or performance of any covenant set forth in Sections 7.7, 7.8, 7.9, 7.10, 7.11, 7.12, 7.13, 7.14, 7.16, 7.18, 7.21, 7.23 and 7.31, inclusive, hereof and such default shall continue for 15 days after written notice thereof to the Company by any Bank;

(d) Default in the observance or performance of any other covenant, condition, agreement or provision hereof or any of the other Loan Documents and such default shall continue for 30 days after written notice thereof to the Company by any Bank;

(e) Default shall occur under any evidence of indebtedness in a principal amount exceeding \$10,000,000 issued or assumed or guaranteed by the Company, or under any mortgage, agreement or other similar instrument under which the same may be issued or secured and such default shall continue for a period of time sufficient to permit the acceleration of maturity of any indebtedness evidenced thereby or outstanding or secured thereunder;

(f) Any representation or warranty made by the Company herein or in any Loan Document or in any statement or certificate furnished by it pursuant hereto or thereto, proves untrue in any material respect as of the date made or deemed made pursuant to the terms hereof;

(g) Any judgment or judgments, writ or writs, or warrant or warrants of attachment, or any similar process or processes in an aggregate amount in excess of \$10,000,000 shall be entered or filed against the Company or any Subsidiary or against any of

their respective Property or assets and remain unbonded, unstayed and undischarged for a period of 30 days from the date of its entry;

(h) Any reportable event (as defined in ERISA) which constitutes grounds for the termination of any Plan or for the appointment by the appropriate United States District Court of a trustee to administer or liquidate any such Plan, shall have occurred and such reportable event shall be continuing thirty (30) days after written notice to such effect shall have been given to the Company by any Bank; or any such Plan shall be terminated; or a trustee shall be appointed by the appropriate United States District Court to administer any such Plan; or the Pension Benefit Guaranty Corporation shall institute proceedings to administer or terminate any such Plan;

(i) The Company or any Subsidiary shall (i) have entered involuntarily against it an order for relief under the Bankruptcy Code of 1978, as amended, (ii) admit in writing its inability to pay, or not pay, its debts generally as they become due or suspend payment of its obligations, (iii) make an assignment for the benefit of creditors, (iv) apply for, seek, consent to, or acquiesce in, the appointment of a receiver, custodian, trustee, conservator, liquidator or similar official for it or any substantial part of its property, (v) file a petition seeking relief or institute any proceeding seeking to have entered against it an order for relief under the Bankruptcy Code of 1978, as amended, to adjudicate it insolvent, or seeking dissolution, winding up, liquidation, reorganization, arrangement, marshalling of assets, adjustment or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors or fail to file an answer or other pleading denying the material allegations of any such proceeding filed against it, or (vi) fail to contest in good faith any appointment or proceeding described in Section 8.1(j) hereof;

(j) A custodian, receiver, trustee, conservator, liquidator or similar official shall be appointed for the Company, any Subsidiary or any substantial part of its respective Property, or a proceeding described in Section 8.1(i)(v) shall be instituted against the Company or any Subsidiary and such appointment continues undischarged or any such proceeding continues undismissed or unstayed for a period of 90 days;

(k) The existence of an "EVENT OF DEFAULT" as defined in the Security Agreement;

(l) Any shares of the capital stock of the Company owned legally or beneficially by the Guarantor or Mr. and/or Mrs. Lonnie A. Pilgrim shall be pledged, assigned or otherwise encumbered for any reason, other than the pledge of up to 2,000,000 shares to secure personal obligations of Mr. and Mrs. Lonnie A. Pilgrim or such other personal obligations incurred by any Person so long as such obligations are not related to the financing of the Company of any of its Subsidiaries;

(m) the Guarantor shall terminate, breach, repudiate or disavow the Partnership Guaranty or any part thereof, or any event specified in Sections 8.1(i) or (j) shall occur with regard to the Guarantor;

(n) The occurrence of a Change in Control; or

(o) The existence of any condition or the occurrence of any event specified as an "Event of Default" under the Reimbursement Agreement.

SECTION 8.2. REMEDIES FOR NON-BANKRUPTCY DEFAULTS. When any Event of Default, other than an Event of Default described in subsections (i) and (j) of Section 8.1 hereof, has occurred and is continuing, the Agent, if directed by the Required Banks, shall give notice to the Company and take any or all of the following actions: (i) terminate the remaining Revolving Credit Commitments and the Bond L/C Commitment, if any, hereunder on the date (which may be the date thereof) stated in such notice, (ii) declare the principal of and the accrued interest on the Notes, unpaid Bond Reimbursement Obligations and unpaid Reimbursement Obligations to be forthwith due and payable and thereupon the Notes, unpaid Bond Reimbursement Obligations and unpaid Reimbursement Obligations including both principal and interest, shall be and become immediately due and payable without further demand, presentment, protest or notice of any kind, and (iii) proceed to foreclose against any Collateral under any of the

Security Documents, take any action or exercise any remedy under any of the Loan Documents or exercise any other action, right, power or remedy permitted by law. Any Bank may exercise the right of set off with regard to any deposit accounts or other accounts maintained by the Company with any of the Banks.

SECTION 8.3. REMEDIES FOR BANKRUPTCY DEFAULTS. When any Event of Default described in subsections (i) or (j) of Section 8.1 hereof has occurred and is continuing, then the Notes, unpaid Bond Reimbursement Obligations and all Reimbursement Obligations shall immediately become due and payable without presentment, demand, protest or notice of any kind, and the obligation of the Banks to extend further credit pursuant to any of the terms hereof shall immediately terminate.

SECTION 8.4. L/Cs. Promptly following the acceleration of the maturity of the Notes pursuant to Section 8.2 or 8.3 hereof, the Company shall immediately pay to the Agent for the benefit of the Banks the full aggregate amount of all outstanding L/Cs and the Bond L/C. The Agent shall hold all such funds and proceeds thereof as additional collateral security for the obligations of the Company to the Banks under the Loan Documents. The amount paid under any of the L/Cs or the Bond L/C for which the Company has not reimbursed the Banks shall bear interest from the date of such payment at the default rate of interest specified in Section 1.3(d) hereof.

SECTION 8.5. REMEDIES UNDER THE BOND DOCUMENTS. In addition to the foregoing, Harris shall have all of the remedies provided to Harris in the Bond Documents upon the occurrence of an Event of Default.

SECTION 9. CHANGE IN CIRCUMSTANCES REGARDING FIXED RATE LOANS.

SECTION 9.1. CHANGE OF LAW. Notwithstanding any other provisions of this Agreement or any Note to the contrary, if at any time after the date hereof with respect to Fixed Rate Loans, any Bank shall determine in good faith that any change in applicable law or regulation or in the interpretation thereof makes it unlawful for such Bank to make or continue to maintain any Fixed Rate Loan or to give effect to its obligations as contemplated hereby, such Bank shall promptly give notice thereof to the Company to such effect, and such Bank's obligation to make, relend, continue or convert any such affected Fixed Rate Loans under this Agreement shall terminate until it is no longer unlawful for such Bank to make or maintain such affected Loan. The Company shall prepay the outstanding principal amount of any such affected Fixed Rate Loan made to it, together with all interest accrued thereon and all other amounts due and payable to the Banks under Section 9.4 of this Agreement, on the earlier of the last day of the Interest Period applicable thereto and the first day on which it is illegal for such Bank to have such Loans outstanding; provided, however, the Company may then elect to borrow the principal amount of such affected Loan by means of another type of Loan available hereunder, subject to all of the terms and conditions of this Agreement.

SECTION 9.2. UNAVAILABILITY OF DEPOSITS OR INABILITY TO ASCERTAIN THE ADJUSTED EURODOLLAR RATE OR ADJUSTED CD RATE. Notwithstanding any other provision of this Agreement or any Note to the contrary, if prior to the commencement of any Interest Period any Bank shall determine (i) that deposits in the amount of any Fixed Rate Loan scheduled to be outstanding are not available to it in the relevant market or (ii) by reason of circumstances affecting the relevant market, adequate and reasonable means do not exist for ascertaining the Adjusted Eurodollar Rate or the Adjusted CD Rate, then such Bank shall promptly give telephonic or telex notice thereof to the Company, the Agent and the other Banks (such notice to be confirmed in writing), and the obligation of the Banks to make, continue or convert any such Fixed Rate Loan in such amount and for such Interest Period shall terminate until deposits in such amount and for the Interest Period selected by the Company shall again be readily available in the relevant market and adequate and reasonable means exist for ascertaining the Adjusted Eurodollar Rate or the Adjusted CD Rate, as the case may be. Upon the giving of such notice, the Company may elect to either (i) pay or prepay, as the case may be, such affected Loan or (ii) reborrow such affected Loan as another type of Loan available hereunder, subject to all terms and conditions of this Agreement.

SECTION 9.3. TAXES AND INCREASED COSTS. With respect to the Fixed Rate Loans, if any Bank shall determine in good faith that any change in any applicable law, treaty, regulation or guideline (including, without limitation, Regulation D of the Board of Governors of the Federal Reserve System) or any new law, treaty, regulation or guideline, or any interpretation of any of the foregoing by any governmental authority charged with the administration thereof or any central bank or other fiscal, monetary or other authority having jurisdiction over such Bank or its lending branch or the Fixed Rate Loans contemplated by this Agreement (whether or not having the force of law) ("CHANGE IN LAW") shall:

(i) impose, modify or deem applicable any reserve, special deposit or similar requirements against assets held by, or deposits in or for the account of, or Loans by, or any other acquisition of funds or disbursements by, such Bank (other than reserves included in the determination of the Adjusted Eurodollar Rate or the Adjusted CD Rate);

(ii) subject such Bank, any Fixed Rate Loan or any Note to any tax (including, without limitation, any United States interest equalization tax or similar tax however named applicable to the acquisition or holding of debt obligations and any interest or penalties with respect thereto), duty, charge, stamp tax, fee, deduction or withholding in respect of this Agreement, any Fixed Rate Loan or any Note except such taxes as may be measured by the overall net income of such Bank or its lending branch and imposed by the jurisdiction, or any political subdivision or taxing authority thereof, in which such Bank's principal executive office or its lending branch is located;

(iii) change the basis of taxation of payments of principal and interest due from the Company to such Bank hereunder or under any Note (other than by a change in taxation of the overall net income of such Bank); or

(iv) impose on such Bank any penalty with respect to the foregoing or any other condition regarding this Agreement, any Fixed Rate Loan or any Note;

and such Bank shall determine that the result of any of the foregoing is to increase the cost (whether by incurring a cost or adding to a cost) to such Bank of making or maintaining any Fixed Rate Loan hereunder or to reduce the amount of principal or interest received by such Bank, then the Company shall pay to such Bank from time to time as specified by such Bank such additional amounts as such Bank shall reasonably determine are sufficient to compensate and indemnify it for such increased cost or reduced amount. If any Bank makes such a claim for compensation, it shall provide to the Company a certificate setting forth such increased cost or reduced amount as a result of any event mentioned herein specifying such Change in Law, and such certificate shall be conclusive and binding on the Company as to the amount thereof except in the case of manifest error. Upon the imposition of any such cost, the Company may prepay any affected Loan, subject to the provisions of Sections 3.3 and 9.4 hereof.

SECTION 9.4. FUNDING INDEMNITY. (a) In the event any Bank shall incur any loss, cost, expense or premium (including, without limitation, any loss of profit and any loss, cost, expense or premium incurred by reason of the liquidation or re-employment of deposits or other funds acquired by such Bank to fund or maintain any Fixed Rate Loan or the relending or reinvesting of such deposits or amounts paid or prepaid to such Bank) as a result of:

(i) any payment or prepayment of a Fixed Rate Loan on a date other than the last day of the then applicable Interest Period;

(ii) any failure by the Company to borrow, continue or convert any Fixed Rate Loan on the date specified in the notice given pursuant to Section 1.7 hereof; or

(iii) the occurrence of any Event of Default;

then, upon the demand of such Bank, the Company shall pay to such Bank such amount as will reimburse such Bank for such loss, cost or expense.

(b) If any Bank makes a claim for compensation under this Section 9.4, it shall provide to the Company a certificate setting forth the amount of such loss, cost or expense in reasonable detail and such certificate shall be conclusive and binding on the Company as to the amount thereof except in the case of manifest error.

SECTION 9.5. LENDING BRANCH. Each Bank may, at its option, elect to make, fund or maintain its Eurodollar Loans hereunder at the branch or office specified opposite its signature on the signature page hereof or such other of its branches or offices as such Bank may from time to time elect, subject to the provisions of Section 1.7(b) hereof.

SECTION 9.6. DISCRETION OF BANK AS TO MANNER OF FUNDING. Notwithstanding any provision of this Agreement to the contrary, each Bank shall be entitled to fund and maintain its funding of all or any part of its Loans in any manner it sees fit, it being understood however, that for the purposes of this Agreement all determinations hereunder shall be made as if

the Banks had actually funded and maintained each Fixed Rate Loan during each Interest Period for such Loan through the purchase of deposits in the relevant interbank market having a maturity corresponding to such Interest Period and bearing an interest rate equal to the Adjusted Eurodollar Rate or Adjusted CD Rate, as the case may be, for such Interest Period.

SECTION 10. THE AGENT.

SECTION 10.1. APPOINTMENT AND POWERS. Harris Trust and Savings Bank is hereby appointed by the Banks as Agent under the Loan Documents, including but not limited to the Security Agreement, wherein the Agent shall hold a security interest for the benefit of the Banks, solely as the Agent of the Banks, and each of the Banks irrevocably authorizes the Agent to act as the Agent of such Bank. The Agent agrees to act as such upon the express conditions contained in this Agreement.

SECTION 10.2. POWERS. The Agent shall have and may exercise such powers hereunder as are specifically delegated to the Agent by the terms of the Loan Documents, together with such powers as are incidental thereto. The Agent shall have no implied duties to the Banks, nor any obligation to the Banks to take any action under the Loan Documents except any action specifically provided by the Loan Documents to be taken by the Agent.

SECTION 10.3. GENERAL IMMUNITY. Neither the Agent nor any of its directors, officers, agents or employees shall be liable to the Banks or any Bank for any action taken or omitted to be taken by it or them under the Loan Documents or in connection therewith except for its or their own gross negligence or willful misconduct.

SECTION 10.4. NO RESPONSIBILITY FOR LOANS, RECITALS, ETC. The Agent shall not (i) be responsible to the Banks for any recitals, reports, statements, warranties or representations contained in the Loan Documents or furnished pursuant thereto, (ii) be responsible for the payment or collection of or security for any Loans, Bond Reimbursement Obligations or Reimbursement Obligations hereunder except with money actually received by the Agent for such payment, (iii) be bound to ascertain or inquire as to the performance or observance of any of the terms of the Loan Documents, or (iv) be obligated to determine or verify the existence, eligibility or value of any Collateral, or the correctness of any Borrowing Base Certificate or compliance certificate. In addition, neither the Agent nor its counsel shall be responsible to the Banks for the enforceability or validity of any of the Loan Documents or for the existence, creation, attachment, perfection or priority of any security interest in the Collateral.

SECTION 10.5. RIGHT TO INDEMNITY. The Banks hereby indemnify the Agent for any actions taken in accordance with this Section 10, and the Agent shall be fully justified in failing or refusing to take any action hereunder, unless it shall first be indemnified to its satisfaction by the Banks pro rata against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action, other than any liability which may arise out of Agent's gross negligence or willful misconduct.

SECTION 10.6. ACTION UPON INSTRUCTIONS OF BANKS. The Agent agrees, upon the written request of the Required Banks, to take any action of the type specified in the Loan Documents as being within the Agent's rights, duties, powers or discretion. The Agent shall in all cases be fully protected in acting, or in refraining from acting, hereunder in accordance with written instructions signed by the Required Banks, and such instructions and any action taken or failure to act pursuant thereto shall be binding on all of the Banks and on all holders of the Notes. In the absence of a request by the Required Banks, the Agent shall have authority, in its sole discretion, to take or not to take any action, unless the Loan Documents specifically require the consent of the Required Banks or all of the Banks.

SECTION 10.7. EMPLOYMENT OF AGENTS AND COUNSEL. The Agent may execute any of its duties as Agent hereunder by or through agents (other than employees) and attorneys-in-fact and shall not be answerable to the Banks, except as to money or securities received by it or its authorized agents, for the default or misconduct of any such agents or attorneys-in-fact selected by it in good faith and with reasonable care. The Agent shall be entitled to advice and opinion of legal counsel concerning all matters pertaining to the duties of the agency hereby created.

SECTION 10.8. RELIANCE ON DOCUMENTS; COUNSEL. The Agent shall be entitled to rely upon any Note, notice, consent, certificate, affidavit, letter, telegram, statement, paper or document believed by it to be genuine and correct and to have been signed or sent by the proper person or persons, and, in respect to legal matters, upon the opinion of legal counsel selected by the Agent.

SECTION 10.9. MAY TREAT PAYEE AS OWNER. The Agent may deem and treat the payee of any Note as the owner thereof for all purposes hereof unless and until a written notice of the assignment or transfer thereof shall have been filed with the Agent. Any request, authority or consent of any person, firm or corporation who at the time of making such request or giving such authority or consent is the holder of any such Note shall be conclusive and binding on any subsequent holder, transferee or assignee of such Note or of any Note issued in exchange therefor.

SECTION 10.10. AGENT'S REIMBURSEMENT. Each Bank agrees to reimburse the Agent pro rata in accordance with its Commitment Percentage for any reasonable out-of-pocket expenses (including fees and charges for field audits) not reimbursed by the Company (a) for which the Agent is entitled to reimbursement by the Company under the Loan Documents and (b) for any other reasonable out-of-pocket expenses incurred by the Agent on behalf of the Banks, in connection with the preparation, execution, delivery, administration and enforcement of the Loan Documents and for which the Agent is entitled to reimbursement by the Company and has not been reimbursed.

SECTION 10.11. RIGHTS AS A LENDER. With respect to its commitment, Loans made by it, L/Cs issued by it and the Notes issued to it, Harris shall have the same rights and powers hereunder as any Bank and may exercise the same as though it were not the Agent, and the term "BANK" or "BANKS" shall, unless the context otherwise indicates, include Harris in its individual capacity. Harris and each of the Banks may accept deposits from, lend money to, and generally engage in any kind of banking or trust business with the Company as if it were not the Agent or a Bank hereunder, as the case may be.

SECTION 10.12. BANK CREDIT DECISION. Each Bank acknowledges that it has, independently and without reliance upon the Agent or any other Bank and based on the financial statements referred to in Section 5.3 and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into the Loan Documents. Each Bank also acknowledges that it will, independently and without reliance upon the Agent or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents.

SECTION 10.13. RESIGNATION OF AGENT. Subject to the appointment of a successor Agent, the Agent may resign as Agent for the Banks under this Agreement and the other Loan Documents at any time by sixty days' notice in writing to the Banks. Such resignation shall take effect upon appointment of such successor. The Required Banks shall have the right to appoint a successor Agent who shall be entitled to all of the rights of, and vested with the same powers as, the original Agent under the Loan Documents. In the event a successor Agent shall not have been appointed within the sixty day period following the giving of notice by the Agent, the Agent may appoint its own successor. Resignation by the Agent shall not affect or impair the rights of the Agent under Sections 10.5 and 10.10 hereof with respect to all matters preceding such resignation. Any successor Agent must be a Bank, a national banking association, a bank chartered in any state of the United States or a branch of any foreign bank which is licensed to do business under the laws of any state or the United States.

SECTION 10.14. DURATION OF AGENCY. The agency established by Section 10.1 hereof shall continue, and Sections 10.1 through and including Section 10.14 shall remain in full force and effect, until the Notes and all other amounts due hereunder and thereunder, including without limitation all Bond Reimbursement Obligations or Reimbursement Obligations, shall have been paid in full and the Banks' commitments to extend credit to or for the benefit of the Company shall have terminated or expired.

SECTION 11. MISCELLANEOUS.

SECTION 11.1. AMENDMENTS AND WAIVERS. Any term, covenant, agreement or condition of this Agreement may be amended only by a written amendment executed by the Company, the Required Banks and, if the rights or duties of the Agent are affected thereby, the Agent, or compliance therewith only may be waived (either generally or in a particular instance and either retroactively or prospectively), if the Company shall have obtained the consent in writing of the Required Banks and, if the rights or duties of the Agent are affected thereby, the Agent, provided, however, that without the consent in writing of the holders of all outstanding Notes, unpaid Bond Reimbursement Obligations and unpaid Reimbursement Obligations and the issuer of any L/C or Bond L/C, or all Banks if no Notes or L/Cs or Bond L/Cs are outstanding, no such amendment or waiver shall (i) change the amount or postpone the date of payment of any scheduled payment or required prepayment of principal of the Notes or reduce the rate or extend the time of payment of interest on the Notes, or reduce the amount of

principal thereof, or modify any of the provisions of the Notes with respect to the payment or prepayment thereof, (ii) give to any Note any preference over any other Notes, (iii) amend the definition of Required Banks, (iv) alter, modify or amend the provisions of this Section 11.1, (v) change the amount or term of any of the Banks' Revolving Credit Commitments or the fees required under Section 3.1 hereof, (vi) alter, modify or amend the provisions of Sections 1.9, 6 or 9 of this Agreement, (vii) alter, modify or amend any Bank's right hereunder to consent to any action, make any request or give any notice, (viii) change the advance rates under the Borrowing Base or the definitions of "ELIGIBLE INVENTORY," (ix) release any Collateral under the Security Documents or release or discharge any guarantor of the Company's indebtedness, obligations and liabilities to the Banks, in each case, unless such release or discharge is permitted or contemplated by the Loan Documents, or (x) alter, amend or modify any subordination provisions of any Subordinated Debt. Any such amendment or waiver shall apply equally to all Banks and the holders of the Notes, Bond Reimbursement Obligations and Reimbursement Obligations and shall be binding upon them, upon each future holder of any Note, Bond Reimbursement Obligation and Reimbursement Obligation and upon the Company, whether or not such Note shall have been marked to indicate such amendment or waiver. No such amendment or waiver shall extend to or affect any obligation not expressly amended or waived; and PROVIDED FURTHER, that (x) any amendments of the Reimbursement Agreement or the Bond Documents by Harris shall be subject to the provisions of Section 1.19 of this Agreement, and (y) Sections 1.10 through 1.19, both inclusive, of this Agreement may only be amended, modified or waived with the consent of Harris.

SECTION 11.2. WAIVER OF RIGHTS. No delay or failure on the part of the Agent or any Bank or on the part of the holder or holders of any Note, Bond Reimbursement Obligation or Reimbursement Obligation in the exercise of any power or right shall operate as a waiver thereof, nor as an acquiescence in any Potential Default or Event of Default, nor shall any single or partial exercise of any power or right preclude any other or further exercise thereof, or the exercise of any other power or right, and the rights and remedies hereunder of the Agent, the Banks and of the holder or holders of any Notes are cumulative to, and not exclusive of, any rights or remedies which any of them would otherwise have.

SECTION 11.3. SEVERAL OBLIGATIONS. The commitments of each of the Banks hereunder shall be the several obligations of each Bank and the failure on the part of any one or more of the Banks to perform hereunder shall not affect the obligation of the other Banks hereunder, provided that nothing herein contained shall relieve any Bank from any liability for its failure to so perform. In the event that any one or more of the Banks shall fail to perform its commitment hereunder, all payments thereafter received by the Agent on the principal of Loans, Bond Reimbursement Obligations and Reimbursement Obligations hereunder, whether from any Collateral or otherwise, shall be distributed by the Agent to the Banks making such additional Loans ratably as among them in accordance with the principal amount of additional Loans made by them until such additional Loans shall have been fully paid and satisfied. All payments on account of interest shall be applied as among all the Banks ratably in accordance with the amount of interest owing to each of the Banks as of the date of the receipt of such interest payment.

SECTION 11.4. NON-BUSINESS DAY. (a) If any payment of principal or interest on any Domestic Rate Loan shall fall due on a day which is not a Business Day, interest at the rate such Loan bears for the period prior to maturity shall continue to accrue on such principal from the stated due date thereof to and including the next succeeding Business Day on which the same is payable.

(b) If any payment of principal or interest on any Eurodollar Loan shall fall due on a day which is not a Banking Day, the payment date thereof shall be extended to the next date which is a Banking Day and the Interest Period for such Loan shall be accordingly extended, unless as a result thereof any payment date would fall in the next calendar month, in which case such payment date shall be the next preceding Banking Day.

SECTION 11.5. SURVIVAL OF INDEMNITIES. All indemnities and all provisions relative to reimbursement to the Banks of amounts sufficient to protect the yield to the Banks with respect to Eurodollar Loans, including, but not limited to, Sections 9.3 and 9.4 hereof, shall survive the termination of this Agreement and the payment of the Notes for a period of one year.

SECTION 11.6. DOCUMENTARY TAXES. Although the Company is of the opinion that no documentary or similar taxes are payable in respect of this Agreement or the Notes, the Company agrees that it will pay such taxes, including interest and penalties, in the event any such taxes are assessed irrespective of when such assessment is made and whether or not any credit

is then in use or available hereunder.

SECTION 11.7. REPRESENTATIONS. All representations and warranties made herein or in certificates given pursuant hereto shall survive the execution and delivery of this Agreement and of the Notes, and shall continue in full force and effect with respect to the date as of which they were made and as reaffirmed on the date of each borrowing or request for L/C and as long as any credit is in use or available hereunder.

SECTION 11.8. NOTICES. Unless otherwise expressly provided herein, all communications provided for herein shall be in writing or by telex and shall be deemed to have been given or made when served personally, when an answer back is received in the case of notice by telex or 2 days after the date when deposited in the United States mail (registered, if to the Company) addressed if to the Company to 110 South Texas, Pittsburg, Texas 75686 Attention: Richard A. Cogdill; if to the Agent or Harris at 111 West Monroe Street, Chicago, Illinois 60690, Attention: Agribusiness Division; and if to any of the Banks, at the address for each Bank set forth under its signature hereon; or at such other address as shall be designated by any party hereto in a written notice to each other party pursuant to this Section 11.8.

SECTION 11.9. COSTS AND EXPENSES; INDEMNITY. The Company agrees to pay on demand all costs and expenses of the Agent, in connection with the negotiation, preparation, execution and delivery of this Agreement, the Notes and the other instruments and documents to be delivered hereunder or in connection with the transactions contemplated hereby, including the fees and expenses of Messrs. Chapman and Cutler, special counsel to the Agent; all costs and expenses of the Agent (including attorneys' fees) incurred in connection with any consents or waivers hereunder or amendments hereto, and all costs and expenses (including attorneys' fees), if any, incurred by the Agent, the Banks or any other holders of a Note or any Bond Reimbursement Obligation or any Reimbursement Obligation in connection with the enforcement of this Agreement or the Notes and the other instruments and documents to be delivered hereunder. The Company agrees to indemnify and save harmless the Banks and the Agent from any and all liabilities, losses, costs and expenses incurred by the Banks or the Agent in connection with any action, suit or proceeding brought against the Agent or any Bank by any Person which arises out of the transactions contemplated or financed hereby or by the Notes, or out of any action or inaction by the Agent or any Bank hereunder or thereunder, except for such thereof as is caused by the gross negligence or willful misconduct of the party indemnified. The provisions of this Section 11.9 shall survive payment of the Notes, Bond Reimbursement Obligations and Reimbursement Obligations and the termination of the Revolving Credit Commitments hereunder.

SECTION 11.10. COUNTERPARTS. This Agreement may be executed in any number of counterparts and all such counterparts taken together shall be deemed to constitute one and the same instrument. One or more of the Banks may execute a separate counterpart of this Agreement which has also been executed by the Company, and this Agreement shall become effective as and when all of the Banks have executed this Agreement or a counterpart thereof and lodged the same with the Agent.

SECTION 11.11. SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon each of the Company and the Banks and their respective successors and assigns, and shall inure to the benefit of the Company and each of the Banks and the benefit of their respective successors and assigns, including any subsequent holder of any Note, Bond Reimbursement Obligation or Reimbursement Obligation. The Company may not assign any of its rights or obligations hereunder without the written consent of the Banks.

SECTION 11.12. NO JOINT VENTURE. Nothing contained in this Agreement shall be deemed to create a partnership or joint venture among the parties hereto.

SECTION 11.13. SEVERABILITY. In the event that any term or provision hereof is determined to be unenforceable or illegal, it shall be deemed severed herefrom to the extent of the illegality and/or unenforceability and all other provisions hereof shall remain in full force and effect.

SECTION 11.14. TABLE OF CONTENTS AND HEADINGS. The table of contents and section headings in this Agreement are for reference only and shall not affect the construction of any provision hereof.

SECTION 11.15. PARTICIPANTS. Each Bank shall have the right at its own cost to grant participations (to be evidenced by one or more agreements or certificates of participation) in the Loans made, and/or Revolving Credit Commitment and participations in L/Cs, Bond L/Cs, Bond Reimbursement Obligations and Reimbursement Obligations held, by such Bank at any time and from time to time, and to assign its rights under such Loans,

participations in L/Cs, Bond L/Cs, Bond Reimbursement Obligations and Reimbursement Obligations or the Notes evidencing such Loans to one or more other Persons; provided that no such participation shall relieve any Bank of any of its obligations under this Agreement, and any agreement pursuant to which such participation or assignment of a Note or the rights thereunder is granted shall provide that the granting Lender shall retain the sole right and responsibility to enforce the obligations of the Company under the Loan Documents, including, without limitation, the right to approve any amendment, modification or waiver of any provision thereof, except that such agreement may provide that such Bank will not agree without the consent of such participant or assignee to any modification, amendment or waiver of this Agreement that would (A) increase any Revolving Credit Commitment of such Lender, or (B) reduce the amount of or postpone the date for payment of any principal of or interest on any Loan, Bond Reimbursement Obligation or Reimbursement Obligation or of any fee payable hereunder in which such participant or assignee has an interest or (C) reduce the interest rate applicable to any Loan or other amount payable in which such participant or assignee has an interest or (D) release any collateral security for or guarantor for any of the Company's indebtedness, obligations and liabilities under the Loan Documents, and provided further that no such assignee or participant shall have any rights under this Agreement except as provided in this Section 11.15, and the Agent shall have no obligation or responsibility to such participant or assignee, except that nothing herein provided is intended to affect the rights of an assignee of a Note to enforce the Note assigned. Any party to which such a participation or assignment has been granted shall have the benefits of Section 1.10, Section 9.3 and Section 9.4 hereof but shall not be entitled to receive any greater payment under any such Section than the Bank granting such participation or assignment would have been entitled to receive with respect to the rights transferred.

SECTION 11.16. ASSIGNMENT OF COMMITMENTS BY BANK. Each Bank shall have the right at any time, with the prior consent of the Company and the Agent (which consent will not be unreasonably withheld), to sell, assign, transfer or negotiate all or any part of its Revolving Credit Commitment to one or more commercial banks or other financial institutions; provided that such assignment is in an amount of at least \$5,000,000 (or, if less than \$5,000,000, the amount of its entire Revolving Credit Commitment), provided further that no Bank may so assign more than one-half of its original Revolving Credit Commitment hereunder unless it is assigning all of its interest hereunder, and provided further that any Bank may assign all of its interest hereunder to any of its subsidiaries or affiliates without the Company's or the Agent's consent. Upon any such assignment, and its notification to the Agent, the assignee shall become a Bank hereunder, all Loans and the Revolving Credit Commitment it thereby holds shall be governed by all the terms and conditions hereof, and the Bank granting such assignment shall have its Revolving Credit Commitment and its obligations and rights in connection therewith, reduced by the amount of such assignment. Upon each such assignment the Bank granting such assignment shall pay to the Agent for the Agent's sole account a fee of \$2,500.

SECTION 11.17. SHARING OF PAYMENTS. Each Bank agrees with each other Bank that if such Bank shall receive and retain any payment, whether by set-off or application of deposit balances or otherwise ("SET-OFF"), on any Loan, Bond Reimbursement Obligation, Reimbursement Obligation or other amount outstanding under this Agreement in excess of its ratable share of payments on all Loans, Bond Reimbursement Obligations, Reimbursement Obligations and other amounts then outstanding to the Banks, then such Bank shall purchase for cash at face value, but without recourse, ratably from each of the other Banks such amount of the Loans, Bond Reimbursement Obligations and Reimbursement Obligations held by each such other Bank (or interest therein) as shall be necessary to cause such Bank to share such excess payment ratably with all the other Banks; PROVIDED, HOWEVER, that if any such purchase is made by any Bank, and if such excess payment or part thereof is thereafter recovered from such purchasing Bank, the related purchases from the other Banks shall be rescinded ratably and the purchase price restored as to the portion of such excess payment so recovered, but without interest. Each Bank's ratable share of any such Set-Off shall be determined by the proportion that the aggregate principal amount of Loans, Bond Reimbursement Obligations and Reimbursement Obligations then due and payable to such Bank bears to the total aggregate principal amount of Loans, Bond Reimbursement Obligations and Reimbursement Obligations then due and payable to all the Banks.

SECTION 11.18. JURISDICTION; VENUE. THE COMPANY HEREBY SUBMITS TO THE NONEXCLUSIVE JURISDICTION OF THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS AND OF ANY ILLINOIS COURT SITTING IN CHICAGO FOR PURPOSES OF ALL LEGAL PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. THE COMPANY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF THE VENUE OF ANY SUCH PROCEEDING

BROUGHT IN SUCH A COURT AND ANY CLAIM THAT ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

SECTION 11.19. **LAWFUL RATE.** All agreements between the Company, the Agent and each of the Banks, whether now existing or hereafter arising and whether written or oral, are expressly limited so that in no contingency or event whatsoever, whether by reason of demand or acceleration of the maturity of any of the indebtedness hereunder or otherwise, shall the amount contracted for, charged, received, reserved, paid or agreed to be paid to the Agent or each Bank for the use, forbearance, or detention of the funds advanced hereunder or otherwise, or for the performance or payment of any covenant or obligation contained in any document executed in connection herewith (all such documents being hereinafter collectively referred to as the "CREDIT DOCUMENTS"), exceed the highest lawful rate permissible under applicable law (the "HIGHEST LAWFUL RATE"), it being the intent of the Company, the Agent and each of the Banks in the execution hereof and of the Credit Documents to contract in strict accordance with applicable usury laws. If, as a result of any circumstances whatsoever, fulfillment by the Company of any provision hereof or of any of such documents, at the time performance of such provision shall be due, shall involve transgressing the limit of validity prescribed by applicable usury law or result in the Agent or any Bank having or being deemed to have contracted for, charged, reserved or received interest (or amounts deemed to be interest) in excess of the maximum, lawful rate or amount of interest allowed by applicable law to be so contracted for, charged, reserved or received by the Agent or such Bank, then, IPSO FACTO, the obligation to be fulfilled by the Company shall be reduced to the limit of such validity, and if, from any such circumstance, the Agent or such Bank shall ever receive interest or anything which might be deemed interest under applicable law which would exceed the Highest Lawful Rate, such amount which would be excessive interest shall be refunded to the Company or, to the extent (i) permitted by applicable law and (ii) such excessive interest does not exceed the unpaid principal balance of the Notes and the amounts owing on other obligations of the Company to the Agent or any Bank under any Loan Document applied to the reduction of the principal amount owing on account of the Notes or the amounts owing on other obligations of the Company to the Agent or any Bank under any Loan Document and not to the payment of interest. All interest paid or agreed to be paid to the Agent or any Bank shall, to the extent permitted by applicable law, be amortized, prorated, allocated, and spread throughout the full period of the indebtedness hereunder until payment in full of the principal of the indebtedness hereunder (including the period of any renewal or extension thereof) so that the interest on account of the indebtedness hereunder for such full period shall not exceed the highest amount permitted by applicable law. This paragraph shall control all agreements between the Company, the Agent and the Banks.

SECTION 11.20. **GOVERNING LAW.** (a) THIS AGREEMENT AND THE RIGHTS AND DUTIES OF THE PARTIES HERETO, SHALL BE CONSTRUED AND DETERMINED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF ILLINOIS, EXCEPT TO THE EXTENT PROVIDED IN SECTION 11.20(b) HEREOF AND TO THE EXTENT THAT THE FEDERAL LAWS OF THE UNITED STATES OF AMERICA MAY OTHERWISE APPLY.

(b) NOTWITHSTANDING ANYTHING IN SECTION 11.20(a) HEREOF TO THE CONTRARY, NOTHING IN THIS AGREEMENT, THE NOTES, OR THE OTHER LOAN DOCUMENTS SHALL BE DEEMED TO CONSTITUTE A WAIVER OF ANY RIGHTS WHICH THE COMPANY, THE AGENT OR ANY OF THE BANKS MAY HAVE UNDER THE NATIONAL BANK ACT OR OTHER APPLICABLE FEDERAL LAW.

SECTION 11.21. **LIMITATION OF LIABILITY.** NO CLAIM MAY BE MADE BY THE COMPANY, ANY SUBSIDIARY OR ANY GUARANTOR AGAINST ANY BANK OR ITS AFFILIATES, DIRECTORS, OFFICERS, EMPLOYEES, ATTORNEYS OR AGENTS FOR ANY SPECIAL, INDIRECT OR CONSEQUENTIAL DAMAGES IN RESPECT OF ANY BREACH OR WRONGFUL CONDUCT (WHETHER THE CLAIM THEREFOR IS BASED ON CONTRACT, TORT OR DUTY IMPOSED BY LAW) IN CONNECTION WITH, ARISING OUT OF OR IN ANY WAY RELATED TO THE TRANSACTIONS CONTEMPLATED AND RELATIONSHIPS ESTABLISHED BY THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS, OR ANY ACT, OMISSION OR EVENT OCCURRING IN CONNECTION THEREWITH. THE COMPANY, EACH SUBSIDIARY AND EACH GUARANTOR HEREBY WAIVE, RELEASE AND AGREE NOT TO SUE UPON SUCH CLAIM FOR ANY SUCH DAMAGES, WHETHER OR NOT ACCRUED AND WHETHER OR NOT KNOWN OR SUSPECTED TO EXIST IN ITS FAVOR.

SECTION 11.22. **NONLIABILITY OF LENDERS.** The relationship between the Company and the Banks is, and shall at all times remain, solely that of borrower and lenders, and the Banks and the Agent neither undertake nor assume any responsibility or duty to the Company to review, inspect, supervise, pass judgment upon, or inform the Company of any matter in connection with any phase of the Company's business, operations, or condition, financial or otherwise. The Company shall rely entirely upon its own judgment with respect to such matters, and any review, inspection, supervision, exercise of judgment, or information supplied to the Company

by any Bank or the Agent in connection with any such matter is for the protection of the Bank and the Agent, and neither the Company nor any third party is entitled to rely thereon.

SECTION 11.23. NO ORAL AGREEMENTS. THIS WRITTEN AGREEMENT, TOGETHER WITH THE OTHER LOAN DOCUMENTS EXECUTED CONTEMPORANEOUSLY HERewith, REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

Exhibits A through N, inclusive of the Credit Agreement shall each be amended, and as so amended shall be restated in their entirety to read as set forth in Exhibits A through N hereto, respectively, and Exhibits O and P of the Credit Agreement are deleted.

The amendments reflected in the above and foregoing Second Amended and Restated Secured Credit Agreement shall not become effective unless and until the following conditions precedent have been satisfied:

(a) The Company and each of the Banks shall have executed this Second Amended and Restated Secured Credit Agreement (such execution may be in several counterparts and the several parties hereto may execute on separate counterparts).

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

(c) 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 Second Amended and Restated Secured Credit Agreement.

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

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

(i) a Secured Revolving Credit Note in the form attached hereto as Exhibit A payable to the order of each Bank in the principal amount of its Revolving Credit Commitment;

(ii) copies (executed or certified as may be appropriate) of all legal documents or proceedings taken in connection with the execution and delivery of this Second Amended and Restated Secured Credit Agreement, and the other instruments and documents contemplated hereby; and

(iii) an opinion of counsel to the Company substantially in a form as set forth in Exhibit E hereto and satisfactory to the Agent, the Banks and their respective counsel.

(f) The Agent shall have received for its account and the account of the Banks all fees payable by the Company to the Agent and the Banks in connection with this Second Amended and Restated Secured Credit Agreement.

(g) The Company shall at the time all other conditions precedent to the effectiveness of the above and foregoing amendments have been satisfied be able to comply with the conditions precedent to borrowing set forth in Section 6 hereof.

The Company, by its execution of this Second Amended and Restated Secured Credit Agreement, hereby represents and warrants the following:

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

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

The Company agrees to pay all costs and expenses incurred by the Agent and the Banks in connection with the preparation, execution and delivery of this Second Amended and Restated Secured Credit Agreement

and the documents and transactions contemplated hereby including the fees and expenses of Messrs. Chapman and Cutler with respect to the foregoing. No reference to this Second Amended and Restated Secured Credit Agreement need be made in any note, security agreement, instrument or other documents making reference to the Credit Agreement, any reference to the Credit Agreement in any of such to be deemed to be a reference to the Credit Agreement as amended and restated hereby. This Second Amended and Restated Secured Credit Agreement may be executed in any number of counterparts and by different parties hereto on separate counterparts, each of which when so executed shall be deemed an original, but all of which to constitute but one and the same instrument.

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 notwithstanding the execution and delivery hereof, 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, shall not be affected, impaired or discharged thereby and shall secure all of the Company's indebtedness, obligations and liabilities to the Agent and the Banks under the Credit Agreement as amended and restated hereby. 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 hereto. Without limiting the foregoing, the Company acknowledges and agrees that all of its indebtedness, obligations and liabilities to the Agent and the Banks pursuant to the Credit Agreement as amended and restated hereby, including without limitation, all principal of and interest on the Revolving Notes (as defined in the Credit Agreement as amended and restated hereby), all Reimbursement Obligations and all Bond Reimbursement Obligations, in each case whether presently existing or hereafter arising, shall constitute "Secured Obligations" as defined in the Security Agreement and shall be secured by, and entitled to all of the benefits of, the liens and security interest created and provided for under the Security Agreement. In furtherance of the foregoing, the Company hereby grants to the Agent for the benefit of the Banks, and hereby agrees that the Agent for the benefit of the Banks shall continue to have a continuing security interest in, all and singular of the Company's farm products, inventory, books and records, documents, accessions and additions to all of the foregoing and all products and proceeds of each of the foregoing, and all proceeds or collection of any of the foregoing and all of the other collateral described or referred to in the granting clauses of the Security Agreement, each and all of which granting clauses are hereby incorporated by reference herein in their entirety. The foregoing grant shall be in addition to and supplemental of and not in substitution for the grant by the Company under the Security Agreement, and shall not affect or impair the lien or priority of the Security Agreement in the collateral subject thereto or the indebtedness secured thereby.

THIS SECOND AMENDED AND RESTATED SECURED CREDIT AGREEMENT AND THE RIGHTS AND DUTIES OF THE PARTIES HERETO, SHALL BE CONSTRUED AND DETERMINED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF ILLINOIS, EXCEPT TO THE EXTENT PROVIDED IN THE NEXT PARAGRAPH HEREOF AND TO THE EXTENT THAT THE FEDERAL LAWS OF THE UNITED STATES OF AMERICA MAY OTHERWISE APPLY.

NOTWITHSTANDING ANYTHING IN THE IMMEDIATELY PRECEDING PARAGRAPH HEREOF TO THE CONTRARY, NOTHING IN THIS SECOND AMENDED AND RESTATED SECURED CREDIT AGREEMENT, THE CREDIT AGREEMENT, THE NOTES, OR THE OTHER LOAN DOCUMENTS SHALL BE DEEMED TO CONSTITUTE A WAIVER OF ANY RIGHTS WHICH THE COMPANY, THE AGENT OR ANY OF THE BANKS MAY HAVE UNDER THE NATIONAL BANK ACT OR OTHER APPLICABLE FEDERAL LAW.

Upon your acceptance hereof in the manner hereinafter set forth, this Agreement shall be a contract between us for the purposes hereinabove set forth.

Dated as of November 5, 1999.

PILGRIM'S PRIDE CORPORATION

/s/

Richard A. Cogdill

By

Its Chief Financial Officer

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

HARRIS TRUST AND SAVINGS BANK individually
and as Agent

By

Its Vice President

Address: 111 West Monroe Street
Chicago, Illinois 60690
Attention: Agribusiness Division

U.S. BANCORP AG CREDIT, INC.

By

Its

Address: 950 Seventeenth Street
Suite 350
Denver, Colorado 80202
Attention:

COBANK, ACB

By
Its

Address: 5500 South Quebec Street
Englewood, Colorado 80111
Attention: Brian Klatt

SUNTRUST BANK, ATLANTA

By
Its

Address: 303 Peachtree Street
Atlanta, Georgia 30308
Attention: _____

CREDIT AGRICOLE INDOSUEZ

By
Its

By
Its

Address: 55 East Monroe Street
Suite 4700
Chicago, Illinois 60603
Attention:

EXHIBIT A

Pilgrim's Pride Corporation

SECURED REVOLVING CREDIT NOTE

November 5, 1999

FOR VALUE RECEIVED, the undersigned, PILGRIM'S PRIDE CORPORATION, a Delaware corporation (the "COMPANY"), promises to pay to the order of _____ (the "LENDER") on the Termination Date (as defined in the Credit Agreement referred to below), at the principal office of Harris Trust and Savings Bank in Chicago, Illinois, the aggregate unpaid principal amount of all Revolving Credit Loans and Bid Loans made by the Lender to the Company under the Revolving Credit provided for under the Credit Agreement hereinafter mentioned and remaining unpaid on the Termination Date, together with interest on the principal amount of each Revolving Credit Loan and Bid Loan from time to time outstanding hereunder at the rates, and payable in the manner and on the dates specified in said Credit Agreement.

The Lender shall record on its books or records or on the schedule to this Note which is a part hereof the principal amount of each Revolving Credit Loan and Bid Loan made under the Revolving Credit, whether each Loan is a Domestic Rate Loan or a Eurodollar Loan and, with respect to Fixed Rate Loans, the interest rate and Interest Period applicable thereto, and all payments of principal and interest and the principal balances from time to time outstanding; provided that prior to the transfer of this Note all such amounts shall be recorded on a schedule attached to this Note. The record thereof, whether shown on such books or records or on the schedule to this Note, shall be PRIMA FACIE evidence as to all such amounts; provided, however, that the failure of the Lender to record or any mistake in recording any of the foregoing shall not limit or otherwise affect the obligation of the Company to repay all Revolving Credit Loans and Bid Loans made under the Credit Agreement, together with accrued interest thereon.

This Note is one of the Revolving Notes referred to in and issued under that certain Second Amended and Restated Secured Credit Agreement dated as of November 5, 1999, among the Company, Harris Trust and Savings Bank, as Agent, and the banks named therein, as amended from time to time (the "CREDIT AGREEMENT"), and this Note and the holder hereof are entitled to all of the benefits and security provided for thereby or referred to therein, including without limitation the collateral security provided pursuant to the Security Agreement (as defined in the Credit Agreement), to which Credit Agreement and Security Agreement reference is hereby made for a statement thereof and a statement of the terms and conditions upon which the Agent may exercise rights with respect to such collateral. All defined terms used in this Note, except terms otherwise defined herein, shall have the same meaning as such terms have in said Credit Agreement.

Prepayments may be made on any Revolving Credit Loan evidenced hereby and this Note (and the Revolving Credit Loans evidenced hereby) may be declared due prior to the expressed maturity thereof, all in the events, on the terms and in the manner as provided for in said Credit Agreement and the Security Agreement.

All agreements between the Company, the Agent (as defined in the Credit Agreement) and each of the Banks (as defined in the Credit Agreement), whether now existing or hereafter arising and whether written or oral, are expressly limited so that in no contingency or event whatsoever, whether by reason of demand or acceleration of the maturity of any of the indebtedness hereunder or otherwise, shall the amount contracted for, charged, received, reserved, paid or agreed to be paid to the Agent or each Bank for the use, forbearance, or detention of the funds advanced hereunder or otherwise, or for the performance or payment of any covenant or obligation contained in any document executed in connection herewith (all such documents being hereinafter collectively referred to as the "CREDIT DOCUMENTS"), exceed the highest lawful rate permissible under applicable law (the "HIGHEST LAWFUL RATE"), it being the intent of the Company, the Agent and each of the Banks in the execution hereof and of the Credit Documents to contract in strict accordance with applicable usury laws. If, as a result of any circumstances whatsoever, fulfillment by the Company of any provision hereof or of any of such documents, at the time performance of such provision shall be due, shall involve transcending the limit of validity prescribed by applicable usury law or result in the Agent or any Bank having or being deemed to have contracted for, charged,

reserved or received interest (or amounts deemed to be interest) in excess of the maximum, lawful rate or amount of interest allowed by applicable law to be so contracted for, charged, reserved or received by the Agent or such Bank, then, IPSO FACTO, the obligation to be fulfilled by the Company shall be reduced to the limit of such validity, and if, from any such circumstance, the Agent or such Bank shall ever receive interest or anything which might be deemed interest under applicable law which would exceed the Highest Lawful Rate, such amount which would be excessive interest shall be refunded to the Company or, to the extent (i) permitted by applicable law and (ii) such excessive interest does not exceed the unpaid principal balance of the Notes (as defined in the Credit Agreement) and the amounts owing on other obligations of the Company to the Agent or any Bank under any Loan Document (as defined in the Credit Agreement) applied to the reduction of the principal amount owing on account of the Notes or the amounts owing on other obligations of the Company to the Agent or any Bank under any Loan Document and not to the payment of interest. All interest paid or agreed to be paid to the Agent or any Bank shall, to the extent permitted by applicable law, be amortized, prorated, allocated, and spread throughout the full period of the indebtedness hereunder until payment in full of the principal of the indebtedness hereunder (including the period of any renewal or extension thereof) so that the interest on account of the indebtedness hereunder for such full period shall not exceed the highest amount permitted by applicable law. This paragraph shall control all agreements between the Company, the Agent and the Banks.

The undersigned hereby expressly waives diligence, presentment, demand, protest, notice of protest, notice of intent to accelerate, notice of acceleration, and notice of any other kind.

IT IS AGREED THAT THIS NOTE AND THE RIGHTS AND REMEDIES OF THE HOLDER HEREOF SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF ILLINOIS, PROVIDED, HOWEVER, THAT NOTHING IN THIS NOTE SHALL BE DEEMED TO CONSTITUTE A WAIVER OF ANY RIGHTS WHICH THE COMPANY, THE AGENT OR ANY OF THE BANKS MAY HAVE UNDER THE NATIONAL BANK ACT OR OTHER APPLICABLE FEDERAL LAW.

PILGRIM'S PRIDE CORPORATION

By
Its Chief Financial Officer

EXHIBIT B
L/C AGREEMENT

EXHIBIT C

ENVIRONMENTAL DISCLOSURE

1.

EXHIBIT D
PERMITTED LIENS

LIEN DATE

LIEN HOLDER

COLLATERAL

EXHIBIT E

LEGAL OPINION

(To Be Retyped On Letterhead Of Counsel
And Dated As Of Date Of Closing)

EXHIBIT F

Pilgrim's Pride Corporation

COMPLIANCE CERTIFICATE

This Compliance Certificate is furnished to Harris Trust and Savings Bank, as agent (the "AGENT"), pursuant to that certain Second Amended and Restated Secured Credit Agreement dated as of November 5, 1999 by and among Pilgrim's Pride Corporation (the "COMPANY"), Harris Trust and Savings Bank and the other Banks parties thereto (the "AGREEMENT"). Unless otherwise defined herein, the terms used in this Compliance Certificate have the meanings ascribed thereto in the Agreement.

THE UNDERSIGNED HEREBY CERTIFIES THAT:

1. I am the duly elected _____ of the Company;

2. I have reviewed the terms of the Agreement and I have made, or have caused to be made under my supervision, a detailed review of the transactions and conditions of the Company during the accounting period covered by the attached financial statements;

3. The examinations described in paragraph 2 did not disclose, and I have no knowledge of, the existence of any condition or event which constitutes a Potential Default or Event of Default during or at the end of the accounting period covered by the attached financial statements or as of the date of this Certificate, except as set forth below; and

4. If attached financial statements are being furnished pursuant to Section 7.4(a) or (b) of the Agreement, Schedule I attached hereto sets forth financial data and computations, evidencing the Company's compliance with certain covenants of the Agreement, all of which data and computations are true, complete and correct.

Described below are the exceptions, if any, to paragraph 3 by listing, in detail, the nature of the condition or event, the period during which it has existed and the action which the Company has taken, is taking or proposes to take with respect to each such condition or event:

The foregoing certifications, together with the computations set forth in Schedule I hereto and the financial statements delivered with this Certificate in support hereof, are made and delivered this _____ day of _____, 19__.

PILGRIM'S PRIDE CORPORATION

By
Its

SCHEDULE I
TO COMPLIANCE CERTIFICATE
PILGRIM'S PRIDE CORPORATION

Compliance Calculations for Second Amended and Restated Secured
Credit Agreement Dated as of November 5, 1999

SECTION 7.8 LEVERAGE RATIO

(a) Funded Debt\$ _____
(b) Funded Debt\$ _____
Net Worth\$ _____
TOTAL.....\$ _____
(a)/(b)..... _____ *

*Required to not exceed 0.625 to 1.

Compliance Yes _____ No _____

SECTION 7.9 TANGIBLE NET WORTH

(a) Net Worth\$ _____
(b) Intangible Assets\$ _____
(a) - (b)..... _____ *
Tangible Net Worth\$ _____ *

*Required to be no less than \$ _____ during this compliance period.

Compliance Yes _____ No _____

SECTION 7.10 CURRENT RATIO

(a) Current Assets\$ _____
(b) Current Liabilities\$ _____
(a)/(b)..... _____ *

*Required to be no less than _____ to 1 during this compliance period.

Compliance Yes _____ No _____

SECTION 7.11 NET TANGIBLE ASSETS TO TOTAL LIABILITIES

(a) Net Tangible Assets\$ _____
(b) Total Liabilities.....\$ _____
(a)/(b)..... _____ *

*Required to be no less than 1.3 to 1.

Compliance Yes _____ No _____

SECTION 7.12 FIXED CHARGE COVERAGE RATIO

(a) EBITDA\$ _____
(b) Operating Leases (determined in accordance
with generally accepted accounting principles,
consistently applied).....\$ _____
(c) (a) + (b).....\$ _____
(d) Interest Expense.....\$ _____
(e) Current Maturities of Long Term Debt.....\$ _____
(f) Non-Cancellable Operating Lease Payments.....\$ _____
(g) Capital Lease Payments (determined in accordance
with generally accepted accounting principles,

consistently applied).....\$_____

(h) (d) + (e) + (f) + (g).....\$_____

(c)/(h) \$_____*

* Required to be no less than 1.5 to 1.

Compliance Yes_____ No_____

SECTION 7.13 MINIMUM NET WORKING CAPITAL

(a) Current Assets\$_____

(b) Current Liabilities\$_____

(a)-(b).....*

*Required to be no less than _____ during this compliance period.

Compliance Yes_____ No_____

EXHIBIT G

Pilgrim's Pride Corporation

BORROWING BASE CERTIFICATE
as of _____
(\$000's omitted)

This Borrowing Base Certificate is furnished to Harris Trust and Savings Bank, as agent (the "AGENT"), pursuant to that certain Second Amended and Restated Secured Credit Agreement dated as of November 5, 1999, as amended, by and among Pilgrim's Pride Corporation (the "COMPANY"), Harris Trust and Savings Bank and the other Bank parties thereto (the "AGREEMENT"). Unless otherwise defined herein, the terms used in this Borrowing Base Certificate have the meanings ascribed thereto in the Agreement.

THE UNDERSIGNED HEREBY CERTIFIES THAT:

1. I am the duly elected Chief Financial Officer of the Company.
2. I have reviewed the terms of the Agreement and I have made, or have caused to be made under my supervision, the attached computation of the Borrowing Base as defined in Section 4.1 of the Agreement.
3. No change of name, corporate identity or address of the chief executive office of the Company has occurred.
4. I have reviewed the terms of the Agreement and, pursuant to such review, I have no knowledge of the existence of any condition or event which would constitute a Potential Default or Event of Default, except as set forth below (detailing the nature of the condition or event, the period during which it has existed and the action which the Company has taken, is taking or proposes to take with respect to each such condition or event):

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

PILGRIM'S PRIDE CORPORATION

By
Its

SUMMARY OF COLLATERAL POOL
Dated as of _____, 199__

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

COLLATERAL VALUE COMPUTATIONS
Dated as of _____, 199__
COLLATERAL POOL:

	GROSS VALUE COMPUTATION	ADVANCE VALUE
1) Live Broiler Value:		
Number of Head	_____ Head	
(-) Death/Reject Rate (4%)	_____ Head	
(x) Avg. Weight per Bird (2 Lbs.)	_____ Lbs.	
(x) _____ cents/lb.		
as of _____	_____ x 65%	_____
2) Breeder Hen Value:		
Number of Head	_____ Head	
(x) Loan Value @ \$1.50/bird	_____ @ 100%	_____
3) Breeder Pullet Value:		
Number of Head	_____ Head	
(x) Loan Value @ \$1.00/bird	_____ @ 100%	_____
4) Commercial Hen Value:		
Number of Head	_____ Head	
(x) Loan Value @ \$0.70/bird	_____ @ 100%	_____
5) Commercial Pullet Value:		
Number of Head	_____ Head	
(x) Loan Value @ \$0.40/bird	_____ @ 100%	_____

6) Grain Feed Value (Field):
Number of Head (NET) _____ Head
(x) 0.75 Lbs/day (/) 2,000 _____ Tons
(x) Feed Cost/Ton _____ x 65% _____

7) Eggs (Hatching & In Transit):
Number of Dozens _____ Dozen
(x) \$1.25/Doz _____ @ 100% _____

8) Dressed Broilers (All Locations):
Number of pounds _____ Lbs
(x) Price/Lb. computed _____ x 65% _____

9) Prepared Foods (All Locations)
Number of pounds _____ Lbs.
(x) Price/Lb. computed _____ x 65% _____

10) Eggs (Commercial)
Number of Dozens _____ Dozen
(x) _____/dozen _____ x 65% _____

11) Grain Value (Feedmills):
Corn: _____ x _____
Cost/Ton _____ x 65% _____
Soybean Meal: _____ x _____
Cost/Ton _____ x 65% _____
Feed Supplements: _____ x _____
Cost/Ton _____ x 65% _____
Finished Feeds: _____ x _____
Cost/Ton _____ x 65% _____
Total Tons: _____ x 65% _____

12) Branch Inventory of Packaged Items
(@ Cost) _____ x 65% _____

13) Packaging, Vaccines, Supplies
(@ Cost) _____ x 40% _____

Total Collateral Pool _____

EXHIBIT H

PILGRIM'S PRIDE CORPORATION
SUBSIDIARIES AND AFFILIATES

EXHIBIT I
INTENTIONALLY OMITTED

EXHIBIT J

LABOR DISPUTES

EXHIBIT K
EXISTING INVESTMENTS

EXHIBIT L

COMPETITIVE BID REQUEST CONFIRMATION

[Date]

Harris Trust and Savings Bank as Agent for the Banks parties to the Second Amended and Restated Secured Credit Agreement referred to below

Attention:

Ladies and Gentlemen:

The undersigned, PILGRIM'S PRIDE CORPORATION (the "COMPANY") refers to the Second Amended and Restated Secured Credit Agreement dated as of November 5, 1999 (the "CREDIT AGREEMENT"), among the Company, the Banks named therein and Harris Trust and Savings Bank, as Agent for the Banks. Capitalized terms used herein and not defined shall have the meanings assigned to such terms in the Credit Agreement. The Company hereby confirms that it has, on the date hereof, given you notice pursuant to Section 2.2 of the Credit Agreement that it requests a Bid Loan under the Credit Agreement, and in that connection sets forth below the terms on which such Bid Loan is requested to be made:

(A) Date of Bid Loans {1}

(B) Aggregate Principal Amount of Bid Loan {2}

(C) Interest Periods{3}

Upon acceptance of any or all of the Bid Loans offered by Banks in response to this request, the Company shall be deemed to affirm as of such date the representations and warranties made in the Credit Agreement to the extent specified in Section 6 thereof.

Very truly yours,

PILGRIM'S PRIDE CORPORATION

By
Its

FOOTNOTES

{1} The Competitive Bid Request Confirmation must be received on a Business Day by the Agent not later than 11:30 A.M., Chicago time, one Business Day before the date of the proposed Bid Loan (which must be a Business Day).

{2} Not less than \$3,000,000 and in integral multiples of \$1,000,000.

{3} Which shall be no more than 180 days or less than 7 days and shall end not later than the Termination Date.

EXHIBIT M

CONFIRMATION OF NOTICE OF COMPETITIVE BID REQUEST

[Name of Bank]
[Address]

[Date]

Attention:

Ladies and Gentlemen:

Reference is made to the Second Amended and Restated Secured Credit Agreement, dated as of November 5, 1999 (the "CREDIT AGREEMENT") among PILGRIM'S PRIDE CORPORATION (the "COMPANY"), the Banks named therein and Harris Trust and Savings Bank, as Agent for the Banks. Capitalized terms used herein and not defined shall have the meanings assigned to such terms in the Credit Agreement. The Company made a Competitive Bid Request on _____, 19__ pursuant to Section 2.2 of the Credit Agreement, and in that connection you are invited to submit a Competitive Bid by [DATE] .{4}

Your Competitive Bid must comply with Section 2.3 of the Credit Agreement and the terms set forth below on which the Competitive Bid Request was made.

- (A) Date of Bid Loan _____
- (B) Aggregate principal amount
of Bid Loan _____
- (C) Interest Periods _____

Very truly yours,

HARRIS TRUST AND SAVINGS BANK, as Agent for
the Banks

By
Its

FOOTNOTES

{4} The Competitive Bid must be received by the Agent not later than 8:45 A.M., Chicago time, on the proposed Borrowing Date.

EXHIBIT N

CONFIRMATION OF COMPETITIVE BID

[Date]

Harris Trust and Savings Bank,
as Agent for the Banks
parties to the Second Amended and
Restated Secured Credit Agreement
referred to below

Attention:

Ladies and Gentlemen:

The undersigned, [NAME OF BANK], refers to the Second Amended and Restated Secured Credit Agreement dated as of November 5, 1999 (the "CREDIT AGREEMENT") among PILGRIM'S PRIDE CORPORATION (the "COMPANY"), the Banks named therein and Harris Trust and Savings Bank, as Agent for the Banks. Capitalized terms used herein and not defined shall have the meanings assigned to such terms in the Credit Agreement. The undersigned hereby confirms that on the date hereof it has made a Competitive Bid pursuant to Section 2.3 of the Credit Agreement, in response to the Competitive Bid Request made by the Company on , 19 , and in that connection sets forth below the terms on which such Competitive Bid is made:

Date of Borrowing: {5}

PRINCIPAL AMOUNT{6} INTEREST PERIOD{7} YIELD{8}
Very truly yours,

By
Its

FOOTNOTES

{5} As specified in the related Confirmation of Notice of Competitive Bid Request.

{6} Principal amount bid for each Interest Period may not exceed the principal amount requested by the Company. Bids must be made in a minimum amount of \$3,000,000 and in integral multiples of \$1,000,000.

{7} Up to 180 days and not less than 30 days, as specified in the related Confirmation of Notice of Competitive Bid Request.

{8} Specify rate of interest per annum computed on the basis of a year of 360 days and actual days elapsed.

AGREEMENT
BETWEEN PILGRIM'S PRIDE CORPORATION
AND PILGRIM INTERESTS, LTD.

AGREEMENT MADE effective as of June 11, 1999, by and between PILGRIM INTERESTS, LTD., a Texas limited partnership (the "Partnership") and PILGRIM'S PRIDE CORPORATION, a Delaware corporation with its principal offices at 110 South Texas Street, Pittsburg, Texas (herein called the "Company").

PRELIMINARY STATEMENT

In order to meet its continuing business needs, the Company will incur certain indebtedness after the date of this Agreement and has incurred certain indebtedness prior to the date of this Agreement by reason of credit extended to it by certain creditors who will require or have required the Partnership to guarantee such indebtedness as a condition to extending such credit ("Guaranteed Indebtedness").

As a condition to the Partnership's being contingently liable as a Guarantor on any Guaranteed Indebtedness, the Partnership requires that the Company shall pay the Partnership a reasonable fee for such guaranty undertaking.

AGREEMENT

In consideration of the premises and the mutual covenants contained herein it is understood and agreed to by the parties hereto as follows:

1. GUARANTY OF GUARANTEED INDEBTEDNESS.

1.01. GUARANTY. In reliance upon the representations and warranties herein and subject to the terms and conditions hereof, during the term of this Agreement the Partnership shall, when required by the Company, guarantee any Eligible Indebtedness to be incurred by the Company in form and substance satisfactory to the related creditor ("Guaranty"). Any Eligible Indebtedness so guaranteed is herein referred to as "Guaranteed Indebtedness."

1.02. ELIGIBLE INDEBTEDNESS. The term "Eligible Indebtedness" shall mean (i) any indebtedness to be incurred by the Company after the date of this Agreement and required by its business needs by reason of credit to be extended to the Company by a creditor who shall require the Partnership to guarantee such indebtedness as a condition to extending such credit to the Company; and (ii) any Indebtedness incurred by the Company prior to the date of this Agreement and guaranteed by the Partnership pursuant to the terms therein. For purposes of this Agreement a resolution by the Board of Directors that such indebtedness is required by the business needs of the Company is and shall be binding and conclusive upon all parties to this Agreement.

1.03. CONDITION PRECEDENT TO ISSUANCE OF GUARANTY. The Partnership shall not be required to issue a Guaranty after the date of this Agreement until it has been furnished a certificate of the Secretary of the Company certifying (i) the Eligible Indebtedness (including the maximum amount of indebtedness, the name of the creditor and the terms and conditions thereof) to be so guaranteed; (ii) a resolution of the Board of Directors of the Company authorizing the Company to incur the Eligible Indebtedness; and (iii) the principal amount of all Guaranteed Indebtedness then outstanding. Notwithstanding the previous sentence, any Guaranty of Eligible Indebtedness prior to the date of this Agreement guaranteed by the Partnership shall not require satisfaction of the condition precedent contained in this Section 1.03.

2. GUARANTY FEE.

2.01. GENERAL. So long as a Guaranty shall be outstanding the Company shall pay a fee to the Partnership for the undertaking herein by the Partnership under a Guaranty issued on or after the date of this Agreement and any Guaranty issued prior to the date of this Agreement by the Partnership, computed and subject to limitations as provided herein ("Fee").

2.02. DETERMINATION AND PAYMENT OF FEES. The total Fees which shall accrue with respect to any calendar quarter shall be an amount equal to 1/4th of a percent multiplied by the average daily balance of the principal amount of Guaranteed Indebtedness outstanding during such calendar quarter. All Fees shall be paid quarterly within 45 days after

the end of each calendar quarter.

3. REPRESENTATIONS AND WARRANTIES.

3.01. REPRESENTATIONS AND WARRANTIES OF COMPANY. The Company represents and warrants to the Partnership that:

(a) GUARANTIES REQUIRED BY CREDITORS. Certain creditors or proposed creditors of the Company (including certain lessors) have advised the Company that they will not extend credit to the Company after the date of this Agreement without the Guaranty of the Partnership.

(b) CREDIT REQUIRED BY THE BUSINESS NEEDS OF COMPANY. All Guaranteed Indebtedness will be required by the business needs of the Company.

3.02 REPRESENTATIONS AND WARRANTIES OF THE PARTNERSHIP. The Partnership represents and warrants to the Company that the Partnership now owns of record or beneficially such number of shares, \$.01 par value, of Class A common stock and Class B common stock of the Company as is set forth with the signature subscribed at the end of this Agreement.

3.03. REPRESENTATIONS OF PARTIES AS TO REASONABLENESS OF FEES. Each party hereto represents that the amount of Fees to be paid to the Partnership as provided herein is reasonable under the circumstances.

4. MISCELLANEOUS.

4.01. PRIOR AGREEMENT. This Agreement shall supersede any obligation to issue a Guaranty in the future as shall have been required by any such prior agreement, if any.

4.02. NOTICES. All communications and notices hereunder shall be in writing and shall be mailed or delivered to the Partnership at its address as it appears herein below in this Agreement or to the Company at its mailing address, P.O. Box 93, Pittsburg, Texas 75686 or delivered to its principal office, 110 South Texas Street, Pittsburg, Texas. The Company or the Partnership may change its respective address where all communications and notices may be sent hereunder by addressing notice of such change in the manner above provided.

4.03. EXPENSES. Inasmuch as this Agreement is for the primary benefit of the Company, the Company shall pay all counsel fees and other expenses incurred in connection with the preparation and execution of this Agreement.

4.04. SURVIVAL OF REPRESENTATIONS AND WARRANTIES, ETC. All representations, warranties and covenants made by the Partnership or the Company herein or in any certificate or other instrument delivered by and pursuant hereto or in connection herewith, shall be deemed to have been relied upon by all parties hereto, and shall survive throughout the term of this Agreement and for two years thereafter regardless of any investigation made by or on behalf of any party hereto.

4.05. CONTROLLING LAW. The validity of this Agreement shall be governed by the laws of the State of Texas, and this Agreement shall be construed and in force in accordance with the laws of the State of Texas.

4.06. BENEFIT. This Agreement shall be binding upon and inure to the benefit of (i) any successor of the Company by statutory merger or consolidation; and (ii) any successor or assign of the Partnership.

4.07. PERFORMANCE. Time is of the essence in this Agreement. All obligations of any party are performable in Camp County, Texas.

4.08. ENTIRE AGREEMENT. This instrument contains the entire Agreement between the parties hereto with the respect to the transactions contemplated herein. No modification, alteration or amendment to this Agreement nor any waiver of any provision hereof shall be valid or effective unless in writing and executed by all parties hereto.

4.09. SEVERABILITY. If any part of this Agreement is judicially held to be invalid, unenforceable or void, such holding shall not have the effect of invalidating or voiding the remainder of this Agreement not so declared, or any part thereof, the parties hereby agreeing that the part or parts so held to be invalid, unenforceable or void shall be deemed to have been stricken here from with the same force and effect as if such part or parts had never been included herein.

4.10. TERMINATION OF AGREEMENT.

(a) GENERAL. Unless sooner terminated by the consent of all the parties hereto this Agreement shall terminate upon the earlier of:

(1) EXPIRATION OF TIME. Expiration of 10 years after the date of this Agreement.

(2) NOTICE OF THE PARTNERSHIP. Expiration of 30 days after the Partnership shall have given written notice to the Company to such effect on or after the date of execution of this Agreement.

(b) EFFECT OF TERMINATION. Upon the termination of this Agreement the obligations of all parties hereto shall then be discharged in full except that all Guaranties then outstanding shall remain in full force according to their respective terms and conditions, and the Company shall pay the Fees to the Partnership with respect to Guaranteed Indebtedness outstanding after termination as provided in Article 2.

This Agreement is signed and delivered on the date and year first above set forth in multiple counterparts each of which shall be an original.

* * *

PILGRIM'S PRIDE CORPORATION

/s/

David Van Hoose

By:

David Van Hoose
Chief Executive Officer

PILGRIM INTERESTS, LTD., a Texas limited
partnership
P.O. Box 93
Pittsburg, TX 75686
Shares of Class A Common Stock Directly
Owned:
7,197,692

Shares of Class B Common Stock Directly
Owned:
14,395,385

/s/ Lonnie A. Pilgrim

By:

Lonnie A. Pilgrim, as trustee of the
Lonnie A. Pilgrim 1998 Revocable
Trust
General Partner

/s/ Lonnie Ken Pilgrim

By:

Lonnie Ken Pilgrim
General Partner

PILGRIM'S PRIDE CORPORATION
BREEDER AND PULLET GROWER AGREEMENT

THE STATE OF TEXAS

COUNTY OF NACOGDOCHES

THIS AGREEMENT, MADE AND ENTERED INTO THIS, THE 27TH DAY

OF OCTOBER, 1999, BY AND BETWEEN DAVID VAN HOOSE,

HEREAFTER CALLED "PRODUCER", AND PILGRIM'S PRIDE CORPORATION,

HEREAFTER CALLED "OWNER".

WITNESSETH

The "PRODUCER" located at Timber Lake Farms in the County

Of Nacogdoches, State of Texas, for about 66,000 breeder hens and pullets and 6,900 cockerels under the conditions set forth as follows:

A. "PRODUCER" AGREES TO BE SOLEY RESPONSIBLE FOR AND TO SUPPLY AT HIS OWN EXPENSE THE FOLLOWING PROPERTY AND SERVICES:

- 1) If Breeder hens are raised, "Producer" will furnish proper housing and equipment as deemed necessary by "OWNER". Properly insulated, "pad-fan" ventilated are required for breeder hens. A stand-by generator with capacity to run entire farm in case of power failure is required for both breeder hens and pullets.
- 2) To be present when birds are being moved onto farm, and to provide help for the unloading of birds.
- 3) To provide approved rat bait stations.
- 4) If Breeder hens are raised, "Producer", will provide an egg cooler mechanically cooled and heated so as to maintain a temperature of 65-68 degrees and 75 percent humidity.
- 5) If Breeder hens are raised, "Producer", will provide a shavings storage warehouse.
- 6) Grower agrees to dispose of all dead birds and poultry house litter in accordance with the best Management Practices provided as Attachment A to this contract. Further, grower agrees to dispose of all dead birds and poultry house litter in accordance with applicable federal, state and local laws, rules and regulations where more stringent than the Best Management Practices provided in Attachment A.
- 7) To supply all water, electricity, fuel and litter for nests as directed by the "OWNER".
- 8) To follow all management recommendations as stated in written instructions by the "OWNER".
- 9) To abide by, and enforce quarantine regulations prescribed by the "OWNER". This includes keeping all unauthorized people off the farm and to assure that anyone that works on the farm does not own any fowl or visit any other poultry farms. "PRODUCER" is not to visit any other poultry farms or work on any other farm.
- 10) To keep daily and accurate records as required by the "OWNER".
- 11) To grade, clean and care for eggs produced.
- 12) To make houses ready for catch-out.
- 13) After birds have been removed from the farm, "PRODUCER" agrees to remove necessary equipment and all manure from the house and provide for proper washing and sanitizing of house and equipment, and to provide necessary water for these purpose.
- 14) To provide and maintain a road on and to farm that is accessible in all weather conditions. "PRODUCER" will be charged for wrecker bills if a wrecker is required to pull any company or contract vehicles out because of poor road conditions.

- 15) "PRODUCER" agrees to reinstall sanitized equipment into houses.
- 16) To provide fences, wash areas and clean up areas for employees working on the Farm.
- 17) To keep houses and equipment in good repair and maintain adequate roads.
- 18) To allow no other fowl or hogs on the premises.
- 19) If pullets are being raised and in the event pullets are not available for "PRODUCER'S" farm, "PRODUCER" agrees to accept broilers in lieu of pullets at the "OWNER'S" current boiler contract price.
- 20) If pullets are raised "Producer ", will be present during bird handling and moving and to remove growing equipment as directed by the "OWNER".

B. "OWNER" AGREES TO BE SOLELY RESPONSIBLE FOR AND SUPPLY AT HIS OWN EXPENSE THE FOLLOWING:

BREEDER

- 1) Owner will furnish the chickens, feed, medication, vaccines, labor for blood testing and debeaking and other items necessary for production of a flock.
- 2) To supply labor and supervision of vaccination, blood testing and moving.
- 3) Make routine visits to the flock and provide recommendations as to proper management and feeding practices.
- 4) After manure and equipment have been removed from the houses by "PRODUCER" for clean out, to provide equipment and disinfectants needed for proper washing and sanitizing of houses and equipment.
- 5) To supply adequate litter for the scratch area of the poultry house or houses. This does not include nest litter.

PULLET

- 1) To supply breeding stock chickens, all feed, medication and vaccines needed by the flock and to provide rat baits and insecticides as needed for control of rodents and insects. To provide "PRODUCER" with pesticide use information and medication use information.
- 2) To supply labor and supervision for vaccination, blood testing and bird moving.
- 3) To make routine visits to the flock and make recommendations as to management and feeding.
- 4) To supply birds in "PRODUCERS" house for a minimum of forty-two (42) weeks each year.

For the above mentioned services and use of property, the "OWNER" agrees to pay the "PRODUCER" as outlined in Attachment B, which may be amended from time to time.

C. IT IS EXPRESSLY AGREED AND UNDERSTOOD BETWEEN THE PARTIES THAT:

- 1) Title to all poultry, feed, eggs and any other item of cost is the property of the "OWNER".
- 2) In the event the "PRODUCER" shall fail to comply with the terms of this agreement, the "OWNER" shall have the right, at his option, to enter upon the "PRODUCERS" property and take possession of said poultry and to care for said poultry during the remainder of the production life without court order to writ.
- 3) It is expressly agreed and understood the "PRODUCER" is not an employee of the "OWNER", but rather is an "Independent Contractor" utilizing his own facilities, utilities, and employees. "PRODUCER" further warrants to hold "OWNER" harmless from and indemnify "OWNER" against any and all claims, suit demands or actions arising in any manner from the operation of said premises, save and except those arising from the acts of "OWNER", its agent and/or employees.
- 4) There is to be no other poultry, fowl, or swine on the farm.

- 5) It is expressly agreed and understood between the parties that as long as the pullets and cockerels covered under this contract remain negative for PPLoS-6 and or MS disease and as long as the "PRODUCER" will keep the birds for which this contract covers in production of eggs for a minimum of 30 weeks, this 30 week period commencing at the time that 10% of the flock is producing eggs.

In the event that a flock is sold, the "OWNER" will place birds back into the "PRODUCER'S" facilities as soon as practical for both parties.

If pullets are being raised and in the event the flock does become infected and is determined to be positive by the "OWNER'S" testing procedures, the "OWNERS" shall have the option to sell the entire flock at any time.

- 6) The "PRODUCER" will use no pesticides, herbicides, or fungicides in or around the poultry houses without the "OWNER'S" approval. Pesticides would include insecticides or rodenticide. No other chemicals or materials can be used by the "PRODUCER" will follow "OWNER'S" recommendations as to the use of pesticides.
- 7) The "PRODUCER" will use no pharmaceuticals or feed unless furnished by the "OWNER". Pharmaceuticals would include medications, vaccines, vitamins, etc. The "PRODUCER" will follow "OWNER'S" recommendations as to the use of pharmaceuticals.
- 8) This agreement is non-transferable and shall remain in effect until such time as either party gives the other party fourteen (14) days notice of their desire to terminate the contract.

THIS AGREEMENT SHALL BE BINDING ON THE PARTIES HERETO, THEIR HEIRS, SUCCESSORS, REPRESENTATIVES AND ASSIGNS. ANY SALE OF THE PREMISES DESCRIBED HEREIN SHALL BE SUBJECT TO THE RIGHTS OF THE "OWNER" AS SET OUT HEREIN.

AGREED AND EXECUTED, THIS THE 27{th} DAY OF October, 1999.

"OWNER"
/s/ Bob Hendrix

"PRODUCER"
/s/ David Van Hoose

SIGNATURE

SIGNATURE

ADDRESS:

ADDRESS:

PHONE#

PHONE #