

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For quarter ended MARCH 30, 1996

Commission file number 1-9273

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

DELAWARE 75-1285071
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

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

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

NOT APPLICABLE

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

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

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

COMMON STOCK \$.01 PAR VALUE--- 27,589,250 SHARES AS OF MAY 13, 1996

PILGRIM'S PRIDE CORPORATION AND SUBSIDIARIES
March 30, 1996

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PILGRIM'S PRIDE CORPORATION AND SUBSIDIARIES

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March 30, 1996

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

ITEM 1: FINANCIAL STATEMENTS (UNAUDITED):

	March 30, 1996	September 30, 1995
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 8,228	\$ 11,892
Trade accounts and other receivables, less allowance for doubtful accounts	65,067	60,031
Inventories	129,346	110,404
Deferred income taxes	9,196	9,564
Prepaid expenses	1,624	526
Other current assets	739	953
Total Current Assets	214,200	193,370
Other Assets	19,348	20,918
Property, Plant and Equipment	464,411	442,781
Less accumulated depreciation	171,257	159,465
	293,155	283,316
	\$ 526,703	\$ 497,604
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Notes payable to banks	\$ 26,000	\$ 13,000
Accounts payable	59,880	55,658
Accrued expenses	30,383	31,130
Current maturities of long-term debt	7,121	5,187
Total Current Liabilities	123,384	104,975
Long-Term Debt, less current maturities	202,128	182,988
Deferred Income Taxes	53,143	56,725
Minority Interest in Subsidiary	842	842
Stockholders' Equity:		
Common stock; \$.01 par value	276	276
Additional paid-in capital	79,763	79,763
Retained earnings	67,167	72,035
Total Stockholders' Equity	147,206	152,074
	\$ 526,703	\$ 497,604

See notes to condensed consolidated financial statements.

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

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	MARCH 30, 1996	APRIL 1, 1995	MARCH 30, 1996	APRIL 1, 1995
Net sales	\$ 272,004	\$ 216,830	\$ 539,479	\$ 443,830
Costs and expenses:				
Cost of sales	255,957	209,253	502,460	415,488
Selling, general and administrative	12,363	12,239	24,510	24,262
	268,320	221,492	526,970	439,750
Operating income (loss)	3,684	(4,662)	12,509	4,080
Other expense (income):				
Interest expense, net	5,210	4,028	10,331	8,355
Foreign exchange (gain) loss	(94)	3,270	1,222	5,615
Miscellaneous, net	(329)	1,136	(577)	889
	4,787	8,434	10,976	14,859
Income (loss) before income taxes and extraordinary charge	(1,103)	(13,096)	1,533	(10,779)
Income tax (benefit) expense	(548)	3,208	2,792	4,969
Net loss before extraordinary charge	(555)	(16,304)	(1,259)	(15,748)
Extraordinary charge-early repayment of debt, net of tax	(2,780)	-	(2,780)	-
Net loss	\$ (3,335)	\$ (16,304)	\$ (4,039)	\$ (15,748)
Net loss per common share before extraordinary charge	\$ (.02)	\$ (.59)	\$ (.05)	\$ (.57)
Extraordinary charge per common share	\$ (.10)	\$ -	\$ (.10)	\$ -
Net loss per common share	\$ (.12)	\$ (.59)	\$ (.15)	\$ (0.57)
Dividends per common share	\$.015	\$.015	\$.03	\$.03
Weighted average shares outstanding shares outstanding	27,589,250	27,589,250	27,589,250	27,589,250

See Notes to condensed consolidated financial statements.

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

SIX MONTHS ENDED
 MARCH 30, 1996 APRIL 1, 1995

Cash Flows From Operating Activities:		
Net loss	\$ (4,039)	\$ (15,748)
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	14,639	12,738
Gain on property disposals	(221)	(126)
Provision for losses on accounts receivable	206	(2,315)
Deferred income tax liability	(3,214)	1,791
Extraordinary charge	4,587	-
Changes in operating assets and liabilities:		
Accounts and other receivable	(5,242)	10,068
Inventories	(18,845)	12,700
Prepaid expenses	(1,828)	(436)
Accounts payable and accrued expenses	3,475	(2,505)
Other	(186)	983
Net Cash Flows (Used In) Provided By Operating Activities	(10,668)	17,150
Investing Activities:		
Acquisitions of property, plant and equipment	(23,937)	(14,397)
Business acquisitions	-	(918)
Proceeds from property disposals	1,314	193
Other, net	361	(300)
Net Cash Used In Investing Activities	(22,262)	(15,422)
Financing Activities:		
Proceeds from notes payable to banks	56,500	-
Re-payments of notes payable to banks	(43,500)	-
Proceeds from long-term debt	50,028	15,030
Payments on long-term debt	(29,001)	(14,726)
Extraordinary charge, cash items	(3,920)	-
Cash dividends paid	(828)	(828)
Cash Provided By (Used In) Financing Activities	29,279	(524)
Effect of exchange rate changes on cash and cash equivalents	(13)	(1,154)
(Decrease) Increase in cash and cash equivalents	(3,664)	50
Cash and cash equivalents at beginning of year	11,892	11,244
Cash and cash equivalents at end of period	\$ 8,228	\$ 11,294
Supplemental disclosure information:		
Cash paid during the period for		
Interest (net of amount capitalized)	\$ 9,530	\$ 8,100
Income Taxes	\$ 4,014	\$ 2,805

See notes to condensed consolidated financial statements.

NOTE A--BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The balance sheet at September 30, 1995, has been derived from the audited financial statements at the date. Operating results for the period ended March 30, 1996 are not necessarily indicative of that results that may be expected for the year ended September 28, 1996. For further information, refer to the consolidated financial statements and footnotes thereto included in Pilgrim's annual report on Form 10-K for the year ended September 30, 1995.

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

The assets and liabilities of the foreign subsidiaries are translated at end-of-period exchange rates, except for and non-monetary assets which are translated at equivalent dollar costs at dates of acquisition using historical rates. Operations of foreign subsidiaries are translated at average exchange rates in effect during the period. The translation adjustments are reflected in the Consolidated Statements of Income (Loss).

NOTE B--NET INCOME PER COMMON SHARE

Earnings per share for the periods ended March 30, 1996 and April 1, 1995 are based on the weighted average shares outstanding for the periods.

PILGRIM'S PRIDE CORPORATION AND SUBSIDIARIES
March 30, 1996

NOTE C--INVENTORIES

Inventories consist of the following:

	MARCH 30, 1996	SEPTEMBER 30, 1995
	(in thousands)	
Live broilers and hens	\$ 61,180	\$ 55,353
Feed, eggs and other	40,806	32,087
Finished poultry products	27,360	22,964
	\$ 129,346	\$ 110,404

NOTE D--IMPACT OF MEXICAN PESO DEVALUATION

Included in results of operations for the three and six months ended March 30, 1996 are foreign exchange gains (losses) of \$.1 million and (\$1.2) million, respectively, and \$3.3 million and \$5.6 million for three and six months ended April 1, 1995, respectively. These gains (losses) result from the appreciation (devaluation) of the Mexican peso against the U.S. dollar. Also, for the period ended April 1, 1995, the carrying value of inventories was adjusted to end-of-period exchange rates as was necessary to record inventories at the lower of cost or market. These adjustments are presented in the March 30, 1996 Condensed Consolidated Balance Sheet and Consolidated Statement of Cash Flows as components of the specific line items affected with the exception that the exchange rate effect on cash and cash equivalents has been separately stated in the Consolidated Statement of Cash Flows. See Management's Discussion and Analysis of Financial Condition and Results of Operations - Impact of Mexican Peso Devaluation.

NOTE E--EARLY REPAYMENT OF DEBT

On February 16, 1996 the Company completed a refinancing of two issues of Senior Secured debt of \$22.0 million and \$3.4 million with interest rates of 10.49% and 9.55%, respectively, payable to an insurance company maturing on September 21, 2002 and October 1, 1998, respectively, by borrowing \$50 million pursuant to a new 10-year term loan bearing interest at 7.21% payable in 120 fixed monthly installments of \$455,305 beginning on April 1, 1996 and a final balloon payment of \$22.9 million due on February 28, 2006. The additional proceeds from this refinancing was used primarily to finance expansions of the Company's domestic production facilities.

The extraordinary charges of \$2.8 million, net of \$1.8 million tax benefit, is the result of the early repayment of the above mentioned debt obligations.

ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND
 RESULTS OF OPERATIONS

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

	Percentage of Net Sales THREE MONTHS ENDED		Percentage of Net Sales SIX MONTHS ENDED	
	MARCH 30, 1996	APRIL 1, 1995	MARCH 30, 1996	APRIL 1, 1995
Net sales	100.0%	100.0%	100.0%	100.0%
Costs and expenses:				
Cost of sales	94.1%	96.5%	93.1%	93.6%
Gross profit	5.9%	3.5%	6.7%	6.4%
Selling, general and administrative	4.5%	5.6%	4.5%	5.5%
Operating income (loss)	1.4%	(2.2%)	2.3%	.9%
Interest expense	1.9%	1.9%	1.9%	1.9%
Income (loss) before income taxes and extraordinary charge	(.4%)	(6.0%)	.3%	(2.4%)
Extraordinary charge-early repayment of debt, net of tax	1.0%	-	.5%	-
Net Income (loss)	(1.2%)	(7.5%)	(.7%)	(3.5%)

SECOND QUARTER 1996, COMPARED TO
 SECOND QUARTER 1995

Consolidated net sales were \$272.0 million for the second quarter of fiscal 1996, an increase of \$55.2 million, or 25.5%, over the second quarter of fiscal 1995. The increase in consolidated net sales resulted from a \$27.7 million increase in Mexican chicken sales to \$56.3 million, a \$16.4 million increase in domestic chicken sales to \$180.2 million, and an \$11.1 million increase in sales of other domestic products to \$35.5 million. The increase in Mexican chicken sales was primarily due to a 58.2% increase in total revenue per dressed pound produced and by a 24.5% increase in dressed pounds produced resulting primarily from the July 5, 1995 acquisition of five chicken companies located near Queretaro, Mexico. The increase in domestic chicken sales was primarily due to a 5.8% increase in the dressed pounds produced and a 4.0% increase in total revenue per dressed pound produced. The increase in sales to other domestic products was primarily the result of higher sales prices for commercial eggs and increased sales of the Company's poultry by-products group. Increased revenues per dressed pound produced both domestically and in Mexico were primarily the result of higher sales prices.

Consolidated cost of sales was \$256.0 million in the second quarter of fiscal 1996, an increase of \$46.7 million, or 22.3%, over the second quarter of fiscal 1995. The increase primarily resulted from a \$35.5 million increase in cost of sales of domestic operations, and a \$11.2 million increase in the cost of sales in Mexican operations.

The cost of sales increase in domestic operations of \$35.5 million was due to a 42.3% increase in feed ingredient costs, a 5.8% increase in dressed pounds produced and increased production of higher margin products in prepared foods. Since year end, feed costs have increased substantially due to lower crop yields in the 1995 harvest season and if feed costs remain at their current level or increase and sales prices do not correspondingly increase, future results will continue to be negatively impacted. The Company anticipates that higher corn prices will continue at least through the forth fiscal quarter.

The \$11.2 million cost of sales increase in Mexican operations was primarily due to a 24.5% increase in dressed pounds produced and a 2.0% increase in average costs of sales per dressed pound. See Impact of Mexican Peso Devaluation discussed below.

Gross profit as a percentage of sales increased to 5.9% in the second quarter of fiscal 1996 from 3.5% in the second quarter of 1995. The

increased gross profit resulted mainly from improved performance in the Company's Mexican operation and the U.S. dollar exchange rate of the Mexican peso being relatively stable during the second quarter of fiscal 1996 compared to the significant devaluation experienced during the same period of the prior year.

Consolidated selling, general and administrative expenses were \$12.4 million for the second quarter of fiscal 1996, an increase of \$.1 million, or 1.0%, when compared to the second quarter of fiscal 1995. Consolidated selling, general and administrative expenses as a percentage of sales decreased in the second quarter of fiscal 1996 to 4.5% compared to 5.6% in the second quarter of fiscal 1995 due to higher sales volume with consolidated selling, general and administrative expenses remaining relatively stable.

Consolidated operating income was \$3.7 million for the second quarter of fiscal 1996 an increase of \$8.3 million, when compared to the second quarter of fiscal 1995 resulting primarily from improved results in the Company's Mexico operation as discussed above.

Consolidated net interest expense was \$5.2 million in the second quarter of fiscal 1996 an increase of \$1.2 million, or 29.3%, when compared to the second quarter of fiscal 1995. This increase was due to higher outstanding debt levels resulting primarily from the prior year acquisitions in Mexico, offset slightly by lower interest rates when compared to the second quarter of fiscal 1995.

Consolidated income tax benefit in the second quarter of fiscal 1996 was \$.5 million compared to an expense of \$3.2 million in the second quarter of fiscal 1995.

The extraordinary charge-early repayment of debt in the amount of \$2.8 million, net of tax, was incurred while refinancing certain debt at a lower interest rate, which should result in long term interest expense reductions. See Note E to the Condensed Consolidated Financial Statements.

SIX MONTHS ENDED MARCH 30, 1996, COMPARED TO SIX MONTHS ENDED APRIL 1, 1995

Consolidated net sales were \$539.5 million for the first six months of fiscal 1996, an increase of \$95.7 million, or 21.6%, over the first six months of fiscal 1995. The increase in consolidated net sales resulted from a \$42.1 million increase in domestic chicken sales to \$362.1 million, a \$34.0 million increase in Mexican chicken sales to \$108.5 million, and a \$19.6 million increase in sales of other domestic products to \$68.8 million. The increase in domestic chicken sales was primarily due to a 6.6% increase in total revenue per dressed pound produced and a 6.1% increase in the dressed pounds produced. The increase in Mexican chicken sales was primarily due to a 35.2% increase in dressed pounds produced resulting primarily from the July 5, 1995 acquisition of five chicken companies located near Queretaro, Mexico and by a 7.7% increase in total revenue per dressed pound produced. The increase in sales of other domestic products was primarily the result of higher sales prices for the Company's commercial eggs and increased sales of the Company's poultry by-products group. Increased revenues per dressed pound produced both domestically and in Mexico were primarily the result of higher sales prices.

Consolidated cost of sales was \$502.5 million in the first six months of fiscal 1996, an increase of \$87.0 million, or 20.9%, over the first six months of fiscal 1995. The increase primarily resulted from a \$65.3 million increase in cost of sales of domestic operations, and a \$21.7 million increase in the cost of sales in Mexican operations.

The cost of sales increase in domestic operations of \$65.3 million was due to a 36.3% increase in feed ingredient costs, a 6.1% increase in dressed pounds produced, and increased production of higher margin products in prepared foods. Since year end, feed costs have increased substantially due to lower crop yields in the 1995 harvest season and if feed costs remain at their current level or increase and sales prices do not correspondingly increase, future results will continue to be negatively impacted. The Company anticipates that higher corn prices will continue at least through the fourth fiscal quarter.

The \$21.7 million cost of sales increase in Mexican operations was primarily due to a 35.2% increase in dressed pounds produced offset partially by a 7.1% decrease in average costs of sales per dressed pound resulting primarily from the effects of the devaluation of the Mexican peso. See Impact of Mexican Peso Devaluation discussed below.

Gross profit as a percentage of sales increased to 6.9% in the first six months of fiscal 1996 from 6.4% in the first six months of 1995. The increased gross profit resulted from improved performance in the Company's Mexican operation and the Mexican peso devaluation having a lesser negative

impact on the current periods gross profit than on the gross profit of the same period in the prior year.

Consolidated selling, general and administrative expenses were \$24.5 million for the first six months of fiscal 1996, an increase of \$.2 million, or 1.0%, when compared to the first six months of fiscal 1995. Consolidated selling, general and administrative expenses as a percentage of sales decreased in the first six months of fiscal 1996 to 4.5% compared to 5.5% in the first six months of fiscal 1995 due to higher sales with consolidating selling, general and administrative expenses remaining relatively stable.

Consolidated operating income was \$12.5 million for the first six months of fiscal 1996 an increase of \$8.4 million, when compared to the first six months of fiscal 1995 resulting primarily from improved results in the Company's Mexico operations as discussed above.

Consolidated net interest expense was \$10.3 million in the first six months of fiscal 1996 an increase of \$2.0 million, or 23.7%, when compared to the first six months of fiscal 1995. This increase was due to higher outstanding debt levels resulting primarily from the prior year acquisitions in Mexico, offset slightly by lower interest rates when compared to the first six months of fiscal 1995.

Consolidated income tax expense in the first six months of fiscal 1996 decreased to 2.8 million compared to \$5.0 million in the first six months of fiscal 1995. The decrease in income tax expense resulted from lower domestic profits for the period when compared to the same period in the prior year.

The extraordinary charge-early repayment of debt in the amount of \$2.8 million, net of tax, was incurred while refinancing certain debt at a lower interest rate, which should result in long term interest expense reductions. See Note E to the Condensed Consolidated Financial Statements.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity in first six months of fiscal 1996 remained strong. However, operating losses in Mexico resulting primarily from the Mexican peso devaluation and higher feed ingredient costs affected most financial ratios negatively. The Company's working capital at March 30, 1996 increased to \$90.8 million from \$88.4 million at September 30, 1995. The current ratio at March 30, 1996 decreased to 1.74 to 1 from 1.84 to 1 at September 30, 1995 and the Company's stockholders' equity decreased to \$147.2 million at March 30, 1996 from \$152.1 million at September 30, 1995. Total debt to capitalization increased to 61.5% at March 30, 1996 from 56.9% at September 30, 1995. The Company maintains \$85 million in revolving credit facilities with available unused lines of credit of \$49.8 million at May 9, 1996.

Trade accounts and other receivables were \$65.1 million at March 30, 1996, a \$5.0 million increase from September 30, 1995. The 8.4% increase was due primarily to increased consolidated sales. Allowances for doubtful accounts, as a percentage of trade accounts and notes receivable were 5.7% at March 30, 1996 compared to 6.7% at September 30, 1995.

Inventories were \$129.3 million at March 30, 1996, an increase of \$18.9 million from September 30, 1995. This 17.2% increase was due primarily to the higher feed ingredient costs affecting the carrying value of feed on hand and feed cost in the live birds and finished products.

Accounts payable were \$59.9 million at March 30, 1996, a 7.6% increase from September 30, 1995, due primarily to higher production levels and feed ingredient.

Capital expenditures for the first six months of fiscal 1996 were \$23.9 million and were primarily incurred to expand production capacities domestically, improve efficiencies, reduce costs and for the routine replacement of equipment. The Company anticipates that it will spend approximately \$42.0 million for capital expenditures in fiscal year 1996 and expects to finance such expenditures with available operating cash flows, leases and long-term financing. The Company closed a \$50 million long-term financing arrangement in the second fiscal quarter which was used to finance some of the above mentioned capital expenditures and to refinance certain existing long-term debt at a lower interest rate. See Note E to the Condensed Consolidated Financial Statements.

IMPACT OF MEXICAN PESO DEVALUATION

In December 1994, the Mexican government changed its policy of defending the peso against the U.S. dollar and allowed it to float freely on the currency markets. These events resulted in the Mexican peso exchange rate declining from 3.39 to 1 U.S. dollar at October 1, 1994 to a low of 7.91 at November 15, 1995. On May 9, 1996 the Mexican peso closed at 7.47 to 1 U.S. dollar. No assurance can be given as to the future valuation of the Mexican peso and further movement in the Mexican peso could affect future earnings positively or negatively.

Adjustments resulting from changes in currency exchange rates on net monetary assets are reflected in the Consolidated Statements of Income (Loss). Classification of the effects in the Consolidated Statements of Income (Loss) is dependent upon the nature of the underlying asset and, in general, exchange rate effects on net monetary assets are reflected as "Other expenses (income) - Foreign exchange (gain) loss."

OTHER

In March 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 121, "ACCOUNTING FOR THE IMPAIRMENT OF LONG-LIVED ASSETS AND FOR LONG-LIVED ASSETS TO BE DISPOSED OF." SFAS No. 121 establishes accounting standards for the impairment of long-lived assets to be held and used and for long-lived assets to be disposed of. SFAS No. 121 is scheduled to become mandatory for the Company's 1997 fiscal year. The Company has not determined the effect of adopting SFAS No. 121. There will be no cash flow impact from this accounting change.

The statements contained in this filing which are not historical facts, such as future feed costs, sales prices, capital expenditures, and movements in the exchange rate between the U.S. dollar and the Mexican peso are forward-looking statements that are subject to risks and uncertainties that could cause actual results to differ materially from those set forth in the forward-looking statements. Among the factors that could cause actual results to differ materially are competitive pressures, crop yields, the strength of the U.S. and Mexican economies, and the demand for Pilgrim's Pride products in the marketplace.

PILGRIM'S PRIDE CORPORATION AND SUBSIDIARIES
March 30, 1996

PART II
OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

The Company did not file any reports on Form 8-K during the six months ended April 1, 1995.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PILGRIM'S PRIDE CORPORATION

Date 5/10/96

Clifford E. Butler
Vice Chairman of the Board,
Chief Financial Officer and
Secretary and Treasurer
in his respective capacity
as such

PILGRIM'S PRIDE CORPORATION

and

JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY

NOTE PURCHASE AGREEMENT

Dated February 15, 1996

\$50,000,000 Notes due 2006

NOTE PURCHASE AGREEMENT

This Note Purchase Agreement (this "Agreement") dated February 15, 1996, by and between John Hancock Mutual Life Insurance Company, a Massachusetts corporation ("Purchaser"), and Pilgrim's Pride Corporation, a Delaware corporation (the "Company").

R E C I T A L S :

WHEREAS, the Company desires to sell its Fixed Rate Notes in the aggregate principal amount of \$50,000,000 (the "Notes") to Purchaser for the purpose of refinancing the Company's existing debt and other general corporate purposes; and

WHEREAS, Purchaser desires to purchase the Notes from the Company upon the terms and subject to the conditions contained in this Agreement;

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

ARTICLE 1.
DEFINITIONS

1. DEFINED TERMS. As used herein the following terms have the following respective meanings:

ACQUIRED PROPERTY: the meaning specified in Section 9.4.

ADVERSE ENVIRONMENTAL IMPACT: the meaning specified in Section 11.1.

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

APPRAISED VALUE: The appraised value of the Mortgaged Properties, as determined by Bryan A. Carrell, MIA, or such other appraiser selected by Purchaser.

BANKRUPTCY CODE: the meaning provided in Section 14.1(e).

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

CALLED PRINCIPAL: with respect to any Note, the principal of such

Note that is to be prepaid pursuant to Section 8.2 or is declared to be immediately due and payable pursuant to Article 14, as the context requires.

CAPITAL EXPENDITURES: for any period, expenditures (including, without limitation, the aggregate amount of Capital Lease Obligations incurred during such period) made by the Company or any Subsidiary to acquire or construct fixed assets, plant and equipment (including renewals, improvements and replacements, but excluding repairs) during such period computed in accordance with GAAP.

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

CERTIFICATE: the meaning specified in Section 4.4(d).

CLOSING: the meaning specified in Article 3.

CLOSING DATE: the meaning specified in Article 3.

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

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

COLLATERAL AGREEMENTS: the Security Documents, the Financing Statements, the Receipt of Funds, the Certificate and all other documents and instruments that may be executed or delivered hereunder or in connection herewith.

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

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

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

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

CONSOLIDATED WORKING CAPITAL: total Current Assets less Current Liabilities of the Company and its Subsidiaries on a consolidated basis.

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

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

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

DEFAULT RATE: nine and 21/100 percent (9.21%) per annum (or, if the interest rate is reset pursuant to Section 7.4, an amount equal the reset fixed rate plus two percent (2%)), but not to exceed the Highest Lawful Rate.

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

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

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

ENVIRONMENTAL ACTIVITY: the meaning specified in Section 11.1.

ENVIRONMENTAL CERTIFICATE: the meaning specified in Section 4.16.

ENVIRONMENTAL CONDITION: the meaning specified in Section 11.1.

ENVIRONMENTAL DAMAGES: the meaning specified in Section 11.1.

ENVIRONMENTAL LAWS: the meaning specified in Section 11.1.

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

EVENT OF DEFAULT: the meaning specified in Section 14.1.

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

FINANCIAL STATEMENTS: the meaning specified in Section 5.3.

FINANCING STATEMENTS: the meaning specified in Section 4.4(b).

FISCAL YEAR: the fiscal year of the Company for purposes of Article 9.

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

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

HAZARDOUS SUBSTANCES: the meaning specified in Section 11.1.

HIGHEST LAWFUL RATE: the meaning specified in Section 16.4.

INDEMNIFIED PARTY: the meaning specified in Section 11.2.

INTEREST OPTION NOTICE: the meaning specified in Section 7.2.

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

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

LIEN: with respect to any Property, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such Property. For purposes of this Agreement, a Person shall be deemed to own, subject to a Lien, any Property that it has acquired or holds subject to

the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement (other than an operating lease) relating to such Property.

MAKE-WHOLE PREMIUM: with respect to any Note, a premium equal to the excess, if any, of the Discounted Value of the Called Principal of such Note over the sum of (i) such Called Principal plus (ii) interest accrued thereon as of (including interest due on) the Settlement Date with respect to such Called Principal. The Make-Whole Premium shall in no event be less than zero.

MATERIAL ADVERSE EFFECT: a material adverse effect on the business, operations, affairs, condition, properties or prospects of the Company, or the ability of the Company to perform its obligations hereunder or under the Collateral Agreements.

MATURITY DATE: February 28, 2006 or such earlier date upon which the maturity of the Notes is accelerated pursuant to Section 14.2.

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

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

NET TANGIBLE ASSETS: total consolidated assets of the Company and its Subsidiaries less consolidated intangible assets of the Company and its Subsidiaries such as goodwill, patents and similar assets that would be of an intangible nature in accordance with GAAP.

NOTES: the meaning specified in Section 2.1.

OFFICERS' CERTIFICATE: a certificate executed by the Chief Financial Officer of the Company.

PBGC: the Pension Benefit Guaranty Corporation or any governmental authority succeeding to any of its functions.

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

PERMITTED EXCEPTIONS: those Liens permitted under the Security Documents.

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

PERSON: a corporation, an association, a partnership, an organization, a business, an individual, a government or political subdivision thereof or a governmental agency.

PILGRIM'S PRIDE-MEXICO: Pilgrim's Pride S.A. de C.V., a Mexican corporation and a wholly owned subsidiary of the Company.

PLAN: an "employee pension benefit plan" (as defined in Section 3(2) of ERISA) that is or has been established or maintained, or to which contributions are or have been made, by the Company or any of the Subsidiaries or any Related Person with respect to any of them, or an employee pension benefit plan as to which the Company or any of the Subsidiaries or any Related Person with respect to any of them, would be treated as a contributory sponsor under Section 4069 of ERISA if it were to be terminated.

POTENTIAL EVENT OF DEFAULT: a default that, with notice or lapse of time or both, becomes an Event of Default.

PREMIUM: a Make-Whole Premium.

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

PURCHASER: John Hancock Mutual Life Insurance Company and its successors and assigns.

RECEIPT OF FUNDS: the meaning specified in Section 4.4(c).

REINVESTMENT YIELD: with respect to the Called Principal of any Note, the yield to maturity implied by (a) the yields reported, as of 10:00 a.m. (New York City time) on the Business Day next preceding the Settlement Date with respect to such Called Principal, on the display designated as "Page 5" on the Telerate Service (or such other display as may replace Page 5 on the Telerate Service) for actively traded U.S. Treasury securities having a maturity equal to the Remaining Life of such Called Principal as of such Settlement Date, plus 100 basis points, or (b) if such yields shall not be reported as of such time or the yields reported as of such time shall not be ascertainable, the Treasury Constant Maturity Series yields reported, for the latest day for which such yields shall have been so reported as of the Business Day next preceding the Settlement Date with respect to such Called Principal, in Federal Reserve Statistical Release H.15 (519) (or any comparable successor publication) for actively traded U.S. Treasury securities having a constant maturity equal to the Remaining Life of such Called Principal as of such Settlement Date, plus 100 basis points. Such implied yield shall be determined, if necessary, by (x) converting U.S. Treasury bill quotations to bond-equivalent yields in accordance with accepted financial practice and (y) interpolating linearly between reported yields.

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

RELEASE: the meaning specified in Section 11.1.

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

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

REPORTABLE QUANTITY: the meaning specified in Section 11.1

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

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

SCHEDULE OF INFORMATION FOR PAYMENT AND NOTICES: the meaning specified in Article 13.

SECURED DEBT: all indebtedness for borrowed money or evidenced by a bond, debenture, note or similar evidence of indebtedness, which is secured by a Lien on any assets of the Company or any Subsidiary or any shares of stock or Debt of any Subsidiary.

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

SECURITY DOCUMENTS: the meaning specified in Section 4.4(a).

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

SPECIAL COUNSEL: Locke Purnell Rain Harrell (A Professional Corporation) as special counsel to Purchaser in connection with this Agreement.

STOCK: all shares, options, warrants, interests, participations or other equity equivalents (regardless of how designated) of a corporation or equivalent entity whether voting or nonvoting, including, without limitation, common stock, preferred stock, or any other "equity security" (as such term is defined in Rule 3(a)11-1 of the General Rules and Regulations promulgated by the Commission under the Exchange Act).

SUBORDINATED DEBT: all Debt of the Company that by its terms is subordinated to any other Debt.

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

TOTAL LIABILITIES: total consolidated liabilities of the Company and its Subsidiaries as shown on its annual audited balance sheet, determined in accordance with GAAP.

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

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

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

ARTICLE 2. THE NOTES

1. AUTHORIZATION OF NOTES. The Company has authorized the issue and sale of \$50,000,000 aggregate principal amount of its 7.21% Fixed Rate Notes (together with all notes issued in substitution or exchange therefor pursuant to Article 12, the "Notes") pursuant to this Agreement. Each Note will be in the amount of \$1,000 or a multiple thereof, will bear interest on the unpaid principal balance thereof from the date of the Note as prescribed herein, payable as set forth in Articles 7 and 8, will mature on February 28, 2006 and will be substantially in the form of EXHIBIT A.

2. SALE AND PURCHASE OF NOTES. The Company will issue and sell to Purchaser and, subject to the terms and conditions hereof, Purchaser will purchase from the Company, at the Closing provided for in Article 3, \$50,000,000 aggregate principal amount of the Notes.

ARTICLE 3. CLOSING

The closing of the sale of the Notes to Purchaser (the "Closing") shall take place at the offices of Locke Purnell Rain Harrell (A Professional Corporation), 2200 Ross Avenue, Suite 2200, Dallas, Texas 75201, at 10:00 a.m. Dallas, Texas time (with funding to occur no later than 12:00 p.m.), on such date as the parties may mutually agree (the "Closing Date"). At the Closing the Company will deliver to Purchaser the Notes in the form of a single Note or Notes as prescribed by Purchaser, dated the Closing Date and registered in Purchaser's name (or the name of its nominee), against delivery by Purchaser to the Company of immediately available funds in the aggregate amount of the purchase price therefor.

ARTICLE 4. CONDITIONS TO CLOSING

Purchaser's obligation to purchase and pay for the Notes is subject to the fulfillment to Purchaser's satisfaction, by the time of Closing, of the

following conditions:

1. OPINION OF COUNSEL. Purchaser shall have received an opinion, dated the Closing Date and satisfactory in form and substance to Purchaser, from (i) Godwin & Carlton, A Professional Corporation, counsel for the Company, and (ii) Special Counsel covering such matters relevant to the transactions contemplated hereby as Purchaser may reasonably request.

2. REPRESENTATIONS, WARRANTIES AND COVENANTS. The representations and warranties of the Company contained in this Agreement shall be true and correct at the time of Closing as if made at and as of such time, and the Company shall have complied with all agreements and covenants hereunder required to be performed by the Company on or prior to the time of Closing.

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

4. COLLATERAL AGREEMENTS.

(a) The Texas Deed of Trust and Security Agreement substantially in the form of EXHIBIT B-1, the Arkansas Mortgage and Security Agreement substantially in the form of EXHIBIT B-2 and the Assignment of Leases and Rents substantially in the form of EXHIBIT B-3 (collectively, the "Security Documents"), shall have been duly executed and delivered by the Company for the benefit of Purchaser and the registered holders from time to time of the Notes, the beneficiary named in the Security Documents and shall be in full force and effect.

(b) UCC-1 Financing Statements (the "Financing Statements") shall have been duly executed and delivered by the Company.

(c) A Receipt of Funds, substantially in the form of EXHIBIT C (the "Receipt of Funds"), shall have been duly executed and delivered by the Company and shall be in full force and effect.

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

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

6.d. TITLE INSURANCE; SURVEY. Purchaser shall have received (a) a title insurance policy with respect to the Mortgaged Properties located in the State of Arkansas, in the form of the American Land Title Association Loan Policy (10/17/92) issued by a title underwriter acceptable to Purchaser, and a mortgagee policy of title insurance with respect to the Mortgaged Properties located in the State of Texas, in the form promulgated in the State of Texas, issued by a title underwriter acceptable to Purchaser, and containing affirmative coverages and reinsurance arrangements and agreements satisfactory in form and substance to Purchaser and Special Counsel, insuring in the amount of approximately \$50,000,000, Purchaser's interest under the Security Documents as the holder of a valid first lien of record on the Mortgaged Properties or, in the case of leased properties, a valid first Lien on the Company's leasehold interest, subject only to the Permitted Exceptions, containing no exception as to creditors' rights, and containing affirmative zoning endorsements, affirmative coverage as to claims and liens of mechanics and materialmen, affirmative endorsements as to claims relating to the environmental conditions of the Mortgaged Properties, and such other affirmative conditions and coverages as are available and as Purchaser may request, all satisfactory in substance and form to Purchaser and Special Counsel; (b) reports of Uniform Commercial Code searches in the Uniform Commercial Code central filing offices of the Secretary of State of Arkansas and Texas issued by the States of Arkansas and Texas, and such other evidence concerning Uniform Commercial Code filings as is requested by Purchaser, in each case reasonably satisfactory in form and substance to Purchaser and Special Counsel; (c) a report of a tax and judgment lien search in the recording district of each county or similar jurisdiction where each of the Mortgaged Properties is located, satisfactory in form and substance to Purchaser and

Special Counsel; and (d) surveys of each part of the Mortgaged Properties as Purchaser shall approve in accordance with ALTA/ACSM Class A standards and certificates.

7.d. COMPLIANCE WITH SECURITIES LAWS. The offering and sale of the Notes to be issued at the Closing shall have complied with all applicable requirements of federal and state securities laws, and Purchaser shall have received evidence thereof reasonably satisfactory to Purchaser and Special Counsel.

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

9.d. NO EVENT OF DEFAULT OR POTENTIAL EVENT OF DEFAULT. There shall not exist and, upon consummation of the transactions contemplated hereby, there shall not exist any Event of Default or Potential Event of Default.

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

11.d. ORIGINAL DOCUMENTS. Purchaser shall have received an original executed counterpart of the Notes, the Security Documents, the Financing Statements, the Receipt of Funds, the Certificate, and the title insurance policies and surveys referred to in Section 4.6.

12.d. LOAN TO APPRAISED VALUES. The Appraised Value of the Mortgaged Properties shall be not less than \$67,000,000.

13.d. INSURANCE. Purchaser shall have received certificates reasonably satisfactory to Purchaser as to, or copies of, all insurance policies required by the Security Documents

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

15.d. ENVIRONMENTAL MATTERS. The Company shall have delivered to Purchaser a Phase I environmental assessment (either recently completed at the request of Purchaser or previously completed for the Company or to be completed together with updated reports with respect thereto), addressed to Purchaser, in form and substance acceptable to Purchaser and prepared by Law Engineering, Inc. (the "Environmental Certificate"), to the effect that, except as otherwise disclosed in writing, (i) all current activities at the Mortgaged Properties comply in all respects with applicable requirements of any governmental authority relating to air or water pollution, hazardous substance or waste management and disposal, or other Environmental Laws, and (ii) none of the Mortgaged Properties is impacted by Hazardous Substances in any respect that would require investigation, reporting, monitoring, cleanup or other response under current law.

ARTICLE 5.

REPRESENTATIONS AND WARRANTIES RELATING TO THE COMPANY

The Company represents and warrants that:

1.d. ORGANIZATION, STANDING, ETC. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has all requisite power and authority (i) to own and operate its properties, (ii) to carry on its business as now conducted and as proposed to be conducted, (iii) to enter into this Agreement, the Security Documents and each of the other Collateral Agreements, (iv) to issue and sell the Notes, and (v) to carry out the terms of this Agreement, the Notes, the Security Documents and each of the other Collateral Agreements. This Agreement, the Notes, the Security Documents and the other Collateral Agreements have been duly executed and delivered and are valid and binding agreements of the Company, enforceable in accordance with their terms, except as enforceability may be subject to and limited by applicable principles of equity and by bankruptcy, reorganization, moratorium, insolvency or other similar laws from time-to-time in effect affecting the enforcement of creditors' rights generally.

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

3.d. BUSINESS AND FINANCIAL STATEMENTS. The Company has delivered to Purchaser true, complete and correct copies of the Company's audited consolidated financial statements for the Fiscal Year ended September 30, 1995, and the unaudited financial statements for the three months ended December 30, 1995 (collectively, the "Financial Statements"). The Financial Statements have been prepared in accordance with GAAP (except that the unaudited financial statements contain no footnotes) applied on a consistent basis throughout the periods specified and present fairly the historical financial positions of the Company as of the respective dates and for the respective periods specified.

4.d. ADVERSE CHANGES. There has been no Material Adverse Effect on the Company since September 30, 1995.

5.d. TAX RETURNS AND PAYMENTS. The Company is a corporation subject to United States federal income taxation. The Company has timely and accurately filed all tax returns required by law to be filed by it and has paid all taxes, assessments and other governmental charges levied upon it or any of its properties, assets, income or franchises that are due and payable, other than those presently being contested in good faith by appropriate proceedings diligently conducted for which such reserves and other appropriate provision as are required by GAAP have been made. There are no material tax Liens upon any of the assets of the Company except for statutory liens in respect of taxes or assessments the payment of which is not yet delinquent. If the Company is contesting any such tax or assessment in accordance with this Section 5.5, the Company has disclosed to Purchaser, in writing, the nature and extent of such contest.

6.d. DEBT. Other than the Notes and the indebtedness disclosed in the Financial Statements or as listed on SCHEDULE 5.6, the Company has no secured or unsecured Debt outstanding. Other than as provided in this Agreement and the Collateral Agreements, or in the instruments or agreements listed on SCHEDULE 5.6, no instrument or agreement applicable to or binding on the Company contains any restrictions on the incurrence by the Company of any Debt.

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

8.d. LITIGATION. Except as set forth on SCHEDULE 5.8, there is no action, proceeding or investigation pending or, to the best knowledge of the Company, threatened (or any basis therefor known to the Company) against the Company or any of its Subsidiaries or any of their respective Properties which if adversely determined, could have a Material Adverse Effect.

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

10.d. COMPLIANCE WITH OTHER INSTRUMENTS. The Company (a) is not in violation of any term of any agreement or instrument to which it is a party

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

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

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

13.d. FEDERAL RESERVE REGULATIONS. The Company will not use any of the proceeds of the sale of the Notes for the purpose, whether immediate, incidental or ultimate, of buying any "margin stock" or of maintaining, reducing or retiring any indebtedness originally incurred to purchase a stock that is currently any "margin stock," or for any other purpose that might constitute this transaction a "purpose credit," in each case within the meaning of Regulation G of the Board of Governors of the Federal Reserve System (12 C.F.R. 207, as amended), or otherwise take or permit to be taken any action that would involve a violation of such Regulation G or of Regulation T (12 C.F.R. 220, as amended), Regulation U (12 C.F.R. 221, as amended) or Regulation X (12 C.F.R. 224, as amended) or any other regulation of such board. No indebtedness being reduced or retired out of the proceeds of the sale of the Notes was incurred for the purpose of purchasing or carrying any such "margin stock," and the Company does not own and has no present intention of acquiring any such "margin stock."

14.d. STATUS UNDER CERTAIN FEDERAL STATUTES. The Company is not (a) a "holding company" or a "subsidiary company" of a "holding company," or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company," as such terms are defined in the Public Utility Holding Company Act of 1935, as amended, (b) a "public utility," as such term is defined in the Federal Power Act, as amended, (c) an "investment company," or a company "controlled" by an "investment company," within the meaning of the Investment Company Act of 1940, as amended, or (d) a "rail carrier," or a "person controlled by or affiliated with a rail carrier," within the meaning of Title 49, U.S.C., or a "carrier" to which 49 U.S.C.

11301(b)(1) is applicable.

15.d. COMPLIANCE WITH ERISA.

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

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

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

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

(e) No Lien imposed under Section 412(n) of the Code exists in favor of any Plan upon any property belonging to the Company or any of the Subsidiaries, or any Related Person of any of them.

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

17.e. USE OF PROCEEDS. The Company will apply the proceeds of the sale of the Notes to refinance existing debt of the Company and for general corporate purposes.

18.e. SOLVENCY OF THE COMPANY. The fair saleable value of the business and assets of the Company, upon giving effect to the transactions contemplated hereby, will be in excess of the amount that will be required to pay the probable liabilities of the Company (including contingent, subordinated, unmaturing and unliquidated liabilities) on existing debts as they may become absolute and matured. The Company, upon giving effect to the transactions contemplated hereby, will not be engaged in any business

or transaction, or about to engage in any business or transaction, for which the Company has an unreasonably small capital, and the Company has no intent (a) to hinder, delay or defraud any entity to which it is, or will become, on or after the Closing Date, indebted, or (b) to incur debts that would be beyond its ability to pay as they mature.

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

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

21.e. NO DEFAULTS. At the time of the Closing, there exists no Event of Default or Potential Event of Default.

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

The Company represents and warrants that:

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

2.e. CONTRACTS. There are no service (other than utility) or construction contracts currently outstanding relating to any part of the Mortgaged Properties providing for payment in excess of \$100,000 per year, per contract (but not in excess of \$1,000,000 in the aggregate), except those contracts that are set forth on SCHEDULE 6.2 and have been delivered to Purchaser, nor have any labor or materials been supplied to the Mortgaged Properties, other than in the ordinary course of business, that have not been fully paid for.

3.e. PERMITS. There are no permits, licenses, certificates or approvals that are required to occupy or operate (except as specified in Section 5.8) any part of the Mortgaged Properties as presently operated, except those permits, licenses, certificates and approvals that are set forth on SCHEDULE 6.3 and have been delivered to Purchaser.

4.e. REPORTS OF ENGINEERS. The Company does not possess and is not aware of any reports of engineers, architects or other Persons relating to any part of the Mortgaged Properties, except those reports that are set forth on SCHEDULE 6.4 and have been delivered to Purchaser.

5.e. PLANS AND SPECIFICATIONS. The Company does not possess and is not aware of any plans and specifications relating to any part of the Mortgaged Properties, except those plans and specifications that are set forth on SCHEDULE 6.5 and that will be delivered to Purchaser upon request.

6.e. SOIL REPORTS. There are no soil reports in the possession of the Company or its Affiliates relating to any part of the Mortgaged Properties.

7.e. ZONING. The Mortgaged Properties that constitutes real property are zoned in the manner that permits the use of the Mortgaged Properties as currently being and proposed to be used by the Company and its Subsidiaries.

8.e. CERTIFICATES OF OCCUPANCY. A certificate of occupancy or similar permit has been issued by the appropriate governmental authority for each of the Mortgaged Properties that constitutes improvements to real property that permits the occupancy of the Mortgaged Properties as currently or proposed to be occupied by the Company.

ARTICLE 7.
INTEREST RATE PROVISIONS

1.e. INTEREST ON NOTES. Interest on the outstanding principal balance of the Notes shall accrue at the lesser of (i) 7.21% per annum or (ii) the Highest Lawful Rate, and shall be due and payable in accordance with Section 8.1. Interest on the unpaid principal of the Notes shall be

calculated on the basis of the actual days elapsed in a year consisting of 360 days.

2.e. RESETTING OF INTEREST RATES. During the period of time not more than ten days nor less than five days prior to March 1, 2003, provided that (i) no Event of Default or Potential Event of Default has occurred and is continuing, and (ii) Purchaser owns the Notes at such time, Purchaser and the Company shall in good faith attempt to reset the interest rate on the Notes. The parties shall consider Purchaser's then-current interest rate spreads (based on average remaining life of the Notes), the then-current financial condition of the Company and then-current market conditions when attempting to agree upon new rates. If the parties agree upon new rates, they shall promptly execute an amendment to this Agreement and the Company shall execute and deliver to Purchaser new notes reflecting the new rates. In the event that the parties are unable to reasonably agree upon new rates for the Notes by March 1, 2003, the Notes will become immediately due and payable and the Company shall be required to pay all principal and accrued interest thereon. If the Company is obligated to prepay the Notes pursuant to this Section 7.2, no Make-Whole Premium shall be due and owing on the Notes. Purchaser shall have no liability to the Company in the event the parties are unable to agree upon new rates pursuant to this Section 7.2.

3.e. PAST DUE PAYMENTS. All payments of principal and, to the extent permitted by law, the Make-Whole Premium (if any) and interest on or in respect of any Note or this Agreement that are not made when due shall bear interest at the Default Rate from the date due and payable to the date paid. Any payment in respect of any other obligation or amount payable hereunder that is not paid when due shall bear interest at the Default Rate from the date due and payable to the date paid.

ARTICLE 8. PAYMENT OF NOTES

1.e. REQUIRED PAYMENTS OF NOTES.

(a) On March 1, 1996, the Company shall make a payment on the Notes, in cash in an amount equal to \$150,208.33. Thereafter, on each Payment Date while the Notes are outstanding, commencing April 1, 1996, the Company shall make a payment on the Notes, in cash, in an amount equal to \$455,304.80, which payment shall consist of principal and accrued interest. If the interest rate on the Notes are reset in accordance with Section 7.2, Purchaser shall recompute the monthly principal and interest payment, and the Company shall thereafter be required to make payments equal to such recomputed amount. On the Maturity Date, the entire outstanding principal balance of the Notes, together with interest accrued thereon, shall be due and payable.

(b) If at any time the outstanding principal balance of the Notes exceeds 65% of the Appraised Value, the Company shall immediately make a prepayment of principal of the Notes (together with accrued interest thereon) in an amount such that following the prepayment, the outstanding principal balance is less than or equal to 65% of the Appraised Value. No Premium shall be due and payable with respect to a prepayment pursuant to this Section 8.1(b). Unless the Company directs otherwise, the prepayment shall be applied pro rata among all of the Notes at the time outstanding.

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

2.c. OPTIONAL PREPAYMENTS OF NOTES; ALLOCATIONS.

(a) At any time or from time to time, the Company is hereby granted the right, at its option, upon notice as provided in Section 8.3, to prepay all or any part (in integral multiples of principal of \$100,000) of the Notes, which prepayment shall be applied to the outstanding principal amount thereof in the inverse order of maturity. Unless the Company directs otherwise, the prepayment shall be applied pro rata among all of the Notes at the time outstanding. Each such prepayment shall include the principal amount of the Notes so prepaid, plus interest accrued thereon to the date of payment, plus the Premium described in Section 8.2(b) (based on such principal amount so prepaid). In the case of each partial prepayment of the Notes, unless the Company otherwise directs, the principal amount of the Notes to be prepaid shall be allocated among all of the Notes at the time outstanding in proportion, as nearly as practicable, to the respective unpaid principal amounts thereof not theretofore called for prepayment, rounded upward to the nearest \$1,000 for each Note, with adjustments to the extent practicable, to compensate for any prior prepayments not made exactly in such proportion.

(b) Any prepayment of the Notes shall be subject to and include

the Make-Whole Premium. Notwithstanding the foregoing, no Premium shall be due if the Notes are prepaid (i) pursuant to Section 8.1(c) or (ii) following a resetting of the interest rate pursuant to Section 7.2 and the Company and Purchaser are unable to agree upon mutually acceptable interest rates pursuant to Section 7.2.

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

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

ARTICLE 9.

ACCOUNTING, REPORTING AND INSPECTION COVENANTS OF THE COMPANY

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

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

2.b. FINANCIAL STATEMENTS AND OTHER INFORMATION. The Company will deliver (in duplicate) to Purchaser (except as hereinafter provided) so long as Purchaser or Purchaser's nominee shall hold any Note, and to each other registered holder of a Note:

(a) within ninety (90) days after the end of each Fiscal Year, the balance sheet of the Company as of the end of such Fiscal Year and the related statements of income and retained earnings and of cash flows of the Company for such Fiscal Year, setting forth in each case in comparative form the figures for the previous Fiscal Year, all in reasonable detail and (i) accompanied by the report thereon of any independent public accountants of recognized national standing selected by the Company, which report shall state that (v) such financial statements present fairly the financial position of the Company as of the dates indicated and the results of its operations and cash flows for the periods indicated in conformity with GAAP applied on a basis consistent with prior years (except as otherwise specified in the report), and (w) the audit by such accountants in connection with such financial statements has been made in accordance with generally accepted accounting principles, (ii) accompanied by a written statement of such accountants that without any independent investigation except that conducted in the ordinary course of their audit, the accountants do not have knowledge of the existence of any condition or event that constitutes an Event of Default or Potential Event of Default, or, if any such condition or event existed or exists, specifying the nature and period of existence thereof, and (iii) certified by the chief financial officer of the Company as presenting fairly, in accordance with GAAP, applied (except as specifically set forth therein) on a basis consistent with such prior fiscal periods, the information contained therein;

(b) within forty-five (45) days after the end of the first three fiscal quarters of each Fiscal Year, the balance sheet of the Company as of the end of such fiscal quarter and the related statements of income and of cash flows of the Company for such fiscal quarter and for the portion of the Fiscal Year from the first day of such Fiscal Year through the end of such fiscal quarter, setting forth in each case in comparative form the figures for the corresponding periods in the previous Fiscal Year, all in reasonable detail and certified by the chief financial officer of the Company as presenting fairly, in accordance with GAAP, applied (except as

specifically set forth therein) on a basis consistent with such prior fiscal periods, the information contained therein;

(c) together with each delivery of financial statements pursuant to subsections (a) or (b) above, an officer's certificate in the form of EXHIBIT E (i) showing in detail the determination of the ratios and other financial calculations specified in Sections 10.1 through 10.7 during the accounting period covered by such financial statements, (ii) stating that the signer has reviewed the terms hereof and of the Notes and has made, or caused to be made under his supervision, a review of the transactions and condition of the Company during the accounting period covered by such financial statements and that such review has not disclosed the existence during or at the end of such accounting period, and that the signer does not have knowledge of the existence as of the date of such officer's certificate, of any condition or event that constitutes an Event of Default or Potential Event of Default, or, if any such condition or event existed or exists, specifying the nature and period of existence thereof and what action the Company has taken or is taking or proposes to take with respect thereto; and (iii) if not specified in the related financial statements being delivered pursuant to subsection (a) above, specifying the aggregate amount of interest and rentals received or accrued by the Company, and the aggregate amount of depreciation, depletion and amortization charged on the books of the Company during the accounting period covered by such financial statements;

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

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

(f) within five (5) days of any Responsible Officer of the Company obtaining knowledge of any condition or event that constitutes an Event of Default or Potential Event of Default, or that the registered holder of any Note has given any notice or taken any other action with respect to a claimed Event of Default or Potential Event of Default under this Agreement or that any person has given notice to the Company or taken any other action with respect to a claimed default or event or condition of the type referred to in Article 14, an Officers' Certificate describing the same and the period of existence thereof and specifying what action the Company has taken, is taking and proposes to take with respect thereto;

(g) promptly upon (and in any event within ten (10) Business Days of) any Responsible Officer of the Company obtaining knowledge of the occurrence of any (i) "reportable event," as such term is defined in Section 4043 of ERISA, or (ii) "prohibited transaction," as such term is defined in Section 4975 of the Code, that is not exempt by law or ruling in connection with any Plan relating to the Company or any trust created thereunder, a written notice specifying the nature thereof, what action the Company has taken, is taking and proposes to take with respect thereto, and any action taken or threatened by the Internal Revenue Service or the PBGC with respect thereto, provided that, with respect to the occurrence of any "reportable event" as to which the PBGC has waived the 30-day reporting requirement, such written notice need not be given;

(h) immediately upon the occurrence of any of the following events, an Officers' Certificate describing such event: (i) the Certificate of Incorporation or Bylaws of the Company shall have been amended or the Company shall have changed its jurisdiction of organization; or (ii) the Company shall have changed its name or shall do business under any name other than as set forth on SCHEDULE 9.2; or (iii) the Company shall have changed its principal place of business or its chief executive offices; or (iv) the Company shall have become a party to any suit, action or proceeding that, if adversely determined, would have a Material Adverse Effect or in which the projected settlement amount involved therein could equal \$3,000,000 or more (in addition to any insurance coverage); or (v) the Company shall have opened or closed any material place of business; or (vi) there shall occur any strike, walkout, work stoppage or other material employee disruption relating to any of the Mortgaged Properties, or the expiration of any labor contract affecting any of the Mortgaged Properties (unless there exists a new labor contract in substitution therefor) that reasonably could be expected to have a Material Adverse Effect; or (vii) the Company shall have obtained knowledge that any of its insurance policies or any insurance policies affecting any of the Mortgaged Properties will be canceled or not renewed (unless there exists a similar insurance policy in substitution therefor);

(i) promptly (i) upon receipt thereof, copies of any notices to the Company from any federal or state administrative agency relating to any

order, ruling, statute or other law or regulation that would, with reasonable probability, have a Material Adverse Effect; and (ii) following filing with the Commission, any reports or statements filed with the Commission;

(j) promptly upon receipt thereof, copies of any notice delivered pursuant to Article 14; and

(k) with reasonable promptness, such other information and data with respect to the Company as from time to time may be reasonably requested by any registered holder of a Note, including, without limitation, any projections or business plans prepared by or for the Company.

3.k. INSPECTION. The Company will permit, subject to rights of parties in possession, any authorized representatives designated by a Purchaser, so long as such Purchaser or its nominee shall hold any Notes, or designated by any other registered holder of any Notes, without expense to the Company, at such reasonable times and as often as may be reasonably requested, to (a) visit and inspect the Mortgaged Properties, including its books of account, and (b) upon the prior written consent of the Company, which consent shall not be unreasonably withheld, discuss the Company's affairs, finances and accounts with the Company's directors, officers and independent public accountants (and by this provision the Company authorizes such directors, officers and accountants to discuss with such representatives the affairs, finances and accounts of the Company, whether or not an officer or other representative of the Company is present, provided that the Company shall receive notice of any such meeting and be given a reasonable opportunity to have a representative attend).

4.k. ACQUIRED REAL PROPERTY. The Company shall deliver to Purchaser so long as Purchaser or Purchaser's nominee shall hold any Note, and to each other registered holder of a Note, upon request of Purchaser or any other registered holder of a Note, but in any event not less than ninety (90) days after the end of each Fiscal Year of the Company, a list and description of all real property purchased or newly leased by the Company during the period specified in such request or the past Fiscal Year, as applicable, that is to be used for any new processing plant, hatchery or feed mill in which an existing processing plant, hatchery or feed mill on any Mortgaged Property is to be shut down or operations are to be substantially decreased ("Acquired Property"), and, unless otherwise specified in this Agreement or by the registered holder or registered holders (other than the Company or any Affiliate) of the Notes, the Company shall execute and deliver a deed of trust or mortgage and assignment of leases and rents, substantially in the form attached hereto as EXHIBITS B-1, B-2 AND B-3 (with any changes to such form of mortgage as appropriate in the applicable jurisdiction and as requested by Purchaser or Purchaser's nominee or any registered holder of a Note other than the Company or any of the Company's Affiliates), to Purchaser or a mortgage trustee, for the benefit of Purchaser so long as Purchaser or Purchaser's nominee shall hold any Note, and to each other registered holder of a Note or a mortgage trustee, for the benefit of each such other holder, granting a first Lien of record on and a first security interest in the Acquired Property, subject only to existing Liens, the Permitted Exceptions, and any purchase money Liens incurred by the Company in connection with the acquisition of any Acquired Property, and the Acquired Property shall thereafter be part of the Mortgaged Properties. The Company shall permit Purchaser so long as Purchaser or Purchaser's nominee shall hold any Note, and each other registered holder of a Note, the right to inspect any Acquired Property and to conduct such other investigation and due diligence with respect to any Acquired Property that Purchaser or such other registered holder deems necessary, and to the extent the proposed acquisition is in excess of \$250,000, the Company shall pay all reasonable costs of Purchaser or such other registered holder in inspecting any Acquired Property and conducting such investigation, including, without limitation, any costs of an environmental consulting firm and attorneys' fees.

ARTICLE 10.

BUSINESS AND FINANCIAL COVENANTS OF THE COMPANY

So long as any Note shall be outstanding, the Company will perform and comply, and will cause each Subsidiary (other than Pilgrim's Pride-Mexico and any other Subsidiary located or doing business in Mexico or Central or South America) to perform and comply, as applicable, with each of the following covenants:

1.k. ASSET RATIO. The Company shall at all times maintain a ratio of Net Tangible Assets to Total Liabilities of not less than 1.30:1.

2.k. CONSOLIDATED NET WORTH. The Company shall at all times maintain a Consolidated Net Worth of not less than \$125,000,000, as increased from time to time by (i) the proceeds of any Stock of the Company or any Subsidiary issued and sold to third Persons, (ii) the amount of

Subordinated Debt of the Company or any Subsidiary owed by third parties converted into or exchanged for Stock of the Company or any Subsidiary, and (iii) 25% of the Company's annual Consolidated Net Income.

3.k. CONSOLIDATED WORKING CAPITAL. The Company and its Subsidiaries shall at all times maintain Consolidated Working Capital of not less than \$40,000,000.

4.k. CURRENT RATIO. The Company shall at all times maintain a ratio on a consolidated basis of Current Assets to Current Liabilities of not less than 1.25:1.

5.k. FIXED CHARGE COVERAGE. The Company shall at all times maintain for the period of eight consecutive fiscal quarters then ended on a consolidated basis a Fixed Charge Coverage Ratio of not less than 1.40:1.

6.k. CAPITAL EXPENDITURES. The Company and its Subsidiaries shall not incur Capital Expenditures in excess of \$45,000,000 in the aggregate for Fiscal Year 1996. Thereafter, the limitation on Capital Expenditures shall be 115% of the Company's consolidated total depreciation and amortization for the immediately preceding Fiscal Year, as reflected on the Company's consolidated audited financial statements for such Fiscal Year. Any unused portion of the maximum permitted amount of Capital Expenditures (up to \$5,000,000 per Fiscal Year) may be carried over to the next succeeding Fiscal Year, but not thereafter.

7.k. LIENS. The Company will not, and will not permit any Subsidiary to, directly or indirectly, create, incur, assume or permit to exist any Lien on or with respect to any property or asset of the Company or such Subsidiary, whether now owned or held or hereafter acquired, or any income or profits therefrom, other than (a) the Liens and security interests created to secure the Notes, (b) Liens that constitute Permitted Exceptions, (c) any Lien on any property acquired, constructed or improved by the Company after Closing and created contemporaneously with or within 12 months of such acquisition, construction or improvement to secure Debt incurred to provide for all or a portion of the purchase price of such property as acquired, constructed or improved, (d) Liens on property of the Company in favor of the United States of America or any political subdivision thereof to secure partial payments pursuant to any contract, (e) pledges or deposits to secure obligations under worker's compensation laws or similar judgments thereunder that are not currently dischargeable, and pledges, deposits, performance bonds or similar security interests in connection with bids, tenders, contracts and leases to which the Company is a party (all of which are in the ordinary course of business and which do not relate to indebtedness of the Company), (f) Liens for taxes, assessments or governmental charges not then due and delinquent or the validity of which is being contested in good faith and a bond or other security satisfactory to Purchaser has been posted by the Company, (g) Liens arising in connection with court proceedings, provided the execution of such Liens is effectively stayed and such Liens are contested in good faith and a bond or other security satisfactory to Purchaser has been posted by the Company, (h) Liens arising in the ordinary course of business (including easements and similar encumbrances) that are not incurred in connection with the borrowing of money, provided that such Liens do not materially interfere with the conduct of the business of the Company, (i) inchoate Liens, (j) any Lien resulting from renewing, extending or refunding outstanding Secured Debt provided that the principal amount of the Debt secured thereby is not increased and the Lien is not extended to any other property, and (k) Liens on assets (other than the Collateral) to secure Debt provided that no Event of Default or Potential Event of Default exists or would result therefrom.

8.k. INVESTMENTS, GUARANTIES, ETC. The Company shall not, and shall not permit any Subsidiary to, directly or indirectly, (a) make or own any Investment other than Permitted Investments, or (b) create or become liable with respect to any guaranty, except that the Company or a Subsidiary may (i) purchase or own assets or stock and other securities of a Subsidiary; (ii) make loans to officers, directors, stockholders, employees or Subsidiaries to the extent that following such loan, no Event of Default or Potential Event of Default would exist; (iii) guaranty the trade payables of Pilgrim's Pride-Mexico; (iv) make investments, payments, loans and capital contributions to entities other than Subsidiaries as permitted by Section 10.9 below; and (v) acquire all or substantially all of the Property of any 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 3% of Net Tangible Assets, as determined at the conclusion of the fiscal month immediately preceding the date of the proposed acquisition.

9.k. RESTRICTED PAYMENTS. The Company shall not, and shall not permit any Subsidiary to, directly or indirectly, (i) redeem, purchase, or otherwise acquire for value any shares of the Company's capital stock, except out of the net cash proceeds received by the Company after Closing

from the issuance of additional shares of capital stock or other securities subsequently converted into capital stock, (ii) make loans or advances to, and investments in the assets or stock or securities of entities other than Subsidiaries after Closing, except (A) out of the net cash proceeds received by the Company after Closing from the issuance of additional shares of capital stock or other securities subsequently converted into capital stock and (B) as permitted by Section 10.8(a), subject to subparts (i), (ii), and (iii) of Section 10.8, or (iii) declare or pay any dividends or any other distributions (other than dividends payable in shares of capital stock of the Company) on any shares of the Company's capital stock after Closing in excess of \$2,300,000 in the aggregate in any Fiscal Year.

10.k. LEASES. The Company shall not, and shall not permit any Subsidiary to, incur non-cancelable non-Capitalized Lease Obligations or sale and leaseback transactions if the aggregate annual amount of all minimum or guaranteed net rentals payable under such leases would exceed 4% of Consolidated Net Tangible Assets (as determined immediately preceding the execution of such lease).

11.k. CONSOLIDATION, MERGER AND SALE OF SUBSTANTIALLY ALL ASSETS. The Company shall not, and shall not permit any Subsidiary to, directly or indirectly, (a) consolidate with or merge into any other Person or permit any other Person to consolidate with or merge into it (other than a consolidation or merger between (i) the Company and an Eligible Subsidiary, (ii) Eligible Subsidiaries or any Subsidiary located or doing business in Mexico or Central or South America); or (b) sell, transfer, lease, abandon or otherwise dispose of all or substantially all of its assets in a single or series of related transactions.

12.k. FORMATION OF SUBSIDIARIES. Without the prior written consent of Purchaser, which consent shall not be unreasonably withheld, the Company shall not, and shall not permit any of its existing Subsidiaries to, directly or indirectly, form or acquire any new Subsidiaries other than Eligible Subsidiaries and Subsidiaries located or doing business in Mexico or Central or South America. The Company shall promptly give Purchaser written notice of the formation of any Eligible Subsidiary or any Subsidiary located or doing business in Mexico or Central or South America, but in any event within ten (10) days following formation thereof.

13.k. INTERESTED PARTY TRANSACTIONS. The Company shall not, nor permit any Subsidiary to, conduct any transactions with any Affiliate on terms that are not fair and reasonable and not materially less favorable to the Company or such Subsidiary than it would obtain in a comparable arm's-length transaction with a Person not an Affiliate other than ongoing transactions with Affiliates of a similar nature to those disclosed in the Company's Proxy Statement relating to its Fiscal Year-end September 30, 1995.

14.k. EXISTENCE. The Company will, or will cause to be done, all things necessary to, and cause each Subsidiary to, preserve, keep and maintain in full force and effect its corporate existence, rights (charter and statutory), franchises and authority to do business and the corporate existence, rights (charter and statutory), franchises and authority to do business of each of the Subsidiaries, except for such matters that would not result in a Material Adverse Effect.

15.k. PAYMENT OF TAXES AND CLAIMS; TAX CONSOLIDATION. The Company will, and cause the Subsidiaries to, pay and cause to be paid all taxes, assessments and other governmental charges imposed upon it or any of its properties or assets or in respect of any of the franchises, business, income or profits of the Company before any penalty or interest accrues thereon, and all claims (including, without limitation, claims for labor, services, materials and supplies) for sums that have become due and payable and that by law have or might become a Lien upon any of the properties or assets of the Company, provided that no such charge or claim need be paid if being contested in good faith by appropriate proceedings promptly initiated and diligently conducted, such bonds or escrows are in place as registered holders of the Notes at the time shall request, and if such reserves or other appropriate provision, if any, as shall be required by GAAP shall have been made therefor. The Company will not file or permit the filing of any consolidated income tax return with any Person (other than a Subsidiary).

16.k. COMPLIANCE WITH ERISA. The Company will not, and will not permit any employee benefit plan (as that term is defined in Section 3 of ERISA) maintained by the Company, any Subsidiary or any Related Person to (a) engage in any "prohibited transaction" as such term is defined in Section 4975 of the Code, as amended from time to time, which is likely to result in a liability for such Person; (b) incur any "accumulated funding deficiency", as such term is defined in Section 302 of ERISA, whether or not waived which is likely to result in a liability of such Person; or (c) terminate any such benefit plan in a manner which could result in the imposition of a lien or encumbrance on the assets of such Person pursuant to Section 4068 of ERISA.

17.k. MAINTENANCE OF PROPERTIES; INSURANCE. The Company will maintain or cause to be maintained in good repair, working order and condition (reasonable wear and tear excepted) all properties used or useful in, and deemed material to, the business of the Company or any Subsidiary and from time to time will make or cause to be made all appropriate repairs, renewals and replacements thereof. The Company will maintain or cause to be maintained, with financially sound and reputable insurers, insurance with respect to the properties and business of the Company and its Subsidiaries, against loss or damage of the kinds customarily insured against by companies of established reputation engaged in the same or similar business and similarly situated, of such types and in such amounts as are customarily carried under similar circumstances by such other companies. In any event, the Company shall, at a minimum, comply with all maintenance, insurance and similar requirements under the Security Documents.

18.k. TITLE.

(a) As of the Closing Date and upon giving effect to the transactions contemplated hereby, except Liens and other matters that may constitute Permitted Exceptions, the Company will have good (and, with respect to non-leasehold real property, indefeasible) title to all of its properties and assets that are material to its business as presently conducted and as proposed to be conducted and none of such properties or assets will be subject to any Liens, other than Permitted Exceptions. As of the Closing Date and upon giving effect to the transactions contemplated hereby, the Company will have good (and, with respect to non-leasehold real property, indefeasible) fee simple title to the Mortgaged Properties subject only to the Permitted Exceptions.

(b) The Company acknowledges that its predecessor in title acquired title to certain real property (which is part of the Mortgaged Properties) described as Lots 1 through 3, Block 10 and Lots 5 through 7, Block 11, all in Park Addition to the City of DeQueen, Arkansas, a 2.78 acre tract and a 2.05 acre tract in Section 31, Township 8 South, Range 31 West, DeQueen, Arkansas, and part of a 36.50 acre tract lying NE 1/4 NW 1/4 of Section 31, Township 8 South, Range 31 West, DeQueen, Arkansas (collectively, the "DEQUEEN PROPERTY"), through a Tax Deed from the State of Arkansas, and that such Tax Deed may not have extinguished the claim or interest in title to the DeQueen Property (the "TITLE CLAIM") by certain heirs of such predecessor in title. The Company covenants to Purchaser that until the Title Claim is resolved in favor of the Company, and any exception to title pertaining thereto, as may be reflected in the title policy referred to in Section 4.6 hereof, is deleted by endorsement to such policy, and evidence of same is furnished to Purchaser, without the prior written consent of Purchaser, no improvements shall be constructed on the DeQueen Property that are essential to the operation of the Company's processing plant in DeQueen, Arkansas.

19.b. CONDUCT OF BUSINESS. The Company will not, and will not permit any Subsidiary to, engage in any business other than businesses engaged in by the Company on the date hereof, other businesses or activities substantially similar or related thereto, and other lines of business consented to by the registered holders of the Notes and businesses that are not material to the Company or its business or operations.

20.b. CAPITAL IMPROVEMENTS. Subject to the limitations of Section 10.7, the Company and the Subsidiaries shall incur not less than \$3,000,000 in the aggregate per Fiscal Year for capital improvements and repair and maintenance of the Collateral.

21.b. SALE OF ASSETS. The Company shall not, and shall not permit any Subsidiary to, sell, lease, transfer, or otherwise dispose of Collateral in excess of 5% of the lower of the book value or fair market value of the Company's total assets.

ARTICLE 11.
ENVIRONMENTAL MATTERS

1.b. DEFINITIONS. As used in this Article 11, the following terms shall be defined as indicated:

(a) "ACQUISITION DATE," with respect to any portion of the Mortgaged Properties, means the date on which Purchaser or the registered holder of any Note becomes an owner of such portion of the Mortgaged Properties.

(b) "ADVERSE ENVIRONMENTAL IMPACT" means (i) a Release of a Hazardous Substance in a Reportable Quantity or (ii) any material adverse impact on human health, livestock or the quality of any Property.

(c) "ENVIRONMENTAL ACTIVITY" shall mean any storage, holding,

manufacture, emission, discharge, generation, processing, treatment, abatement, removal, disposition, handling, transportation or disposal, or any actual or threatened release of any "Hazardous Substances" from, under, into or on the Mortgaged Properties or otherwise relating to the Mortgaged Properties, including but not limited to (i) the migration or emanation of "Hazardous Substances" from the Mortgaged Properties onto or into the environment beyond the physical boundaries of the Mortgaged Properties; (ii) the off-site disposal of Hazardous Substances from the Mortgaged Properties; and (iii) any of the previously described activities occurring in connection with ambient air, surface and subsurface soil conditions, and all surface and subsurface waters.

(d) "ENVIRONMENTAL CONDITION" shall mean (i) the presence or existence in, on, at, or under the Mortgaged Properties of any Hazardous Substances, "industrial or solid waste," as that term is defined under the Environmental Laws, and (ii) the presence or existence in, on, at, or under the environment beyond the physical boundaries of the Mortgaged Properties of any Hazardous Substances, that migrated or emanated from the Mortgaged Properties.

(e) "ENVIRONMENTAL DAMAGES" means all claims, judgments, damages, losses, penalties, fines, liabilities (including strict liability), encumbrances, liens, costs and expenses of investigation and defense of any claim, whether or not such is ultimately defeated, and of any settlement of judgment, of whatever kind or nature, contingent or otherwise, matured or unmatured, foreseeable or unforeseeable, including without limitation reasonable attorneys' fees and disbursements and consultants' fees, any of which are incurred at any time, and including, but not limited to (i) damages for personal injury, or injury to property or natural resources occurring upon or off of the Mortgaged Properties, foreseeable or unforeseeable, including, without limitation, lost profits, consequential damages, the cost of demolition, redesign and rebuilding of any improvements on real property, and interest and penalties as allowed by law; (ii) diminution in the value of the Mortgaged Properties, and damages for the loss of or restriction on the use of or adverse impact on the marketing of rentable or usable space or of any amenity of the Mortgaged Properties; (iii) reasonable fees incurred for the services of consultants, contractors, experts, laboratories and all other reasonable costs incurred in connection with the investigation, remediation, removal, or disposal of Hazardous Substances or violation of the Environmental Laws, including, but not limited to, the preparation of any feasibility studies or reports or the performance of any response, cleanup, remediation, removal, abatement, containment, closure, restoration, disposal, or monitoring work required by and in conformity with any federal, state or local governmental agency or political subdivision, or reasonably necessary to make full economic use of the Mortgaged Properties or any other property or otherwise expended in connection with such conditions, and including, without limitation, any reasonable attorneys' fees, costs and expenses incurred in connection with any of the foregoing or in enforcing this Agreement or collecting any sums due hereunder; and (iv) liability to any person or entity to indemnify such person or entity for costs expended in connection with the items referenced in this subsection (d).

(f) "ENVIRONMENTAL LAWS" means all federal, state or local laws, rules or regulations pertaining to the protection of human health or the environment, including, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C.

9601, ET SEQ.), the Resource Conservation and Recovery Act (42 U.S.C. 6901, ET SEQ.), the Federal Clean Air Act (42 U.S.C. 7401, ET SEQ.), and the Federal Clean Water Act (42 U.S.C. 1251, ET SEQ.), each as amended from time to time, and regulations and rules issued thereunder.

(g) "HAZARDOUS SUBSTANCES" means (i) any "hazardous substance," as such term is defined in either the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (42 U.S.C.

9601 ET SEQ.) and the regulations promulgated thereunder (as amended, "CERCLA"); (ii) any "hazardous waste," as such term is defined in the Resource Conservation and Recovery Act of 1976 (42 U.S.C.

6901 ET SEQ.) and the regulations promulgated thereunder (as amended, "RCRA"); (iii) any substances or materials listed as hazardous or toxic in the United States Department of Transportation Table, as amended from time to time; (iv) asbestos in any form or any asbestos containing materials; (v) polychlorinated biphenyls ("PCB's"); (vi) any explosive or radioactive materials; (vii) hydrocarbons, petroleum products, or any derivative thereof; or (viii) any other chemical, material or substance that is regulated as hazardous or toxic or exposure to which is prohibited, limited or regulated by any federal, state, county, regional, local or other governmental authority or that, even if not so regulated, poses a material threat to the health and safety of the occupants or livestock of the Mortgaged Properties or the owners or occupants of property adjacent thereto.

(h) "RELEASE" means any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping or disposing into the environment (including, without limitation, the abandonment or discarding of barrels, containers or other receptacles containing any Hazardous Substance).

(i) "REPORTABLE QUANTITY" means that quantity of a material as set forth in 40 C.F.R. Part 302 or the quantity of a material that is sufficient to trigger a remediation, response, closure or notification obligation under applicable Environmental Laws.

2.i. INDEMNIFICATION.

(a) Subject to subsections (b) and (c) below, notwithstanding any provision in this Agreement or any Collateral Agreement limiting or negating the Company's liability, the Company shall protect, indemnify, save harmless and defend Purchaser and each present and former registered holder (or beneficial holder through participation or otherwise) of a Note and their respective past, present and future officers, directors, shareholders, partners, employees, agents, contractors, tenants and representatives (individually, an "Indemnified Party," and collectively, the "Indemnified Parties") from and against any and all Environmental Damages imposed upon, suffered or incurred by or asserted against any Indemnified Party or the Mortgaged Properties arising in any manner in connection with the existence of an Environmental Condition at the Mortgaged Properties or the occurrence of any Environmental Activity at the Mortgaged Properties, whether arising, occurring, or in existence during or prior to the Company's ownership or operation of the Mortgaged Properties, whether arising, occurring, or in existence prior to the issuance of the Notes or at any time thereafter, whether arising, occurring, or in existence before, during or after enforcement of the rights and remedies of Purchaser or any other registered holder of a Note upon default and whether or not the Company is responsible therefor, including, without limitation, the violation of Environmental Laws, or any representations, warranties or covenants contained herein, any imposition by any governmental authority of any lien or so-called "super priority lien" upon the Mortgaged Properties, cleanup costs, liability for personal injury or property damage or damage to the environment and any fines, penalties and punitive damages with respect thereto. An Indemnified Party may elect to conduct its own defense through counsel of its own choice, and the Company agrees to pay the reasonable fees and expenses of such counsel for conducting such defense but only if an Indemnified Party determines in good faith that the conduct of its defense by the Company could be materially prejudicial to the Indemnified Party's interests. THESE PROVISIONS ARE INTENDED TO INDEMNIFY THE INDEMNIFIED PARTIES AGAINST (i) THE RESULTS OF THEIR OWN NEGLIGENCE AND (ii) ANY STRICT LIABILITY IMPOSED ON THE INDEMNIFIED PARTIES.

(b) Notwithstanding the foregoing, the Company's obligations hereunder shall not apply with respect to an Environmental Condition or Environmental Activity arising for the first time after the Acquisition Date unless such Environmental Condition or Environmental Activity is caused by the Company or its contractors, agents or representatives after the Acquisition Date or arose out of an Environmental Condition or Environmental Activity, whether caused by the Company or not, occurring or existing prior to the Acquisition Date. For purposes of this Agreement, the Company shall bear the burden of proving when an Environmental Condition or Environmental Activity occurred or existed. In addition, any Hazardous Substances located upon, about or beneath the Mortgaged Properties or having migrated to or from the Mortgaged Properties shall be presumed to have been present prior to the Acquisition Date unless the Company can demonstrate (i) that a portion of the Hazardous Substances were introduced to the Mortgaged Properties after the Acquisition Date and were not introduced by the Company, and (ii) the Environmental Damages are divisible between the portion of the Hazardous Substances introduced before and after the Acquisition Date. If the Company can demonstrate both conditions, then its indemnity shall not extend to the portion of any divisible Environmental Damages attributable to Hazardous Substances introduced to the Mortgaged Properties after the Acquisition Date by parties other than the Company.

(c) In no event shall the provisions of this Agreement be deemed to constitute a waiver of, or to be in lieu of, any right or claim, including without limitation any right of contribution or other right of recovery that any person entitled to enforce this Agreement might otherwise have against the Company under the Environmental Laws.

3.c. AGREEMENT TO REMEDIATE. Notwithstanding the obligation of the Company to indemnify the Indemnified Parties pursuant to this Agreement, the Company shall upon demand of the registered holders (other than the Company or any Affiliate) of, in the aggregate, sixty-six and two-thirds percent (66-2/3%) or more in principal amount of the Notes at the time outstanding (excluding any Notes directly or indirectly owned by the Company or any Affiliate), and at the sole cost and expense of the Company,

promptly take all actions in connection with an Environmental Condition or Environmental Activity causing an Adverse Environmental Impact that are required by any governmental agency or by Environmental Laws. Such actions shall include, but not be limited to, the investigation of the Environmental Condition of the Mortgaged Properties, the preparation of any feasibility studies, reports or remedial plans, and the performance of any cleanup, remediation, containment, operation, maintenance, monitoring or restoration work, whether on or off of the Mortgaged Properties. All such work shall be performed by one or more qualified and experienced contractors, selected by the Company. The Company shall proceed continuously and diligently with such investigatory and remedial actions, provided that in all cases such actions shall be in accordance with all applicable requirements of the appropriate governmental agencies. Any such actions shall be performed in a good, safe and workmanlike manner and shall minimize any impact on the business conducted at the Mortgaged Properties. The Company shall pay all costs in connection with such investigatory and remedial activities, including but not limited to all power and utility costs, and any and all taxes or fees that may be applicable to such activities. The Company shall promptly provide to Purchaser and the registered holder of any Note copies of testing results and reports that are generated in connection with the above activities. Promptly upon completion of such investigation and remediation, the Company shall permanently seal or cap all monitoring wells and test holes to industrial standards as required by the Environmental Laws, remove all associated equipment, and restore the Mortgaged Properties to the maximum extent possible, which shall include, without limitation, the repair of any material surface damage, including paving, and the repair, restoration or re-construction of any damaged improvements caused by such investigation or remediation.

4.c. COVENANTS. The Company shall during its ownership or operation of the Mortgaged Properties (a) comply with all Environmental Laws relating to the Mortgaged Properties and the ownership or operation of the Mortgaged Properties, and not engage in or permit others to engage in any Environmental Activity in violation of the Environmental Laws; (b) establish and maintain, as required by the Environmental Laws, policies, procedures and programs to monitor and assure compliance with the Environmental Laws relating to the Mortgaged Properties or the ownership or operation of the Mortgaged Properties and provide an Indemnified Party upon request with evidence of the existence and implementation of these policies, procedures, and programs; (c) deliver to Purchaser and the registered holder of any Note within fifteen (15) days following the occurrence of any such event, written notice of the discovery by the Company of any event, the occurrence of which would render any representation or warranty contained in Section 6.2 incorrect if made at the time of such discovery; (d) promptly comply with Environmental Laws requiring the remediation, abatement, removal, treatment or disposal of Hazardous Substances or remediation of an Environmental Condition; (e) cause any party who occupies the Mortgaged Properties to comply with this Section 11.4; and (f) not cause or suffer any liens to be recorded against or imposed against any of the Mortgaged Properties as a result of an Environmental Condition or Environmental Activity and which liens violate the terms of Section 14.1(g). The Company shall cause ROW Environmental, or other qualified environmental consultants approved by Purchaser, to investigate each of the environmental issues (the "Environmental Issues") identified on Exhibit F in the manner and within the time periods described in Exhibit F and provide Purchaser with a written report within such time periods that concludes whether or not each issue represents a violation of Environmental Laws or an Adverse Environmental Impact or whether further investigation is needed to make such a determination. The Company shall work diligently to complete all investigations of Environmental Issues needed to make such a determination, shall correct any violation of Environmental Laws identified, and shall remediate any Adverse Environmental Impact in the manner described in Section 11.3. The Company acknowledges and agrees that these Environmental Issues and any Environmental Damages related to them are within the scope of the indemnification obligation of Section 11.2.

5.c. SITE ASSESSMENTS. The registered holders (other than the Company or any Affiliate) of, in the aggregate, a majority of the principal amount of the Notes at the time outstanding (excluding any Notes directly or indirectly owned by the Company or any Affiliate) (by its officers, employees and agents, as applicable) at any time and from time to time, either prior to or after the occurrence of an Event of Default, may contract for the services of persons (the "Site Reviewers") to perform environmental site assessments ("Site Assessments") on the Mortgaged Properties for the purpose of determining whether there exists on the Mortgaged Properties any Environmental Condition or Environmental Activity, or other ownership or operation of the Mortgaged Properties that is in violation of Environmental Laws or could reasonably be expected to result in Environmental Damages. The Site Assessments may be performed at any time or times, upon reasonable notice, and under reasonable conditions established by the Company that do not unreasonably impede the performance of the Site Assessments. The Company hereby grants, and shall cause any

tenant to grant, to an Indemnified Party, its agents, attorneys, employees, consultants, and contractors and the Site Reviewers, an irrevocable license and authorization to enter upon and inspect the Mortgaged Properties and perform such tests, including without limitation, subsurface testing, soil and ground water testing, and other tests that may physically invade the Mortgaged Properties, as the registered holders (other than the Company or any Affiliate) of, in the aggregate, a majority of the principal amount of the Notes at the time outstanding (excluding any Notes directly or indirectly owned by the Company or any Affiliate), in their sole discretion, determine is necessary to protect their liens, assignments, and/or security interests in the Mortgaged Properties. The Company will supply to the Site Reviewers such historical and operational information regarding the Mortgaged Properties as may be reasonably requested by the Site Reviewers to facilitate the Site Assessments and will make reasonably available for meetings with the Site Reviewers appropriate personnel having knowledge of such matters. On request, Purchaser (if it shall remain the holder of any Notes) or any registered holder of any Note shall make the results of such Site Assessments fully available to the Company within a reasonable period of time after such request, and the Company (prior to an Event of Default) may at its election participate under reasonable procedures in the direction of such Site Assessments and the description of tasks of the Site Reviewers. The cost of performing such Site Assessments shall be paid by the Company upon demand of the registered holders (other than the Company or any Affiliate) of, in the aggregate, a majority of the principal amount of the Notes at the time outstanding (excluding any Notes directly or indirectly owned by the Company or any Affiliate).

6.c. DEFAULT; REMEDIES; SUBROGATION. If the Company fails to proceed with any removal or remediation of Hazardous Substances causing any Adverse Environmental Impact required by Environmental Laws or to comply with Environmental Laws or otherwise fails to perform its obligations under this Article 11, at the option of the registered holders (other than the Company or any Affiliate) of, in the aggregate, a majority of the principal amount of the Notes at the time outstanding (excluding any Notes directly or indirectly owned by the Company or any Affiliate), such registered holders may, but shall not be obligated to, do whatever is reasonable and in conformity with the Environmental Laws at the Company's sole cost and expense to remove or remediate such Hazardous Substances causing an Adverse Environmental Impact or otherwise comply with Environmental Laws, and the indemnity provided in 11.2 hereof shall cover all such reasonable and necessary costs and expenses and shall be payable by the Company on demand. Without in any way limiting or affecting the Company's liability hereunder, Purchaser and each registered holder of a Note shall be subrogated to any rights the Company may have under any indemnifications from or agreements entered into with any present, future or former owners, tenants, occupants or other users of the Mortgaged Properties.

7.c. SURVIVAL. The obligations of the Company under this Article 11 shall survive any payment of the Notes, any discharge, satisfaction, release or assignment of any Security Document, the discharge of the Company's obligations under the Collateral Agreements, any transfer of the Mortgaged Properties or any part thereof, any exercise of remedies by Purchaser or the registered holder of any Notes, including, without limitation, the appointment of a receiver, any foreclosure of the Security Documents or any transfer of the Mortgaged Properties (or any part thereof) by deed in lieu of foreclosure, any investigation or any information that may be obtained by Purchaser or the registered holder of any Notes before or after the Acquisition Date, and any other event or circumstance whatsoever.

8.c. CONFLICTS. In the event of any conflict between the terms of this Article 11 and those contained in the Mortgages, the terms hereof shall control.

ARTICLE 12. REGISTRATION, TRANSFER, AND SUBSTITUTION OF NOTES

1.c. NOTE REGISTER; OWNERSHIP OF NOTES. The Company will keep at its principal office a register in which the Company will provide for the registration of the Notes and the registration of transfers of the Notes. The Company may treat the Person in whose name any Note is registered on such register as the owner thereof for the purpose of receiving payment of the principal of and the Premiums, if any, and interest on such Note and for all other purposes, whether or not such Note shall be overdue, and the Company shall not be affected by any notice to the contrary.

2.c. TRANSFER AND EXCHANGE OF NOTES. Upon surrender of any Note for registration of transfer or for exchange to the Company at its principal office, at the expense of the transferring parties, the Company will execute and the Company will authenticate and deliver in exchange therefor a new Note or Notes in denominations, as requested by the registered holder or transferee, which aggregate the unpaid principal amount of such surrendered Note. Each such new Note shall be registered in the name of

such Person as such registered holder or transferee may request, shall be dated so that there will be no loss of interest on such surrendered Note and shall be otherwise of like tenor.

3.c. REPLACEMENT OF NOTES. Upon receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of any Note and, in the case of any such loss, theft or destruction, upon delivery of an indemnity agreement reasonably satisfactory to the Company from the registered holder of such Note and financial information reasonably satisfactory to the Company verifying such registered holder's ability to provide such indemnification, or in the case of any such mutilation, upon the surrender of such Note for cancellation to the Company at its principal office, at the expense of the party requesting replacement, the Company will execute, authenticate and deliver, in lieu thereof, a new Note of like tenor, dated so that there will be no loss of interest on such lost, stolen, destroyed or mutilated Note. Any Note in lieu of which any such new Note has been executed and delivered by the Company shall not be deemed to be an outstanding Note for any purpose hereof.

ARTICLE 13. PAYMENTS ON NOTES

So long as Purchaser or its nominee shall hold any Note, the Company will pay all sums becoming due on such Note for principal, Premiums, if any, and interest in immediately available funds by the method and at the address specified for such purpose in the Schedule of Information for Payment and Notices at the end hereof (the "Schedule of Information for Payment and Notices"), or by such other method or at such other address as Purchaser shall have specified from time to time to the Company in writing for such purpose, without the presentation or surrender of such Note or the making of any notation thereon, except that any Note paid or prepaid in full shall be surrendered to the Company for cancellation at its principal office. Prior to any sale or other disposition of any Note held by Purchaser or its nominee, Purchaser will, at its election, either (a) endorse thereon the amount of principal paid thereon and the last date to which interest has been paid thereon, or (b) surrender such Note to the Company in exchange for a new Note or Notes pursuant to Section 12.2. The Company will afford the benefits of this Article 13 to any registered holder of a Note that has made the same agreement relating to such Note as Purchaser have made in this Article 13.

ARTICLE 14. EVENTS OF DEFAULT AND ACCELERATION

1.c. EVENTS OF DEFAULT. The occurrence of any of the following conditions or events shall constitute an "Event of Default" under this Agreement:

(a) PAYMENTS. The Company shall default in the payment when due of any principal, Premium, if any, or interest on any Note (whether the same becomes due and payable at maturity, by declaration or otherwise) or any other amounts owing hereunder; or

(b) REPRESENTATIONS, ETC. Any representation or warranty made in writing by or on behalf of the Company herein or in any Collateral Agreement or in any statement or certificate delivered or required to be delivered pursuant hereto or thereto shall prove to be untrue in any material respect on the date as of which made or deemed made; or

(c) BREACH OF CERTAIN COVENANTS. The Company shall default in the due performance or observance by it of any term, covenant or agreement contained in Section 10.7 (to the extent such default could reasonably be expected to have a Material Adverse Effect or adversely affect Purchaser's rights in the Collateral), 10.8, 10.9, 10.11, 10.12, 10.13, 10.14, 10.18(b) or 10.19; or

(d) BREACH OF OTHER COVENANTS. The Company shall default in the due performance or observance by it of any term, covenant or agreement (other than those referred to in subsections (a), (b) or (c) of this Section 14.1) contained in this Agreement and such default shall continue unremedied for a period of at least 30 calendar days after the earlier of (x) written notice to the defaulting party by any registered holder of a Note or (y) a Responsible Officer has knowledge of such default; or

(e) DEFAULT UNDER OTHER AGREEMENTS. (i) The Company shall default in the payment when due of any principal of or interest on any Debt (which Debt is in an aggregate principal amount of \$2,000,000 or more) and such default shall not be waived or cured within any applicable grace or cure period; or (ii) the maturity of any Debt of the Company in an aggregate principal amount of \$2,000,000 shall be accelerated or subject to acceleration due to a default thereunder; or

(f) BANKRUPTCY, ETC. The Company shall commence a voluntary case concerning itself under title 11 of the United States Code entitled "Bankruptcy", as now or hereafter in effect, or any successor statute thereto (the "Bankruptcy Code"); or an involuntary case is commenced against the Company under the Bankruptcy Code and the petition is not controverted within 10 Business Days, or is not dismissed within 60 days, after commencement of the case; or a custodian (as defined in the Bankruptcy Code) is appointed for, or takes charge of, all or substantially all of the property of the Company; or the Company commences any other proceeding under any reorganization, arrangement, adjustment of debt, relief of debtors, dissolution, insolvency or liquidation or similar law of any jurisdiction whether now or hereafter in effect relating to the Company; or there is commenced against the Company any such proceeding which remains undismissed for a period of 60 days; or the Company is adjudicated insolvent or bankrupt; or any order of relief or other order approving any such case or proceeding is entered; or the Company suffers any appointment of any custodian or the like for it or any substantial part of its property to continue undischarged or unstayed for a period of 60 days; or the Company makes a general assignment for the benefit of creditors; or any corporate action is taken by the Company for the purpose of effecting any of the foregoing; or

(g) ERISA. (i) Any Plan shall fail to satisfy the minimum funding standard required for any plan year or part thereof or a waiver of such standard or extension of any amortization period is sought or granted under Section 412 of the Code, any Plan is, shall have been or is reasonably likely to be terminated or the subject of termination proceedings under ERISA, any Plan shall have an Unfunded Current Liability, the Company or any Related Person has incurred or is reasonably likely to incur a liability to or on account of a Plan under Section 405, 409, 502(i), 501(1), 515, 4062, 4063, 4064, 4069, 4201, 4204 or 4212 of ERISA or Section 4971 or 4975 of the Code, or the Company or any Related Person has incurred or is reasonably likely to incur liabilities pursuant to one or more employee welfare benefit plan that provide benefits to retired employees or other former employees (other than as required by Section 601 of ERISA); and (ii) there shall result from any event or events described in clause (i) of this subsection (f) the imposition or granting of a Lien, or a liability or a material risk of incurring a liability; and (iii) any Lien or liability referred to in clause (ii) of this subsection (f) could reasonably be expected to have a Material Adverse Effect; or

(h) JUDGMENTS. There shall remain in force, undischarged, unsatisfied, unstayed and unbonded, for more than 60 days, any final judgment entered against any one or more of the Company which is not funded by insurance in due course in accordance with applicable insurance coverage, from which no further appeal may be taken and which, with other outstanding undischarged, unsatisfied, unstayed and unbonded final judgments against such Person not funded by insurance in due course in accordance with applicable insurance coverage, exceeds \$2,500,000 in the aggregate.

2.h. ACCELERATION.

(a) Upon the occurrence of any Event of Default described in Section 14.1(f), the unpaid principal amount of and accrued interest on the Notes shall automatically become due and payable, and there shall also be due and payable the applicable Premium in respect of the unpaid principal amount of the Notes, all without presentment, demand, protest, notice of intent to accelerate, notice of acceleration, or any other notice of any kind, which are hereby waived.

(b) Upon the occurrence of any Event of Default other than as described in Section 14.1(f), any registered holder or registered holders (other than the Company or any Affiliate thereof) of, in the aggregate, fifty-one percent (51%) or more in principal amount of the Notes at the time outstanding (excluding any Notes directly or indirectly owned by the Company or any Affiliate) may at any time (unless all defaults shall theretofore have been remedied and all costs and expenses including, without limitation, reasonable attorneys' fees and expenses incurred by or on behalf of the registered holders of the Notes by reason thereof shall have been paid in full by the Company) at its or their option, by written notice or notices to the Company, declare all the Notes to be due and payable, whereupon the same shall forthwith mature and become due and payable, together with interest accrued thereon, and there shall also be due and payable the applicable Premium in respect of the principal amount of the Notes so declared due and payable, all without presentment, demand, protest, notice of intent to accelerate, notice of acceleration, or any other notice of any kind (except as otherwise specifically provided herein), which are hereby waived. The Company acknowledges that Purchaser purchased the Notes on the basis and assumption that Purchaser and the registered holders from time to time of the Notes would receive the payments of principal and/or interest set forth in Section 2.1 and Articles 7 and 8 hereof for the full term of the Notes; therefore, whenever the

maturity of the Notes has been accelerated by reason of an Event of Default, a tender of the amount necessary to satisfy any part or all of the indebtedness represented by the Notes paid at any time following such Event of Default and prior to a foreclosure or trustee's sale shall be deemed a voluntary prepayment, and such payment shall include the applicable Premium. Similarly, any purchase at a foreclosure sale or a trustee's sale shall be deemed a voluntary prepayment, and the registered holders of the Notes shall, to the extent permitted by law, receive out of the proceeds of such sale, in addition to all other amounts to which they are entitled, the applicable Premium.

3.b. REMEDIES. If any Event of Default shall occur and be continuing, the registered holder of any Note at the time outstanding may proceed to protect and enforce the rights available to such registered holder at law, in equity, by statute or otherwise, whether for the specific performance of any agreement contained herein or, in the case of any registered holder of Notes, in such Note, or for an injunction against a violation of any of the terms hereof or thereof, or in aid of the exercise of any power granted hereby or thereby or by law or otherwise. In case of a default in the payment of any principal or Premium, if any, or interest on any Note, the Company will pay to the registered holder thereof such further amount as shall be sufficient to cover the costs and expenses of collection, including, without limitation, reasonable attorneys' fees, expenses and disbursements incurred in connection therewith. No course of dealing and no delay on the part of any registered holder of any Note in exercising any right, power or remedy shall operate as a waiver thereof or otherwise prejudice such registered holder's rights, powers or remedies except as expressly provided for herein. No right, power or remedy conferred hereby upon any registered holder of any Note or by any Note upon any registered holder thereof shall be exclusive of any other right, power or remedy referred to herein or therein or now or hereafter available at law, in equity, by statute or otherwise. Subject to Section 14.2(b), any registered holder or registered holders (other than the Company or any Affiliate) of, in the aggregate, a majority in principal amount of the Notes at the time outstanding (excluding any Notes directly or indirectly owned by the Company or any Affiliate) may at any time pursue any remedies available under this Agreement or any of the Collateral Agreements.

ARTICLE 15. EXPENSES

The Company will pay all reasonable expenses in connection with the negotiation, execution and delivery, performance and enforcement, and amendment or waiver of any terms or provisions of this Agreement, any Collateral Agreement, and the Notes, including, without limitation: (a) the cost and expenses of preparing and reproducing this Agreement, the Collateral Agreements and the Notes, of furnishing all opinions of Special Counsel, Purchaser's special local counsel, and counsel for the Company (including any opinions requested by Special Counsel as to any legal matter arising hereunder) and all certificates on behalf of the Company and of the Company's performance of and compliance with all agreements and conditions contained therein on its part to be performed or complied with; (b) the cost of delivering to Purchaser's principal office, insured to Purchaser's satisfaction, the Notes sold to Purchaser hereunder; (c) the reasonable out-of-pocket expenses and reasonable fees, expenses and disbursements of Special Counsel and Purchaser's special local counsel in connection with any amendments or waivers hereunder; and (d) the cost and expense related to title insurance and charges, survey, environmental audit, engineering and architect fees, recording fees, and real estate taxes contemplated herein or in the Collateral Agreements. The Company also will pay, and will save Purchaser and each registered holder of any Notes harmless from, (i) all claims in respect of the fees of any brokers and finders, except those engaged by Purchaser, and (ii) any and all liabilities with respect to any taxes (including interest and penalties), other than federal income taxes, that may be payable in respect of (A) the execution and delivery hereof and of the Collateral Agreements, (B) the issue of the Notes hereunder, and (C) any amendment or waiver under or in respect hereof, of any Collateral Agreement or of the Notes.

ARTICLE 16. MISCELLANEOUS

1.b. SURVIVAL. All representations, warranties and covenants contained herein, in the Notes and in any other Collateral Agreement or made in writing by or on behalf of the Company in connection with the transactions contemplated hereby and thereby shall survive the execution and delivery hereof, any investigation at any time made by Purchaser or on Purchaser's behalf, the purchase of the Notes hereunder, or any disposition or payment of the Notes. All statements contained in any certificate delivered by or on behalf of the Company pursuant hereto or in connection with the transactions contemplated hereby shall be deemed representations and warranties of the Company hereunder.

2.b. AMENDMENTS AND WAIVERS. Any term hereof or of the Notes may be amended (with written consent of the Company), and the observance of any term hereof or of the Notes may be waived (either generally or in a particular instance and either retroactively or prospectively), only upon the written consent of the registered holder or registered holders (other than the Company or any Affiliate) of, in the aggregate, sixty-six and two-thirds percent (66-2/3%) or more in principal amount of the Notes at the time outstanding (excluding any Notes directly or indirectly owned by the Company or any Affiliate), provided that without the prior written consent of the registered holders of all the Notes at the time outstanding (excluding any Notes directly or indirectly owned by the Company or any Affiliate), no such amendment or waiver shall (a) extend the fixed maturity or reduce the amount or extend the time of payment of any principal or premium payable (whether as an installment or upon any prepayment) on any Note of such class; (b) reduce the percentage set forth above of the principal amount of the Notes, the registered holders of which are required to consent to any amendment or waiver set forth in such subdivision; or (c) change the percentage of the principal amount of the Notes, the registered holders of which may declare the Notes to be due and payable as provided in Section 14.2. Any amendment or waiver effected in accordance with this Section 16.2 shall be binding upon each registered holder of any Note, at the time outstanding, each future registered holder of any Note, and the Company.

3.b. INDEMNIFICATION. The Company will indemnify and hold harmless each Indemnified Party from and against any and all losses, claims, damages and liabilities, joint or several (including all reasonable legal fees or other expenses reasonably incurred by any Indemnified Party in connection with the preparation for or defense of any pending or threatened claim, action or proceeding, whether or not resulting in any liability), to which such Indemnified Party may become subject (whether or not such Indemnified Party is a party thereto) under any applicable federal or state law or otherwise caused by or arising out of, or allegedly caused by or arising out of, this Agreement, any Collateral Agreement, or any transaction contemplated hereby, other than losses, claims, damages or liabilities resulting from any grossly negligent or unlawful act by Indemnified Party seeking indemnification hereunder. THESE PROVISIONS ARE INTENDED TO INDEMNIFY THE INDEMNIFIED PARTIES AGAINST THE RESULTS OF THEIR OWN NEGLIGENCE.

Promptly after receipt by an Indemnified Party of notice of any claim, action or proceeding with respect to which an Indemnified Party is entitled to indemnity hereunder, such Indemnified Party will notify the Company of such claim or the commencement of such action or proceeding, provided that the failure of an Indemnified Party to give notice as provided herein shall not relieve the Company of its obligations under this Section 16.3 with respect to such Indemnified Party, except to the extent that the Company is actually prejudiced by such failure. The Company will assume the defense of such claim, action or proceeding and will employ counsel satisfactory to the Indemnified Party and will pay the fees and expenses of such counsel. Notwithstanding the preceding sentence, the Indemnified Party will be entitled, at the expense of the Company, to employ counsel separate from counsel for the Company, and for any other party in such action, if the Indemnified Party reasonably determines that a conflict of interest or other reasonable basis exists that makes representation by counsel chosen by the Company not advisable. If an Indemnified Party appears as a witness in any action or proceeding brought against the Company or any of its Affiliates (or any of their partners, officers, directors or employees) in which an Indemnified Party is not named as a defendant, the Company agrees to reimburse such Indemnified Party for all out-of-pocket expenses incurred by it (including fees and expenses of counsel) in connection with the appearance as a witness. The Indemnified Party shall settle no claim or take any other action prejudicing the Company's defense without the consent of the Company, which consent will not be unreasonably withheld or delayed. Purchaser agrees to reasonably cooperate with the Company in the defense of any such action or proceeding.

4.b. USURY NOT INTENDED. The Company, Purchaser and all other registered holders of any Notes intend to conform strictly to the usury laws in force that apply to the transactions evidenced or contemplated hereby. Accordingly, all agreements among the Company, Purchaser, and any other registered holder of any Notes, whether now existing or hereafter arising and whether written or oral, are hereby limited so that in no contingency, whether by reason of acceleration of the maturity of the Notes, or otherwise, shall the interest (and all other sums that are deemed to be interest) contracted for, charged, received, paid or agreed to be paid exceed the Highest Lawful Rate (as defined below). The Company and Purchaser stipulate and agree that the terms and provisions contained in this Agreement and the Collateral Agreements are not intended to and shall never be construed to create a contract to pay for the use, forbearance or detention of money an amount in excess of the maximum amount permitted to be charged by applicable law, if any.

Anything in this Agreement or the Collateral Agreements to the contrary notwithstanding, neither the Company nor any other party now or hereafter becoming liable for payment of the Notes shall ever be required to pay interest on or with respect to the Notes or any other obligation hereunder at a rate in excess of the Highest Lawful Rate, and if the effective rate of interest that would otherwise be payable under this Agreement or on or with respect to the Notes would exceed the Highest Lawful Rate, or if the registered holders of such Notes or obligation shall receive anything of value that is deemed or determined to constitute interest that would increase the effective rate of interest payable under this Agreement or on or with respect to the Notes or the Collateral Agreements to a rate in excess of the Highest Lawful Rate, then (a) the amount of interest that would otherwise be payable under this Agreement, the Notes or the Collateral Agreements shall be reduced to the amount allowed at the Highest Lawful Rate under applicable law, and (b) any unearned interest paid by the Company or any interest paid by the Company in excess of the Highest Lawful Rate shall, at the option of the registered holders of the Notes, be either refunded to the Company or credited on the principal of such Notes. It is further agreed that, without limitation of the foregoing, all calculations of the rate of interest contracted for, charged or received by any registered holder of the Notes, or under this Agreement, that are made for the purpose of determining whether such rate exceeds the Highest Lawful Rate, shall be made, to the extent permitted by applicable law (now or, to the extent permitted by law, hereafter enacted) governing the Highest Lawful Rate, by (i) characterizing any nonprincipal payment as an expense, fee or premium rather than as interest, and (ii) amortizing, prorating, allocating and spreading in equal parts during the period of the full term of the Notes (including the period of any renewal or extension thereof), all interest at any time contracted for, charged or received by such registered holder in connection therewith. As used in this Section 16.4, the term "Highest Lawful Rate" means the maximum nonusurious rate of interest permitted from time to time to be contracted for, taken, charged or received with respect to the Notes by the registered holders thereof, under applicable law as in effect with respect to this Agreement or the Notes.

5.b. NOTICES.

(a) For all purposes under this Agreement, the address of the Company shall be P.O. Box 93, 110 South Texas Street, Pittsburg, Texas 75686, Attention: Cliff Butler, Chief Financial Officer, telecopy no. 903-856-7505 and for Purchaser shall be the address set forth on the Schedule of Information for Payment and Notices or such other address of which all such Persons have received ten (10) days prior written notice.

(b) Any notice, demand, request or report required or permitted to be given or made to the Company or Purchaser under this Agreement shall be in writing and shall be deemed given or made when delivered in person, when sent if by overnight courier or telecopy (if followed by hard copy) or five (5) Business Days after the date when sent by United States registered or certified mail to any such Person at its address referenced in Section 16.5(a) above.

6.b. REPRODUCTION OF DOCUMENTS. This Agreement and all documents relating thereto, including, without limitation, (a) consents, waivers and modifications that may hereafter be executed, (b) documents received by Purchaser at the Closing (except the Notes themselves), and (c) financial statements, certificates and other information previously or hereafter furnished to Purchaser, may be reproduced by Purchaser or the registered holder of any Notes by any photographic, photostatic, microfilm, microcard, miniature photographic or other similar process and Purchaser or the registered holder of any Notes may destroy any original document so reproduced. The Company agrees and stipulates that any such reproduction shall be admissible in evidence as the original itself in any judicial or administrative proceeding (whether or not the original is in existence and whether or not such reproduction was made by Purchaser or the registered holder of any Notes in the regular course of business) and that any enlargement, facsimile or further reproduction of such reproduction shall likewise be admissible in evidence.

7.b. SUCCESSORS AND ASSIGNS.

(a) This Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective successors and assigns of the parties hereto, whether so expressed or not, and shall inure to the benefit of and be enforceable by any registered holder or registered holders from time to time of any Notes. The representations, warranties and covenants of the Company hereunder are intended to be for the benefit of, and inure to, all registered holders from time to time of any of the Notes.

(b) The Company acknowledges that Purchaser intends to participate all or a portion of the Notes to one or more of Purchaser's Affiliates and that all of the representations, warranties, covenants and

agreements of the Company shall be for the benefit of Purchaser's Affiliates as well as Purchaser.

8.b. ENTIRE AGREEMENT. THIS WRITTEN AGREEMENT REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

9.b. GOVERNING LAW. THIS AGREEMENT AND THE NOTES SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF TEXAS (WITHOUT REGARD TO ITS CONFLICT OF LAW PROVISIONS).

10.b. INVALID PROVISIONS. If any provision hereof or any application thereof shall be invalid or unenforceable, the remainder hereof and any other application of such provision shall not be affected thereby.

11.b. HEADINGS. The Table of Contents and Section headings herein are for purposes of reference only and shall not constitute a part hereof.

12.b. COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

13.b. FURTHER ACTION. The parties shall execute all documents, provide all information, and take or refrain from taking all actions as may be necessary or appropriate to achieve the purposes of this Agreement.

14.b. CREDITORS. None of the provisions of this Agreement shall be for the benefit of or enforceable by any creditors of the Company, except as otherwise expressly provided herein.

15.b. WAIVER. No failure by any party to insist upon the strict performance of any covenant, duty, agreement, or condition of this Agreement or to exercise any right or remedy consequent upon a breach thereof shall constitute a waiver of any such breach or any other covenant, duty, agreement, or condition. No single or partial exercise of any power or right shall preclude any other or further exercise thereof or the exercise of any other power or right. No waiver by a party of any right hereunder or of any default by another shall be binding upon such party unless in writing.

-v-

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

PILGRIM'S PRIDE CORPORATION

By: _____
Name: _____
Title: _____

JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY

By: _____
Name: _____
Title: _____

-v-

SCHEDULE OF INFORMATION FOR PAYMENT AND NOTICES

JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY

1. All payments on account of the Notes or other obligations in accordance with the provisions thereof shall be made by bank wire transfer of immediately available funds at the opening of business on the due date, through the Automated Clearing House system for credit, to:

Federal Reserve Bank of Chicago
for the Account of Bank Illinois
ABA No. 0711-0199-6
Champaign, Illinois
Attention: Insurance Division
Account of: John Hancock Mutual Life Insurance Company
On Order of: Pilgrim's Pride Corporation

2. Contemporaneous with the above wire transfer, advice setting forth (1) the full name, interest rate and maturity date of the Notes or other obligations; (2) allocation of payment between principal and interest and any special payment; and (3) name and address of Bank (or Trustee) from which wire transfer was sent, shall be delivered or mailed to:

John Hancock Mutual Life Insurance Company
John Hancock Place
200 Clarendon Street
Boston, Massachusetts 02117
Attention: Portfolio Management &
Investment Services T-56

3. All other communications shall be delivered or mailed to:

John Hancock Mutual Life Insurance Company
John Hancock Place
200 Clarendon Street
Boston, Massachusetts 02117
Attention: Bond and Corporate Finance Department, Agricultural
Team, T-57
Fax No.: 617-572-1606

With a copy to:

John Hancock Mutual Life Insurance Company
2305 Cedar Springs Road
Suite 230
Dallas, Texas 75201
Fax No.: 214-922-8105

4. Tax I.D. No. 04-1414660

SCHEDULE 5.2

JURISDICTIONS WHERE QUALIFIED

-v-

SCHEDULE 5.6

OUTSTANDING DEBT

-v-

SCHEDULE 5.7

FINANCING STATEMENTS OF RECORD

-v-

SCHEDULE 6.2

SERVICE AND CONSTRUCTION CONTRACTS

-v-

SCHEDULE 6.3

PERMITS, LICENSES, ETC.

-v-

SCHEDULE 6.4
REPORTS OF ENGINEERS

-v-

SCHEDULE 6.5

PLANS AND SPECIFICATIONS

-v-

SCHEDULE 9.2

ASSUMED NAMES

E:\CORP\45936\41029\docs\NOTE-AGT.5



CREDIT AGREEMENT

This CREDIT AGREEMENT dated as of January 31, 1996 is entered into among PILGRIM'S PRIDE, S.A. DE C.V., (the ``BORROWER'') and INTERNATIONALE NEDERLANDEN (U.S.) CAPITAL CORPORATION (the ``LENDER''), PILGRIM'S PRIDE CORPORATION (the ``COMPANY''), AVICOLA PILGRIM'S PRIDE DE MEXICO, S.A. DE C.V. (the ``PARENT''), COMPANIA INCUBADORA AVICOLA PILGRIM'S PRIDE, S.A. DE C.V., PRODUCTORA Y DISTRIBUIDORA DE ALIMENTOS, S.A. DE C.V., IMMOBILIARIA AVICOLA PILGRIM'S PRIDE, S. DE R.L. DE C.V. and CIA. INCUBADORA HIDALGO, S.A. DE C.V. The Borrower, the Lender, the Company and the Parent agree as follows:

SECTION 1.
DEFINITIONS

1.@ DEFINED TERMS.

As used in this Agreement, the following terms have the following meanings:

``ACCOUNTS RECEIVABLE'' means with respect to Parent and its Subsidiaries any right to payment owed by any Person (other than an affiliate of Parent or any of its Subsidiaries) that is due within one year from any invoice date for goods sold or leased or for services rendered no matter how evidenced, including, but not limited to, accounts receivable, contract rights, notes, drafts, acceptances and other forms of obligations and receivables, all as determined in conformity with GAAP.

``AGREEMENT'' means this Credit Agreement, as amended, supplemented or modified from time to time.

``APPLICABLE MARGIN'' means, with respect to each LIBO Rate Loan and Prime Rate Loan, the rate of interest per annum shown below for the range of Leverage Ratio specified for each column:

LEVERAGE RATIO	<0.45 TO 1	*.45 TO 1 AND <0.5 TO 1	*.50 TO 1 AND <.60 TO 1	*.60 TO 1 AND <.70 TO 1
LIBO Rate Loans	1.75%	2.125%	2.375%	2.75%
Prime Rate Loans	1.00%	1.125%	1.375%	1.75%

Not later than 5 Business Days after receipt by the Lender of the financial statements called for by Section 7.4 of the Company Credit Agreement for the applicable fiscal quarter of Company, the Lender shall determine the Leverage Ratio for the applicable period and shall promptly notify the Borrower 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 Lender so notifies the Borrower 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 Lender in accordance shall be conclusive and binding absent manifest error. From the Closing Date until the date the Applicable Margins are first adjusted as set forth above, the Applicable Margins shall be (x) 2.375% per annum with respect to each LIBO Rate Loan and 1.375% per annum with respect to each Prime Rate Loan.

``BORROWER'' has the meaning set forth in the introductory paragraph of this Agreement.

``BORROWING'' has the meaning assigned that term in subsection 2.1.

``BUSINESS DAY'' means a day other than a Saturday, Sunday or a day on which commercial banks in New York or the New York Stock Exchange are authorized or required by law to close.

``CAPITAL LEASE'' means, as applied to any Person, any lease of any property (whether real, personal or mixed) by that Person as

lessee which would, in accordance with GAAP, be required to be accounted for as a capital lease on the balance sheet of that Person.

``CLOSING DATE'' means the date of execution of this Agreement by the parties hereto.

``COMMITMENT'' means the amount of \$10,000,000 as such amount may be reduced pursuant to subsection 2.1D.

``COMPANY'' has the meaning set forth in the introductory paragraph of this Agreement.

``COMPANY CREDIT AGREEMENT'' means that certain Secured Credit Agreement dated as of May 27, 1993 by and among Company, Harris Trust and Savings Bank, individually and as agent thereunder, and the other lenders party thereto, as such agreement may be amended, supplemented or modified from time to time.

``COMPANY CUMULATIVE NET OPERATING PROFITS'', means, an amount determined as of the last day of a fiscal quarter or fiscal year of Company equal to (a) gross revenues LESS (b) cost of goods sold, LESS (c) sales, general and administrative expenses, all as determined on a consolidated cumulative basis for Company and its Subsidiaries from the first day of such fiscal year through the date of determination.

``CONSOLIDATED CURRENT ASSETS'' means, at any date of determination, the total assets of the Parent and its Subsidiaries on a consolidated basis which may properly be classified as current assets in conformity with GAAP.

``CONSOLIDATED CURRENT LIABILITIES'' means, at any date of determination, the consolidated liabilities of the Parent and its Subsidiaries which may properly be classified as current liabilities in conformity with GAAP, excluding liabilities classified on the financial statements of Borrower as a ``return of capital payable'' in accordance with the Parent's historical accounting practices.

``DEBT'' means with respect to any Person 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 property or services; 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.

``DOLLARS'' and ``\$'' means Dollars in lawful currency of the United States of America.

``FEDERAL FUNDS RATE'' means, for any period, a fluctuating interest rate equal for each day during such period to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for such day on such transactions received by the Lender from three Federal funds brokers of recognized standing selected by the Lender.

``GAAP'' means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as may be

approved by a significant segment of the accounting profession.

``GUARANTOR'' means each of Company, Parent, Compania Incubadora Avicola Pilgrim's Pride, S.A. de C.V., Productora y Distribuidora de Alimentos, S.A. de C.V., Inmobiliaria Avicola Pilgrim's Pride, S. de R.L. de C.V., and CIA. Incubadora Hidalgo, S.A. de C.V. and ``GUARANTORS'' means Company, Parent, Compania Incubadora Avicola Pilgrim's Pride, S.A. de C.V., Productora y Distribuidora de Alimentos, S.A. de C.V., Inmobiliaria Avicola Pilgrim's Pride, S. de R.L. de C.V., and CIA. Incubadora Hidalgo, S.A. de C.V., collectively.

``GUARANTY'' means that certain Guaranty dated as of the Closing Date in substantially the form of EXHIBIT B annexed hereto, executed and delivered by each Guarantor pursuant to subsection 4.1A.

``HIGHEST LAWFUL RATE'' has the meaning set forth in subsection 8.10.

``INTEREST PAYMENT DATE'' means, as to any Prime Rate Loan until payment in full, the Maturity Date and the last day of each March, June, September and December commencing on the first of such days to occur after a Prime Rate Loan is made. As to any LIBO Rate Loan with an Interest Period of three months or less, until payment in full, the last day of such Interest Period and the Maturity Date, and as to any LIBO Rate Loan with an Interest Period in excess of three months, until payment in full, (i) the same day of each three months following the beginning of such Interest Period, (ii) the last day of such Interest Period and (iii) the Maturity Date.

``INTEREST PERIOD'' means, with respect to any LIBO Rate Loan:

(i) initially, the period commencing on, as the case may be, the Borrowing or conversion date with respect to such LIBO Rate Loan and ending one, two, three or six months thereafter as selected by the Borrower in its notice of Borrowing as provided in subsection 2.1B or its notice of conversion as provided in subsection 2.4; and

(ii) thereafter, each period commencing on the last day of the next preceding Interest Period applicable to such LIBO Rate Loan and ending one, two, three or six months thereafter as selected by the Borrower in its notice of continuation as provided in subsection 2.4;

PROVIDED, that all of the foregoing provisions relating to Interest Periods are subject to the following:

(a) if any Interest Period for a LIBO Rate Loan would otherwise end on a day which is not a LIBO Business Day, that Interest Period shall be extended to the next succeeding LIBO Business Day unless the result of such extension would be to carry such Interest Period into another calendar month in which event such Interest Period shall end on the immediately preceding LIBO Business Day;

(b) the Borrower may not select an Interest Period with respect to any portion of principal of a LIBO Rate Loan which extends beyond a date on which the Borrower is required to make a scheduled payment of that portion of principal; and

(c) there shall be no more than six Interest Periods with respect to LIBO Loans outstanding at any time.

``INVENTORY'' means 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 Parent or any of its Subsidiaries now has or hereafter acquires any right, all as determined in conformity with GAAP.

``LEVERAGE RATIO'' means the ratio for the Company and its Subsidiaries of (a) the aggregate outstanding principal amount of all Debt (other than Debt consisting of reimbursement and other obligations with respect to undrawn letters of credit) to (b) the sum of the aggregate outstanding principal amount of all Debt included in the clause (a) above PLUS Net Worth.

``LENDER'', has the meaning set forth in the introductory paragraph of this Agreement.

``LENDING OFFICE'' means Lender's office located at its address identified on the signature pages hereof as its Lending Office, or such other office as such Lender may hereafter designate as its Lending Office by notice to the Borrower.

``LIBO BUSINESS DAY'' means a day which is a Business Day and on which dealings in Dollar deposits may be carried out in the London interbank market.

``LIBO RATE'' means, for each Interest Period (i) the rate of interest determined by the Lender at which deposits for the relevant Interest Period would be offered to the Lender in the approximate amount of the relevant LIBO Rate Loan in the London interbank market upon request of the Lender at 11:00 A.M. (London time) on the day which is two (2) LIBO Business Days prior to the first day of such Interest Period, divided by (ii) a number equal to 1.0 minus the aggregate (but without duplication) of the rates (expressed as a decimal fraction) of reserve requirements in effect on the day which is two (2) LIBO Business Days prior to the beginning of such Interest Period (including, without limitation, basic, supplemental, marginal and emergency reserves under any regulations of the Board of Governors of the Federal Reserve System or other governmental authority having jurisdiction with respect thereto, as in effect at the time the Lender quotes the rate to the Borrower) for Eurocurrency funding of domestic assets (currently referred to as ``Eurocurrency liabilities'' in Regulation D of such Board) which are required to be maintained by a member bank of such System (such rate to be adjusted to the next higher 1/16 of 1%).

``LIBO RATE LOANS'' means Loans hereunder at such time as they accrue interest at a rate based upon the LIBO Rate.

``LIEN'' means any lien, mortgage, deed of trust, pledge, security interest, charge or encumbrance of any kind (including any conditional sale or other title retention agreement, any lease in the nature thereof, and any agreement to give any security interest).

``LOANS'' means loans made by the Lender to the Borrower pursuant to subsection 2.1.

``LOAN DOCUMENTS'' means this Agreement, the Note, the Guaranty, and any other document required by the Lender in connection with this Agreement and/or the credit extended hereunder.

``MATURITY DATE'' means January 31, 1998.

``NET WORTH'' means the Total Assets minus the Total Liabilities of the Company and its Subsidiaries, all determined on a consolidated basis in accordance with GAAP.

``NOTE'' has the meaning assigned that term in subsection 2.1E.

``PARENT'' has the meaning set forth in the introductory paragraph to this Agreement.

``PARENT CUMULATIVE NET OPERATING PROFITS'', means, an amount determined as of the last day of each fiscal quarter of each fiscal year of Parent equal to (a) gross revenues LESS (b) cost of goods sold, LESS (c) sales, general and administrative expenses, all as determined on a consolidated cumulative basis for Parent and its Subsidiaries from the first day of such fiscal year through the date of determination.

``PERSON'' means an individual, partnership, corporation, business trust, joint stock company, trust, unincorporated association, joint venture, governmental authority or other entity of whatever nature.

``POTENTIAL EVENT OF DEFAULT'' means a condition or event which, after notice or lapse of time or both, would constitute an Event of Default if that condition or event were not cured or removed within any applicable grace or cure period.

``PRIME RATE'' means the higher of (i) the Federal Funds Rate PLUS 1/2 of 1% per annum and (ii) the average of the prime commercial lending rates of The Chase Manhattan Bank, National Association (or its successor by merger with Chemical Bank), Citibank, N.A. and Morgan Guaranty Trust Company of New York, as announced from time to time at their respective head offices, it being understood that such rates are simply reference rates and may not necessarily be the rates of interest charged to their most creditworthy customers or the lowest of their respective reference rates. The Prime Rate shall be adjusted automatically on and as of the effective date of any change in any such lending rate.

``PRIME RATE LOANS'' means Loans hereunder at such time as they accrue interest at a rate based upon the Prime Rate.

``REGULATIONS G, T, U AND X'' means Regulations G, T, U and X,

respectively, promulgated by the Board of Governors of the Federal Reserve System, as amended from time to time, and any successors thereto.

``SUBSIDIARY'' means a corporation of which shares of stock having ordinary voting power (other than stock having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such corporation are at the time owned, directly, or indirectly through one or more intermediaries, or both, by the Borrower.

``TOTAL ASSETS'' means, at any date, the aggregate amount of assets of the Company and its Subsidiaries determined on a consolidated basis in accordance with GAAP.

``TOTAL LIABILITIES'' means, at any date, the aggregate amount of all liabilities of the Company and its Subsidiaries determined on a consolidated basis in accordance with GAAP.

2.@ OTHER DEFINITIONAL PROVISIONS.

A. All terms defined in this Agreement shall have the defined meanings when used in the Note or Guaranty or any certificate or other document made or delivered pursuant hereto.

B. As used herein, in the Note and in the Guaranty, and any certificate or other document made or delivered pursuant hereto, accounting terms not defined in subsection 1.1, and accounting terms partly defined in subsection 1.1 to the extent not defined, shall have the respective meanings given to them under GAAP.

C. The words ``hereof'', ``herein'' and ``hereunder'' and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and section, subsection, schedule and exhibit references are to this Agreement unless otherwise specified.

SECTION 2. THE LOANS

1.C THE LOANS.

A. THE COMMITMENT. The Lender agrees, on the terms and conditions hereinafter set forth, to make loans (``LOANS'') to the Borrower from time to time during the period from the date hereof to and including the Maturity Date in an aggregate amount not to exceed the lesser of (x) the Commitment or (y) an amount equal to 300% of the Accounts Receivable and Inventory of Parent and its Subsidiaries as of the last day of Parent's fiscal month immediately preceding the date of the proposed Borrowing, as such amount may be reduced pursuant to subsection 2.1D. Each borrowing under this Section (a ``BORROWING'') shall be in a minimum amount of \$100,000 and in an integral multiple of \$50,000; PROVIDED that a Loan consisting of a LIBO Rate Loan shall be in a minimum amount of \$500,000 or an integral multiple of \$100,000 above such amount. Within the limits of the Commitment and prior to the Maturity Date, the Borrower may borrow, repay pursuant to subsection 2.2C and reborrow under this subsection 2.1A.

B. MAKING THE LOANS. The Borrower may borrow under the Commitment on any Business Day if the Borrowing is to consist of a Prime Rate Loan and on any LIBO Business Day if the Borrowing is to consist of a LIBO Rate Loan; PROVIDED that the Borrower shall give the Lender irrevocable notice (which notice must be received by the Lender prior to 12:00 Noon., New York time) (i) three LIBO Business Days prior to the requested Borrowing date in the case of a LIBO Rate Loan, and (ii) on or before the requested Borrowing date in the case of a Prime Rate Loan, specifying (A) the amount of the proposed Borrowing, (B) the requested date of the Borrowing, (C) whether the Borrowing is to consist of a LIBO Rate Loan or a Prime Rate Loan, (D) if the Loan is to be a LIBO Rate Loan, the length of the Interest Period therefor and certifying that the amount of the proposed Borrowing, together with the aggregate principal amount of any outstanding Loans does not exceed 300% of the Accounts Receivable and Inventory of Parent and its Subsidiaries as of the last day of Parent's fiscal month most recently ended. Upon satisfaction of the applicable conditions set forth in Section 4, the proceeds of all such Loans will then be made available to the Borrower by the Lender by crediting the account of the Borrower at Lender's Lending office, or as otherwise directed by the Borrower.

The notice of Borrowing may be given orally (including telephonically) or in writing (including telex or facsimile transmission) and any conflict regarding a notice between an oral notice and a written notice applicable to the same Borrowing shall be conclusively determined by the Lender's books and records. The Lender's failure to receive any written notice of a particular Borrowing shall not relieve the Borrower of its

obligations to repay the Borrowing made and to pay interest thereon. The Lender shall not incur any liability to the Borrower in acting upon any notice of Borrowing which the Lender believes in good faith to have been given by a Person duly authorized to borrow on behalf of the Borrower.

C. COMMITMENT FEE. The Borrower agrees to pay to the Lender a commitment fee on the average daily unused portion of the Commitment from the Closing Date until the Maturity Date at the rate of 1/2 of one percent (1%) per annum, payable on the last day of each calendar quarter commencing the first such date occurring after the date of this Agreement, and on the Maturity Date.

D. REDUCTION OF THE COMMITMENT. The Borrower shall have the right, upon at least two (2) Business Days' notice to the Lender, to terminate in whole or reduce in part the unused portion of the Commitment, without premium or penalty; PROVIDED that each partial reduction shall be in the aggregate amount of \$500,000 or an integral multiple of \$100,000 above such amount and that such reduction shall not reduce the Commitment to an amount less than the amount outstanding hereunder on the effective date of the reduction.

E. THE NOTE. The Loans made by the Lender pursuant hereto shall be evidenced by a promissory note or notes of the Borrower, substantially in the form of Exhibit A, with appropriate insertions (the ``NOTE''), payable to the order of the Lender and representing the obligation of the Borrower to pay the aggregate unpaid principal amount of all Loans made by the Lender, with interest thereon as prescribed in Section 2.3. The Lender is hereby authorized to record in its books and records and on any schedule annexed to the Note, the date and amount of each Loan made by the Lender, and the date and amount of each payment of principal thereof, and in the case of LIBO Rate Loans, the Interest Period and interest rate with respect thereto and any such recordation shall constitute PRIMA FACIE evidence of the accuracy of the information so recorded; PROVIDED that failure by the Lender to effect such recordation shall not affect the Borrower's obligations hereunder. Prior to the transfer of a Note, the Lender shall record such information on any schedule annexed to and forming a part of such Note.

F. LOAN FEE. Upon execution of this Agreement and on the first anniversary of the Closing Date, the Borrower shall pay to the Lender a non-refundable fee in the amount of \$25,000.

2.F REPAYMENT.

A. MANDATORY REPAYMENTS. The aggregate principal amount of the Loans outstanding on the Maturity Date, together with accrued interest thereon, shall be due and payable in full on the Maturity Date.

B. OTHER REPAYMENTS REQUIREMENT. If for any reason prior to the Maturity Agreement, either (x) all obligations for money borrowed and with respect to letters of credit issued pursuant to the Company Credit Agreement are repaid in full or (y) Lender shall no longer be a ``Bank'' under the Company Credit Agreement, at the request of the Lender, all or such portion of the Loans designated by the Lender shall be repaid and the Commitments with respect thereto terminated. In addition, if at any time outstanding Loans exceed an amount equal to 300% of Accounts Receivable and Inventory of Parent and its Subsidiaries as of the last day of the fiscal month most recently ended, Borrower shall repay Loans, no later than three Business Days after obtaining knowledge of the existence of such excess, in an amount equal to the excess of (x) the aggregate principal amount of all outstanding Loans over (y) 300% of the amount of such Accounts Receivables and Inventory.

C. OPTIONAL REPAYMENTS. The Borrower may, at its option repay the Loans, in whole or in part, at any time and from time to time; PROVIDED that the Lender shall have received from the Borrower notice of any such payment at least one (1) Business Day prior to the date of the proposed payment if such date is not the last day of the then current Interest Period for each Loan being paid, in each case specifying the date and the amount of payment. Partial payments hereunder shall be in an aggregate principal amount of the lesser of \$50,000 or any whole multiple thereof.

3.C INTEREST RATE AND PAYMENT DATES.

A. PAYMENT OF INTEREST. Interest with respect to each Loan shall be payable in arrears on each Interest Payment Date for such Loan.

B. PRIME RATE LOANS. Loans which are Prime Rate Loans shall bear interest on the unpaid principal amount thereof at a rate per annum equal to the lesser of (x) Prime Rate PLUS the Applicable Margin and (y) the Highest Lawful Rate.

C. LIBO RATE LOANS. Loans which are LIBO Rate Loans shall bear interest for each Interest Period with respect thereto on the unpaid

principal amount thereof at a rate per annum equal to the lesser of (x) the LIBO Rate determined for such Interest Period in accordance with the terms hereof plus the Applicable Margin or (y) the Highest Lawful Rate.

4.C CONTINUATION AND CONVERSION OPTIONS.

The Borrower may elect from time to time to convert its outstanding Loans from Loans bearing interest at a rate determined by reference to one basis to Loans bearing interest at a rate determined by reference to an alternative basis by giving the Lender (i) irrevocable notice of an election to convert Loans to Prime Rate Loans and (ii) at least three (3) LIBO Business Days' prior irrevocable notice of an election to convert Loans to LIBO Rate Loans, PROVIDED that any conversion of Loans other than Prime Rate Loans shall only be made on the last day of an Interest Period with respect thereto; PROVIDED, FURTHER that, no Loan may be converted to a Loan other than a Prime Rate Loan so long as an Event of Default or Potential Event of Default has occurred and is continuing. The Borrower may elect from time to time to continue its outstanding LIBO Rate Loans upon the expiration of the Interest Period(s) applicable thereto by giving to the Lender at least three (3) LIBO Business Days' prior irrevocable notice of continuation of a LIBO Rate Loan and the succeeding Interest Period(s) of such continued Loan or Loans will commence on the last day of the Interest Period of the Loan to be continued; PROVIDED that no Loan may be continued as a Loan other than a Prime Rate Loan so long as an Event of Default or Potential Event of Default has occurred and is continuing. Each notice electing to convert or continue a Loan shall specify: (i) the proposed conversion/continuation date; (ii) the amount of the Loan to be converted/continued; (iii) the nature of the proposed continuation/conversion; and (iv) in the case of a conversion to, or continuation of a Loan other than a Prime Rate Loan, the requested Interest Period, and shall certify that no Event of Default or Potential Event of Default has occurred and is continuing. On the date on which such conversion or continuation is being made the Lender shall take such action as is necessary to effect such conversion or continuation. In the event that no notice of continuation or conversion is received by the Lender with respect to outstanding Loans other than Prime Rate Loans, upon expiration of the Interest Period(s) applicable thereto, such Loans shall convert to Prime Rate Loans. Subject to the limitations set forth in this Section and in the definition of Interest Period, all or any part of outstanding Loans may be converted or continued as provided herein, PROVIDED that partial conversions or continuations with respect to Loans other than Prime Rate Loans shall be in an aggregate minimum amount of \$500,000 and in an integral multiple of \$100,000.

SECTION 3.

GENERAL PROVISIONS CONCERNING THE LOANS

1.C USE OF PROCEEDS.

The proceeds of the Loans hereunder shall be used by the Borrower for general working capital purposes of the Borrower and its Subsidiaries.

2.C POST MATURITY INTEREST.

Notwithstanding anything to the contrary contained in subsection 2.3, if all or a portion of the principal amount of any of the Loans made hereunder or any interest accrued thereon shall not be paid when due (whether at the stated maturity, by acceleration or otherwise), any such overdue amount shall bear interest at a rate per annum which is equal to two percent (2%) above the highest rate which would otherwise be applicable pursuant to subsection 2.3, payable on demand. In addition, such Loan, if a Loan other than a Prime Rate Loan, shall be converted to a Prime Rate Loan at the end of the then current Interest Period therefor.

3.C COMPUTATION OF INTEREST AND FEES.

A. CALCULATIONS. Interest in respect of the Prime Rate Loans shall be calculated on the basis of a 360 day year for the actual days elapsed. Any change in the interest rate on a Prime Rate Loan resulting from a change in the Prime Rate shall become effective as of the opening of business on the day on which such change in the Prime Rate shall become effective. Interest in respect of the LIBO Rate Loans shall be calculated on the basis of a 360 day year for the actual days elapsed.

B. DETERMINATION BY LENDER. Each determination of an interest rate or fee by the Lender pursuant to any provision of this Agreement shall be conclusive and binding on the Borrower in the absence of manifest error.

4.B PAYMENTS.

The Borrower shall make each payment of principal, interest and fees hereunder and under the Note, without set-off or counterclaim, not later than 2:00 P.M., New York time, on the day when due in lawful money of the

United States of America to the Lender at the office of the Lender designated from time to time in immediately available funds.

5.B PAYMENT ON NON-BUSINESS DAYS.

Whenever any payment to be made hereunder or under the Note with respect to Prime Rate Loans shall be stated to be due on a day which is not a Business Day, such payment may be made on the next succeeding Business Day, and with respect to payments of principal, interest thereon shall be payable at the then applicable rate during such extension.

6.B REDUCED RETURN.

If the Lender shall have determined that any applicable law, regulation, rule or regulatory requirement ('`REQUIREMENT'') regarding capital adequacy, or any change therein, 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 the Lender 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 the Lender's capital as a consequence of its Commitments and obligations hereunder to a level below that which would have been achieved but for such Requirement, change or compliance (taking into consideration the Lender's policies with respect to capital adequacy) by an amount deemed by the Lender to be material (which amount shall be determined by the Lender's reasonable allocation of the aggregate of such reductions resulting from such events), then from time to time, within five (5) Business Days after demand by the Lender, the Borrower shall pay to the Lender such additional amount or amounts as will compensate the Lender for such reduction.

7.B INDEMNITIES, ETC.

A. INDEMNITIES. Whether or not the transactions contemplated hereby shall be consummated, the Borrower and each Guaranty, jointly and severally, agree to indemnify, pay and hold the Lender, and the shareholders, officers, directors, employees and agents of the Lender, harmless from and against any and all claims, liabilities, losses, damages, costs and expenses (whether or not any of the foregoing Persons is a party to any litigation), including, without limitation, reasonable attorneys' fees and costs (including, without limitation, the reasonable estimate of the allocated cost of in-house legal counsel and staff) and costs of investigation, document production, attendance at a deposition, or other discovery, with respect to or arising out of this Agreement or any other Loan Document or any use of proceeds hereunder, or any claim, demand, action or cause of action being asserted against the Borrower, any Guarantor or any of their respective Subsidiaries (collectively, the '`INDEMNIFIED LIABILITIES''); PROVIDED neither the Borrower nor any Guarantor shall have any obligation hereunder with respect to Indemnified Liabilities arising from the gross negligence or willful misconduct of any such Persons. If any claim is made, or any action, suit or proceeding is brought, against any Person indemnified pursuant to this subsection, the indemnified Person shall notify the Borrower of such claim or of the commencement of such action, suit or proceeding, and the Borrower and each Guarantor will assume the defense of such action, suit or proceeding, employing counsel selected by the Borrower and each Guarantor and reasonably satisfactory to the indemnified Person, and pay the fees and expenses of such counsel. This covenant shall survive termination of this Agreement and payment of the Note.

B. FUNDING LOSSES. The Borrower agrees to indemnify the Lender and to hold the Lender harmless from any loss or expense including, but not limited to, any such loss or expense arising from interest or fees payable by the Lender to lenders of funds obtained by it in order to maintain its LIBO Rate Loans hereunder, which the Lender may sustain or incur as a consequence of (i) default by the Borrower in payment of the principal amount of or interest on the LIBO Rate Loans of the Lender, (ii) default by the Borrower in making a conversion or continuation after the Borrower has given a notice thereof, (iii) default by the Borrower in making any payment after the Borrower has given a notice of payment or (iv) the Borrower making any payment of a LIBO Rate Loan on a day other than the last day of the Interest Period for such Loan. For purposes of this subsection and subsection 3.7, it shall be assumed that the Lender had funded or would have funded, as the case may be, 100% of its LIBO Rate Loans in the London interbank market for a corresponding amount and term. The determination by the Lender of amount owed under subsection 3.7 shall be presumed correct in the absence of manifest error. This covenant shall survive termination of this Agreement and payment of the Note.

8.B FUNDING SOURCES.

Nothing in this Agreement shall be deemed to obligate the Lender to obtain the funds for any Loan in any particular place or manner or to

constitute a representation by the Lender that it has obtained or will obtain the funds for any Loan in any particular place or manner.

9.B INABILITY TO DETERMINE INTEREST RATE.

In the event that the Lender shall have determined (which determination shall be conclusive and binding upon the Borrower) that by reason of circumstances affecting the interbank LIBOR market, adequate and reasonable means do not exist for ascertaining the LIBO Rate applicable pursuant to subsection 2.3 for any Interest Period with respect to a LIBO Rate Loan that will result from a requested LIBO Rate Loan or that such rate of interest does not adequately cover the cost of funding such Loan, the Lender shall forthwith give notice of such determination to the Borrower not later than 1:00 P.M., New York time, on the requested Borrowing date, the requested conversion date or the last day of an Interest Period of a Loan which was to have been continued as a LIBO Rate Loan. If such notice is given and has not been withdrawn (i) any requested LIBO Rate Loan shall be made as a Prime Rate Loan (or a Loan bearing interest at such other rate, if any, as may be mutually acceptable to the Borrower and the Lender), or, at the Borrower's option, such Loan shall not be made, (ii) any Loan that was to have been converted to a LIBO Rate Loan shall be continued as, or converted into, a Prime Rate Loan and (iii) any outstanding LIBO Rate Loan shall be converted, on the last day of the then current Interest Period with respect thereto, to a Prime Rate Loan. Until such notice has been withdrawn by the Lender, no further LIBO Rate Loans shall be made and the Borrower shall not have the right to convert a Loan to a LIBO Rate Loan. The Lender will review the circumstances affecting the interbank LIBO market from time to time and the Lender will withdraw such notice at such time as it shall determine that the circumstances giving rise to said notice no longer exist.

10.B REQUIREMENTS OF LAW.

In the event that any law, regulation or directive or any change therein or in the interpretation or application thereof or compliance by the Lender with any request or directive (whether or not having the force of law) from any central bank or other governmental authority, agency or instrumentality:

A. does or shall impose, modify or hold applicable any reserve, assessment rate, special deposit, compulsory loan or other requirement against assets held by, or deposits or other liabilities in or for the account of, advances or loans by, or other credit extended by, or any other acquisition of funds by, any office of the Lender which are not otherwise included in the determination of any LIBO Rate at the last Borrowing, conversion or continuation date of a Loan;

B. does or shall impose, modify or hold applicable any reserve, special deposit, compulsory loan or other requirement against Commitments to extend credit;

C. does or shall impose on the Lender any other condition;

and the result of any of the foregoing is to increase the cost to the Lender of making, renewing or maintaining its Commitment or the LIBO Rate Loans or to reduce any amount receivable thereunder (which increase or reduction shall be determined by the Lender's reasonable allocation of the aggregate of such cost increases or reduced amounts receivable resulting from such events), then, in any such case, the Borrower shall pay to the Lender, within three Business Days of its demand, any additional amounts necessary to compensate the Lender for such additional cost or reduced amount receivable as determined by the Lender with respect to this Agreement. If the Lender becomes entitled to claim any additional amounts pursuant to this subsection, it shall notify the Borrower of the event by reason of which it has become so entitled. A statement incorporating the calculation as to any additional amounts payable pursuant to the foregoing sentence submitted by the Lender to the Borrower shall be conclusive in the absence of manifest error.

11.C ILLEGALITY.

Notwithstanding any other provisions herein, if any law, regulation, treaty or directive or any change therein or in the interpretation or application thereof, shall make it unlawful, impossible, or impracticable for the Lender to make or maintain LIBO Rate Loans as contemplated by this Agreement, (a) the commitment of the Lender hereunder to make LIBO Rate Loans or convert Prime Rate Loans to LIBO Rate Loans shall forthwith be cancelled and (b) the Lender's Loans then outstanding as LIBO Rate Loans, if any, shall be converted automatically to Prime Rate Loans on the next succeeding Interest Payment Date or within such earlier period as allowed by law. The Borrower hereby agrees to pay the Lender, within three (3) Business Days of its demand, any additional amounts necessary to compensate the Lender for any costs incurred by the Lender in making any conversion in

accordance with this subsection, including, but not limited to, any interest or fees payable by the Lender to lenders of funds obtained by it in order to make or maintain its LIBO Rate Loans hereunder (the Lender's notice of such costs, as certified to the Borrower to be conclusive absent manifest error).

12.C TAXES.

A. Any and all payments made by the Borrower hereunder shall be made free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges and withholdings (whether imposed under the laws of the United States or Mexico), and all liabilities with respect thereto, excluding taxes imposed on net income and all income and franchise taxes of the United States and any political subdivisions thereof (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as ``TAXES``). If the Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder to the Lender, (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable hereunder) the Lender receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law.

B. In addition, the Borrower agrees to pay any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies which arise from any payment made hereunder or from the execution, delivery or registration of, or otherwise with respect to, the obligations (hereinafter referred to as ``OTHER TAXES``).

C. The Borrower will indemnify the Lender for the full amount of Taxes or Other Taxes (including, without limitation, any Taxes or Other Taxes imposed by any jurisdiction on amounts payable under this subsection) paid by the Lender and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted. This indemnification shall be made within 10 days from the date the Lender makes written demand therefor.

D. Within 10 days after the date of any payment of Taxes, the Borrower will furnish to the Lender, at its address specified herein, the original or a certified copy of a receipt evidencing payment thereof. If no Taxes are payable in respect of any payment hereunder, the Borrower will furnish to the Lender a certificate from each appropriate taxing authority, or an opinion of counsel acceptable to the Lender, in either case stating that such a payment is exempt from or not subject to Taxes.

E. Without prejudice to the survival of any other agreement of the Borrower hereunder, the agreements of the Borrower contained in this subsection 3.12 shall survive the payment in full of the principal of and interest on the Note.

13.E JUDGMENT.

A. If, for the purposes of obtaining a judgment in any court with respect to any obligation under any Loan Document, it is necessary to convert a sum due hereunder in United States dollars into another currency, the parties agree, to the fullest extent permitted by law, that the rate of exchange used shall be that at which in accordance with normal lending procedures the Lender could purchase United States dollars with such other currency on the Business Day preceding that on which final judgment is given.

B. The obligation of the Borrower and each Guarantor in respect of any sum due from time to time to the Lender under any Loan Document shall, notwithstanding any judgment in a currency other than United States dollars, be discharged only to the extent that on the Business Day following receipt by the Lender of any sum adjudged to be so due in such other currency the Lender may in accordance with normal banking procedures purchase United States dollars with such other currency; if the United States dollars so purchased are less than the sum originally due to the Lender in United States dollars, the Borrower and Guarantors, jointly and severally, agree, as a separate obligation and notwithstanding any such judgment, to indemnify the Lender against such loss, and if the United States dollars so purchased exceed the sum originally due to the Lender in United States dollars, the Lender agrees to remit to the Borrower or such Guarantor, as the case may be, such excess.

1.B CONDITIONS PRECEDENT TO INITIAL LOANS.

The obligation of the Lender to make its initial Loan is subject to the conditions precedent that:

A. The Lender shall have received on or before the day of the initial Borrowing the following, in form and substance satisfactory to the Lender (and which, if any such document is written in Spanish, at the request of Lender, shall include an English translation thereof):

(i) The Note issued by the Borrower to the order of the Lender;

(ii) Copies of the Articles, Certificate of Incorporation or other organizational document of the Borrower and each Guarantor, certified by its Secretary or Assistant Secretary,

(iii) Copies of the Bylaws of the Borrower and each Guarantor, certified by its Secretary or Assistant Secretary;

(iv) Copies of resolutions of the Board of Directors or other authorizing documents of the Borrower and each Guarantor, in form and substance satisfactory to the Lender, approving the Loan Documents and the Borrowings hereunder;

(v) An incumbency certificate executed by the Secretary or an Assistant Secretary of the Borrower and each Guarantor or equivalent document, certifying the names and signatures of the officers of the Borrower and each Guarantor or other Persons authorized to sign the Loan Documents and the other documents to be delivered hereunder;

(vi) A favorable opinion of counsel to the Borrower and Guarantors, in the form of EXHIBIT C hereto, and as to such other matters as the Lender may reasonably request; and

(vii) Executed copies of the Guaranty.

B. All corporate and legal proceedings and all instruments and documents in connection with the transactions contemplated by this Agreement shall be reasonably satisfactory in content, form and substance to the Lender and its counsel, and the Lender and such counsel shall have received any and all further information and documents which the Lender or such counsel may reasonably have requested in connection therewith, such documents where appropriate to be certified by proper corporate or governmental authorities.

2.B CONDITIONS PRECEDENT TO EACH BORROWING.

The obligation of the Lender to make a Loan on the occasion of each Borrowing (including the initial Borrowing) shall be subject to the further conditions precedent that on the date of such Borrowing (a) the following statements shall be true and the Lender shall have received the notice required by subsection 2.1B, which notice shall be deemed to be a certification by the Borrower that:

(i) The representations and warranties contained in subsection 5.1 are true and correct on and as of the date of such Borrowing as though made on and as of such date,

(ii) No event has occurred and is continuing, or would result from such Borrowing, which constitutes an Event of Default or Potential Event of Default, and

(iii) All Loan Documents are in full force and effect.

SECTION 5. REPRESENTATIONS AND WARRANTIES

1.A REPRESENTATIONS AND WARRANTIES.

The Borrower and each Guarantor represents and warrants as follows:

A. ORGANIZATION. The Borrower and each Guarantor is duly organized, validly existing and in good standing under the laws of the state or other jurisdiction of its formation. The Borrower and each Guarantor is also, in all material respects, duly authorized, qualified and licensed in all applicable jurisdictions, and under all applicable laws, regulations, ordinances or orders of public authorities, to carry on its business in the locations and in the manner presently conducted.

B. AUTHORIZATION. The execution, delivery and performance by

the Borrower and each Guarantor of the Loan Documents to which it is a party, and with respect to the Borrower, the making of Borrowings hereunder, are within the Borrower's and each Guarantor's corporate powers, have been duly authorized by all necessary corporate action and do not contravene (i) the Borrower's or any Guarantor's charter, by-laws or other organizational document or (ii) any law or regulation (including, without limitation, Regulations G, T, U and X) or any contractual restriction binding on or affecting the Borrower or any Guarantor.

C. GOVERNMENTAL CONSENTS. No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body (except, in the case of Company, routine reports required pursuant to the Securities Exchange Act of 1934, as amended), which reports will be made in the ordinary course of business) is required for the due execution, delivery and performance by the Borrower and each Guarantor of the Loan Documents to which it is a party.

D. VALIDITY. Each of the Loan Documents is the binding obligation of the Borrower and each Guarantor party thereto, enforceable in accordance with its terms; except in each case as such enforceability may be limited by bankruptcy, insolvency, reorganization, liquidation, moratorium or other similar laws of general application and equitable principles relating to or affecting creditors' rights.

E. FINANCIAL CONDITION. The consolidated balance sheet of the Parent and its Subsidiaries as at September 30, 1995 and the related statements of income and retained earnings of the Parent and its consolidated Subsidiaries for such fiscal year, copies of which have been furnished to the Lender, fairly present the financial condition of the Parent and its consolidated Subsidiaries as at such dates and the results of the operations of the Parent and its consolidated Subsidiaries for the respective periods ended on such dates, all in accordance with GAAP, consistently applied, and since September 30, 1995, there has been no material adverse change in the business, operations, properties, assets or condition (financial or otherwise) of the Parent and its Subsidiaries, taken as a whole.

F. LITIGATION. There is no pending or threatened action or proceeding affecting the Borrower, any Guarantor or any of their respective Subsidiaries before any court, governmental agency or arbitrator, which may materially and adversely affect the consolidated financial condition or operations of the Borrower or any Guarantor or which may have a material adverse effect on the Borrower's or any Guarantor's ability to perform its obligations under the Loan Documents, having regard for its other financial obligations.

G. DISCLOSURE. No representation or warranty of the Borrower or any Guarantor contained in this Agreement or any other document, certificate or written statement furnished to the Lender by or on behalf of the Borrower or any Guarantor for use in connection with the transactions contemplated by this Agreement contains any untrue statement of a material fact or omits to state a material fact (known to the Borrower or any Guarantor in the case of any document not furnished by it) necessary in order to make the statements contained herein or therein not misleading. There is no fact known to the Borrower or any Guarantor (other than matters of a general economic nature) which materially adversely affects the business, operations, property, assets or condition (financial or otherwise) of the Borrower or any Guarantor and their respective Subsidiaries, taken as a whole, which has not been disclosed herein or in such other documents, certificates and statements furnished to the Lender for use in connection with the transactions contemplated hereby.

H. REPRESENTATIONS AND WARRANTIES INCORPORATED FROM COMPANY CREDIT AGREEMENT. Each of the representations and warranties given by Company pursuant to the Company Credit Agreement are true and correct in all material respects as of the date made (whether given on or after the Closing Date) and such representations and warranties are hereby incorporated herein by this reference with the same effect as though set forth in their entirety herein, subject to the qualifications set forth in the Company Credit Agreement.

SECTION 6. COVENANTS

1.H AFFIRMATIVE COVENANTS.

So long as the Note shall remain unpaid or the Lender shall have any Commitment hereunder, the Parent will, unless the Lender shall otherwise consent in writing:

A. FINANCIAL INFORMATION. Furnish to the Lender:

(i) Copies of all financial and other information delivered pursuant to Section 7.4 of the Company Credit Agreement as and when delivered thereunder.

(ii) Not later than 45 days after the end of each fiscal month of Parent, a compliance certificate, in form and substance satisfactory to the Lender, demonstrating in reasonable detail compliance with the restrictions contained in subsections 6.2A and 6.2B hereof.

B. OTHER NOTICES AND INFORMATION. Deliver to the Lender:

(i) promptly upon any officer of the Parent or the Borrower obtaining knowledge (a) of any condition or event which constitutes an Event of Default or Potential Event of Default, (b) that any Person has given any notice to the Parent or any Subsidiary of the Parent or taken any other action with respect to a claimed default or event or condition of the type referred to in subsection 7.1E, (c) of the institution of any litigation involving an alleged liability (including possible forfeiture of property) of the Parent or any of its Subsidiaries equal to or greater than \$500,000 or any adverse determination in any litigation involving a potential liability of the Parent or any of its Subsidiaries equal to or greater than \$500,000, or (d) of a material adverse change in the business, operations, properties, assets or condition (financial or otherwise) of the Parent and its Subsidiaries, taken as a whole, an officers' certificate specifying the nature and period of existence of any such condition or event, or specifying the notice given or action taken by such holder or Person and the nature of such claimed default, Event of Default, Potential Event of Default, event or condition, and what action the Parent has taken, is taking and proposes to take with respect thereto;

(ii) promptly, and in any event within ten (10) days after request, such other information and data with respect to the Parent or any of its Subsidiaries as from time to time may be reasonably requested by the Lender.

C. CORPORATE EXISTENCE, ETC. At all times preserve and keep in full force and effect its and its Subsidiaries' corporate existence and rights and franchises material to its business and those of each of its Subsidiaries; PROVIDED, HOWEVER, that the corporate existence of any such Subsidiary may be terminated if such termination is in the best interest of the Parent and Borrower and is not materially disadvantageous to the holder of any Note.

D. PAYMENT OF TAXES AND CLAIMS. Pay, and cause each of its Subsidiaries to pay, all taxes, assessments and other governmental charges imposed upon it or any of its properties or assets or in respect of any of its franchises, business, income or property before any penalty or interest accrues thereon, and all claims (including, without limitation, claims for labor, services, materials and supplies) for sums which have become due and payable and which by law have or may become a lien upon any of its properties or assets, prior to the time when any penalty or fine shall be incurred with respect thereto; PROVIDED that no such charge or claim need be paid if being contested in good faith by appropriate proceedings promptly instituted and diligently conducted and if such reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made therefor.

E. MAINTENANCE OF PROPERTIES; INSURANCE. Maintain or cause to be maintained in good repair, working order and condition all material properties used or useful in the business of the Parent and its Subsidiaries and from time to time will make or cause to be made all appropriate repairs, renewals and replacements thereof. The Parent will maintain or cause to be maintained, with financially sound and reputable insurers, insurance with respect to its properties and business and the properties and business of its Subsidiaries against loss or damage of the kinds customarily insured against by corporations of established reputation engaged in the same or similar businesses and similarly situated, of such types and in such amounts as are customarily carried under similar circumstances by such other corporations.

F. INSPECTION. Permit any authorized representatives designated by the Lender to visit and inspect any of the properties of the Parent or any of its Subsidiaries, including its and their financial and accounting records, and to make copies and take extracts therefrom, and to discuss its and their affairs, finances and accounts

with its and their officers and independent public accountants, all at such reasonable times during normal business hours and as often as may be reasonably requested.

G. COMPLIANCE WITH LAWS, ETC. Exercise, and cause each of its Subsidiaries to exercise, all due diligence in order to comply with the requirements of all applicable laws, rules, regulations and orders of any governmental authority, including, without limitation, all environmental laws, rules, regulations and orders, noncompliance with which would materially adversely affect the business, properties, assets, operations or condition (financial or otherwise) of the Parent and its Subsidiaries, taken as a whole.

2.G NEGATIVE COVENANTS.

So long as any Note shall remain unpaid or the Lender shall have any Commitment hereunder, the Parent will not, and, with respect to subdivision C below, Company will not, without the written consent of the Lender:

A. CURRENT RATIO. Permit the ratio of Consolidated Current Assets to Consolidated Current Liabilities at any time to be less than 1.0 to 1.0.

B. MINIMUM NET OPERATING PROFITS. Company will not permit Company Cumulative Net Operating Profits to be less than (x) \$5,000,000 for the fiscal quarter ending March 31, 1996, (y) \$9,000,000 for the fiscal quarter ending June 30, 1996 and (z) \$29,100,000 for fiscal year 1996. Parent will not permit Parent Cumulative Net Operating Profits (x) for fiscal year 1996, to be less than negative \$12,000,000 as of the end of any fiscal quarter and (y) for each fiscal year thereafter, as of the end of any fiscal quarter, to be less than \$1.

C. LIENS, ETC. Create or suffer to exist, or permit any of its Subsidiaries to create or suffer to exist, any Lien upon or with respect to any of its properties, whether now owned or hereafter acquired, or assign, or permit any of its Subsidiaries to assign, any right to receive income, in each case to secure any Debt of any Person.

D. DEBT. Create or suffer to exist, or permit any of its Subsidiaries to create or suffer to exist, any Debt, other than (i) Debt reflected on the Parent's financial statements referred to in subsection 5.1E hereof and other Debt existing on the date hereof; (ii) Debt owed to the Lender; (iii) Debt of a Subsidiary of Borrower to another Subsidiary of Borrower or to the Borrower, (iv) Debt owed to Parent or Company; PROVIDED that no such indebtedness owed to Parent or Company shall be required to be repaid or shall be prepaid, in whole or in part, at any time any Loan is outstanding; (v) ordinary course trade payables and (vi) obligations not in excess of \$2,000,000 with respect to Capital Leases.

E. DIVIDENDS, ETC. Declare or pay any dividends, purchase or otherwise acquire for value any of its capital stock now or hereafter outstanding, or make any distribution of assets to its stockholders as such, or permit any of its Subsidiaries to purchase or otherwise acquire for value any stock of the Borrower.

F. CONSOLIDATION, MERGER. Consolidate with or merge into any other corporation or entity except that a Subsidiary of the Borrower may consolidate with or merge into the Borrower, PROVIDED that the Borrower shall be the surviving entity of such merger or consolidation, and PROVIDED, FURTHER, that immediately after the consummation of such consolidation or merger there shall exist no condition or event which constitutes an Event of Default or a Potential Event of Default.

G. LOANS, INVESTMENTS, SECONDARY LIABILITIES. Make or permit to remain outstanding, or permit any Subsidiary to make or permit to remain outstanding, any loan or advance to, or guarantee, induce or otherwise become contingently liable, directly or indirectly, in connection with the obligations, stock or dividends of, or own, purchase or acquire any stock, obligations or securities of or any other interest in, or make any capital contribution to, any other Person, except that the Borrower and its Subsidiaries may:

(i) own, purchase or acquire commercial paper rated Moody's P-I, municipal bonds rated Moody's AA or better, direct obligations of the United States of America or its agencies, and obligations guaranteed by the United States of America;

(ii) acquire and own stock, obligations or securities received from customers in connection with debts created in the ordinary course of business owing to the Borrower or a

Subsidiary;

(iii) continue to own the existing capital stock of its Subsidiaries;

(iv) endorse negotiable instruments for deposit or collection or similar transactions in the ordinary course of business;

(v) allow the Borrower's Subsidiaries to make or permit to remain outstanding advances from the Borrower's Subsidiaries to the Borrower;

(vi) make or permit to remain outstanding loans or advances to the Borrower's Subsidiaries;

(vii) make or permit to remain outstanding Loans to employees in an aggregate principal amount not in excess of \$500,000;

(viii) Company may make loans to Parent; and

(ix) short term investments with a maturity of 90 days or less in major Mexican banking institutions.

H. ASSET SALES. Convey, sell, lease, transfer or otherwise dispose of, or permit any Subsidiary to convey, sell, lease, transfer or otherwise dispose of, in one transaction or a series of transactions, all or any part of its or any Subsidiary's business, property or fixed assets outside the ordinary course of business, whether now owned or hereafter acquired, except that the Borrower and its Subsidiaries may convey, sell, lease, transfer or otherwise dispose of business, property or fixed assets for consideration which in the aggregate do not exceed 5% of the aggregate book value of the consolidated assets of Parent and its Subsidiaries as of the Closing Date.

3.H INCORPORATION OF COVENANTS FROM COMPANY CREDIT AGREEMENT.

The Borrower and each of the Guarantors hereby agrees that it will honor and perform each of the covenants and other obligations set forth in the Company Credit Agreement, to the extent applicable to the Borrower or such Guarantor, and each such covenant and other obligation is hereby incorporated herein by this reference with the same effect as though set forth in their entirety herein, subject to the qualifications set forth in the Company Credit Agreement, as it may be amended from time to time.

SECTION 7. EVENTS OF DEFAULT

1.H EVENTS OF DEFAULT.

If any of the following events ('EVENTS OF DEFAULT') shall occur and be continuing:

A. The Borrower shall fail to pay any installment of the principal when due, or shall fail to pay any installment of interest or other amount payable hereunder when due, within two (2) Business Days after notice from Lender; or

B. Any representation or warranty made by the Borrower or any Guarantor herein or by the Borrower or any Guarantor (or any of their respective officers) in connection with this Agreement shall prove to have been incorrect in any material respect when made; or

C. Company shall fail to retain voting control of Parent and, indirectly through Parent, Borrower; or

D. The Borrower or any Guarantor shall fail to perform or observe any term, covenant or agreement contained in this Agreement other than those referred to in subsections 7.1A and B above on its part to be performed or observed and any such failure shall remain unremedied for thirty (30) days after the Borrower or such Guarantor knows of such failure; or

E. (i) The Borrower, any Guarantor or any of their respective Subsidiaries shall (A) fail to pay any principal of, or premium or interest on, any Debt, the aggregate outstanding principal amount of which is at least \$1,000,000 (excluding Debt evidenced by the Note), when due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Debt, or (B) fail to perform or observe

any term, covenant or condition on its part to be performed or observed under any agreement or instrument relating to any such Debt, when required to be performed or observed, and such failure shall continue after the applicable grace period, if any, specified in such agreement or instrument; or

F. (i) The Borrower, any Guarantor or any of their respective Subsidiaries shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its assets, or the Borrower, any Guarantor or any of their respective Subsidiaries shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against the Borrower, any Guarantor or any of their respective Subsidiaries any case, proceeding or other action of a nature referred to in clause (i) above which (A) results in the entry of an order for relief or any such adjudication or appointment or (B) remains undismissed, undischarged or unbonded for a period of thirty (30) days; or (iii) there shall be commenced against the Borrower, any Guarantor or any of their respective Subsidiaries any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within thirty (30) days from the entry thereof; or (iv) the Borrower, any Guarantor or any of their respective Subsidiaries shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii) and (iii) above; or (v) the Borrower, any Guarantor or any of their respective Subsidiaries shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due; or

G. One or more judgments or decrees shall be entered against the Borrower, any Guarantor or any of their respective Subsidiaries involving in the aggregate a liability (not paid or fully covered by insurance) equal to or greater than \$2,000,000 and all such judgments or decrees shall not have been vacated, discharged, or stayed or bonded pending appeal within thirty (30) days from the entry thereof; or

H. The Guaranty, for any reason other than satisfaction in full of all obligations of the Borrower under the Loan Documents, ceases to be in full force and effect or is declared null and void, or any Guarantor denies that it has any further liability under such guaranty or gives notice to such effect;

THEN, (i) upon the occurrence of any Event of Default described in clause F above, the Commitment shall immediately terminate and all Loans hereunder with accrued interest thereon, and all other amounts owing under this Agreement, the Note and the other Loan Documents shall automatically become due and payable; and (ii) upon the occurrence of any other Event of Default, the Lender may, by notice to the Borrower, declare the Commitment to be terminated forthwith, whereupon the Commitment shall immediately terminate, and/or, by notice to the Borrower, declare the Loans hereunder, with accrued interest thereon, and all other amounts owing under this Agreement, the Note and the other Loan Documents to be due and payable forthwith, whereupon the same shall immediately become due and payable. Except as expressly provided above in this subsection, presentment, demand, protest and all other notices of any kind are hereby expressly waived.

SECTION 8. MISCELLANEOUS

1.H AMENDMENTS, ETC.

No amendment or waiver of any provision of the Loan Documents nor consent to any departure by the Borrower or any Guarantor therefrom, shall in any event be effective unless the same shall be in writing and signed by the Lender, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

2.H NOTICES, ETC.

Except as otherwise set forth in this Agreement, all notices and other communications provided for hereunder shall be in writing (including telegraphic, telex or facsimile communication) and mailed or telegraphed or

telexed or sent by facsimile or delivered, if to the Borrower or any Guarantor, at their addresses set forth on the signature page hereof; and if to the Lender, at its address set forth on the signature page hereof; or, as to each party, at such other address as shall be designated by such party in a written notice to the other parties. All such notices and communications shall be effective when deposited in the mails, delivered to the telegraph company, sent by telex or sent by facsimile, respectively, except that notices and communications to the Lender pursuant to Section 2 or 7 shall not be effective until received by the Lender.

3.H RIGHT OF SETOFF; DEPOSIT ACCOUNTS.

Upon and after the occurrence of any Event of Default, the Lender is hereby authorized by the Borrower, at any time and from time to time, without notice, (a) to set off against, and to appropriate and apply to the payment of, the obligations and liabilities of the Borrower under the Loan Documents (whether matured or unmatured, fixed or contingent or liquidated or unliquidated) any and all amounts owing by the Lender to the Borrower (whether payable in Dollars or any other currency, whether matured or unmatured, and, in the case of deposits, whether general or special, time or demand and however evidenced) and (b) pending any such action, to the extent necessary, to hold such amounts as collateral to secure such obligations and liabilities and to return as unpaid for insufficient funds any and all checks and other items drawn against any deposits so held as the Lender in its sole discretion may elect. The Borrower and each Guarantor hereby grants to the Lender a security interest in all deposits and accounts maintained with the Lender. The Lender is authorized to debit any account maintained with it or any affiliate of Lender by the Borrower and each Guarantor for any amount of principal, interest or fees which are then due and owing to the Lender. The rights of the Lender under this subsection are in addition to other rights and remedies (including other rights of set-off) which the Lender may have.

4.H NO WAIVER; REMEDIES.

No failure on the part of the Lender to exercise, and no delay in exercising, any right under any of the Loan Documents shall operate as a waiver thereof; nor shall any single or partial exercise of any right under any of the Loan Documents preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

5.H COSTS AND EXPENSES.

The Borrower and the Guarantors, jointly and severally, agree to pay on demand all costs and expenses of the Lender (including attorney's fees and the reasonable estimate of the allocated cost of in-house counsel and staff) in connection with the preparation, amendment, modification, enforcement (including, without limitation, in appellate, bankruptcy, insolvency, liquidation, reorganization, moratorium or other similar proceedings) or restructuring of the Loan Documents.

6.H PARTICIPATIONS.

The Lender may sell, assign, transfer, negotiate or grant participations to other financial institutions in all or part of the obligations of the Borrower and the Guarantors outstanding under the Loan Documents, PROVIDED that any such sale, assignment, transfer, negotiation or participation shall be in compliance with the applicable federal and state securities laws; and PROVIDED, FURTHER that any assignee or transferee agrees to be bound by the terms and conditions of this Agreement. The Lender may, in connection with any actual or proposed assignment or participation, disclose to the actual or proposed assignee or participant, any information relating to the Borrower, the Guarantors or any of their respective Subsidiaries.

7.H EFFECTIVENESS; BINDING EFFECT; GOVERNING LAW.

This Agreement shall become effective when it shall have been executed by the Borrower, each Guarantor, and the Lender and thereafter shall be binding upon and inure to the benefit of the Borrower, each Guarantor, the Lender and their respective successors and assigns, except that neither the Borrower nor any Guarantor shall have the right to assign its rights hereunder or any interest herein or under any Loan Document without the prior written consent of the Lender. THIS AGREEMENT AND THE NOTE(S) SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK WITHOUT GIVING EFFECT TO ITS CHOICE OF LAW DOCTRINE.

8.H WAIVER OF JURY TRIAL.

THE BORROWER, EACH GUARANTOR AND THE LENDER HEREBY AGREE TO WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT, ANY OF THE LOAN DOCUMENTS, OR ANY DEALINGS BETWEEN THEM RELATING TO THE SUBJECT MATTER OF THIS LOAN

TRANSACTION AND THE LENDER/BORROWER/GUARANTOR RELATIONSHIP THAT IS BEING ESTABLISHED. The scope of this waiver is intended to be all-encompassing of any and all disputes that may be filed in any court and that relate to the subject matter of this transaction, including without limitation, contract claims, tort claims, breach of duty claims, and all other common law and statutory claims. The Lender, the Borrower and each Guarantor acknowledge that this waiver is a material inducement to enter into a business relationship, that each has already relied on the waiver in entering into this Agreement, and that each will continue to rely on the waiver in their related future dealings. The Lender, the Borrower and each Guarantor further warrant and represent that each has reviewed this waiver with its legal counsel, and that each knowingly and voluntarily waives its jury trial rights following consultation with legal counsel. THIS WAIVER IS IRREVOCABLE, MEANING THAT IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING, AND THE WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT, THE LOAN DOCUMENTS, OR TO ANY OTHER DOCUMENTS OR AGREEMENTS RELATING TO THE LOAN. In the event of litigation, this Agreement may be filed as a written consent to a trial by the court.

9.H CONSENT TO JURISDICTION; VENUE; LENDER FOR SERVICE OF PROCESS.

All judicial proceedings brought against the Borrower or any Guarantor, with respect to this Agreement and the other Loan Documents may be brought in any state or federal court of competent jurisdiction in The City of New York or in the State of New York, and by execution and delivery of this Agreement, the Borrower and each Guarantor, accepts for itself and in connection with its properties, generally and unconditionally, the nonexclusive jurisdiction of the aforesaid courts, and irrevocably agrees to be bound by any judgment rendered thereby in connection with this Agreement. The Borrower and each Guarantor irrevocably waives any right it may have to assert the doctrine of FORUM NON CONVENIENS or to object to venue to the extent any proceeding is brought in accordance with this subsection. The Borrower and each Guarantor designates and appoints CT Corporation Systems and such other Persons as may hereafter be selected by the Borrower or any Guarantor, as the case may be, irrevocably agreeing in writing to so serve as its agent to receive on its behalf service of all process in any such proceedings in any such court, such service being hereby acknowledged by the Borrower and each Guarantor to be effective and binding service in every respect. A copy of any such process so served shall be mailed by registered mail to the Borrower or such Guarantor at its address provided in the applicable signature page hereto, except that unless otherwise provided by applicable law, any failure to mail such copy shall not affect the validity of service of process. If any agent appointed by the Borrower or any Guarantor refuses to accept service, the Borrower and each Guarantor hereby agree that service upon it by mail shall constitute sufficient notice. Nothing herein shall affect the right to serve process in any other manner permitted by law or shall limit the right of the Lender to bring proceedings against the Borrower or any Guarantor in courts of any jurisdiction.

10.H LAWFUL RATE.

All agreements between the Borrower, any Guarantor and the Lender, 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 Lender 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, exceed the highest lawful rate permissible under applicable law (the "HIGHEST LAWFUL RATE"), it being the intent of the Borrower, each Guarantor and the Lender in the execution hereof and of the Loan Documents to contract in strict accordance with applicable usury laws. If, as a result of any circumstances whatsoever, fulfillment by the any of the Borrower, any Guarantor or the Lender 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 Lender 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 Lender, then, ipso facto, the obligation to be fulfilled by the Borrower, or any Guarantor, as the case may be, shall be reduced to the limit of such validity, and if, from any such circumstance, the Lender 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 Borrower or such Guarantor, as the case may be, or, to the extent (i) permitted by applicable law and (ii) such excessive interest does not exceed the unpaid principal balance of the Note and the amounts owing on other obligations of the Borrower or such Guarantor, as the case may be, to the Lender under any Loan Document

applied to the reduction of the principal amount owing on account of the Note or the amounts owing on other obligations of the Borrower or such Guarantor, as the case may be, to the Lender under any Loan Document and not to the payment of interest. All interest paid or agreed to be paid to the Lender 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 Borrower, the Guarantors, and the Lender.

11.H ENTIRE AGREEMENT.

This Agreement with Exhibits and the other Loan Documents embody the entire agreement and understanding between the parties hereto and supersedes all prior agreements and understandings relating to the subject matter hereof.

12.H SEPARABILITY OF PROVISIONS.

In case any one or more of the provisions contained in this Agreement should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

13.H EXECUTION IN COUNTERPARTS.

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

[Remainder of page intentionally left blank.]

EXECUTION

CREDIT AGREEMENT

DATED AS OF JANUARY 31, 1996

AMONG

PILGRIM'S PRIDE, S.A. DE C.V.,
AS BORROWER,

PILGRIM'S PRIDE CORPORATION,
AVICOLA PILGRIM'S PRIDE DE MEXICO, S.A. DE C.V.,
COMPANIA INCUBADORA AVICOLA PILGRIM'S PRIDE, S.A. DE C.V.,
PRODUCTORA Y DISTRIBUIDORA DE ALIMENTOS, S.A. DE C.V.,
INMOBILIARIA AVICOLA PILGRIM'S PRIDE, S. DE R.L. DE C.V.,
AND
CIA. INCUBADORA HIDALGO, S.A. DE C.V.,
AS GUARANTORS,

AND

INTERNATIONALE NEDERLANDEN (U.S.) CAPITAL CORPORATION,
AS LENDER

6-MOS

SEP-28-1996
MAR-30-1996
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